

For information

Report on Significant Deviations between Accepted Tender Prices and Estimated Provisions in the Approved Project Estimates (for Capital Works Contracts Awarded in the Fourth Quarter of 2005)

The Director of Audit published on 21 April 2004 a report¹ on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the Audit took note of significant deviations between the accepted tender prices for some works contracts under this project and those estimated in the Approved Project Estimates (APE). The Public Accounts Committee (PAC) recommended in its June 2004 report that, in order to ensure effective monitoring on the use of funding, works departments should inform the Legislative Council (LegCo) when there is a difference of \$15 million or more between the accepted tender price and the estimated contract sum.

2. The Administration has agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated contract sums when these “equal/exceed \$15 million or 10% of the original estimated provision in the APE, whichever is the greater”². We submitted the first report covering up to December 2004 to PAC on 4 February 2005 and were directed by the Clerk to the Finance Committee that future reports should be addressed to the Public Works Subcommittee.

3. For the quarter ending December 2005, there were a total of three capital works contracts which satisfy the stipulated criteria. The relevant details of these contracts are set out at **Annex**.

Environment, Transport and Works Bureau
22 March 2006

¹ Director of Audit’s Report No. 42, Chapter 3

² Paragraph 25 of the Government’s Minute in response to Report No. 42 of the Public Accounts Committee tabled at the LegCo on 20 October 2004

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Department: Civil Engineering and Development Department

| Project Code Contract No. | Project Title Contract Title/ Award Date | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A)– (B) Difference |
|---|---|---------------------------------|---|---------------------------|---------------------|
| \$ million (in MOD prices) | | | | | |
| B564CL KL/2005/01 | Development near Choi Wan Road and Jordan Valley Development at Choi Wan Road and Jordan Valley, remaining infrastructure works – stage 1 / 12 December 2005 | 2,009.300 | 152.700 | 129.300 | 23.400 |
| <p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for –</p> <p>(a) construction of bridges (\$8 million);</p> <p>(b) reprovisioning works of the Tseung Kwan O Public Works Regional Laboratory (\$5 million); and</p> <p>(c) other works (\$10 million).</p> | | | | | |

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Department: Drainage Services Department

| Project Code Contract No. | Project Title Contract Title/ Award Date | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) – (B) Difference |
|--|---|---------------------------------|---|---------------------------|----------------------|
| \$ million (in MOD prices) | | | | | |
| 4204DS | Wan Chai East and North Point sewerage, remaining works | 221.700 | 173.000 | | |
| 4212DS | Wan Chai East and North Point sewerage, stage 1 works | 504.700 | 95.000 | | |
| | Total : | 726.400 | | | |
| DC/2002/02 | Wan Chai East and North Point sewerage, remaining works / 20 October 2005 | | 268.000 | 174.168 | 93.832 |
| <p>Difference between the accepted tender price and original estimate (shown in brackets) is likely to be caused by the adoption of a special condition of contract with sharing of risks caused by unforeseen subsoil conditions and keen competition under prevailing market conditions for –</p> <p>(a) contract preliminaries (\$14 million);</p> <p>(b) relining of existing sewers (\$29 million); and</p> <p>(c) laying of new sewers (\$51 million).</p> | | | | | |

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| Project Code Contract No. | Project Title Contract Title/ Award Date | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) – (B) Difference |
|--|---|---------------------------------|---|---------------------------|----------------------|
| \$ million (in MOD prices) | | | | | |
| 4215DS DC/2005/02 | <p>Yuen Long and Kam Tin sewerage and sewage disposal – Kam Tin trunk sewerage phase 1 and Au Tau trunk sewers</p> <p>Construction of sewers, rising mains and sewage pumping stations at Kam Tin, Nam Sang Wai and Au Tau in Yuen Long / 19 December 2005</p> | 389.400 | 292.700 | 254.963 | 37.737 |
| <p>Difference between the accepted tender price and original estimate is attributed to lower rates for contract preliminaries (\$16 million) and laying of trunk sewers (\$21 million) likely to be caused by keen competition under prevailing market conditions.</p> | | | | | |