

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 First Quarter of 2007)

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 March 2007, there were four capital works contracts which satisfy the stipulated criteria. The relevant details of these contracts are set out at **Annex**.

Environment, Transport and Works Bureau
25 June 2007

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

**Report on Significant Deviations between Accepted Tender Prices
and Estimated Provisions in the Approved Project Estimates
(for Capital Works Contracts Awarded in the First Quarter of 2007)**

Department: Architectural 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) | | | | | |
| 3405RO SS R317 | District open space in Area 107, Tin Shui Wai Construction of district open space in Area 107, Tin Shui Wai / 27 March 2007 | 91.400 | 81.000 | 59.871 | 21.129 |
| 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 - (a) External works (\$13.780 million); (b) Landscape hardwork (\$0.130 million); (c) Building services works (\$4.340 million); and (d) Other works (\$2.879 million). | | | | | |

**Report on Significant Deviations between Accepted Tender Prices
and Estimated Provisions in the Approved Project Estimates
(for Capital Works Contracts Awarded in the First Quarter of 2007)**

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 |
|----------------------------------|---|--|---|---------------------------|----------------------|
| | | | | | |
| B564CL | Development near Choi Wan Road and Jordan Valley | 2,009.300 | 120.200 | | |
| B127WC | Mainlaying within development near Choi Wan Road and Jordan Valley | 79.900 | 4.800 | | |
| | | <u>2,089.200</u> | <u>125.000</u> | | |
| KL/2006/01 | Development at Choi Wan Road and Jordan Valley, remaining infrastructure works - stage 2 / 4 January 2007 | | | 88.000 | 37.000 |
| | | 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 - (a) Contract preliminaries (\$7.600 million); (b) Footbridge construction (\$15.900 million); and (c) Roadworks (\$13.500 million) | | | |

**Report on Significant Deviations between Accepted Tender Prices
and Estimated Provisions in the Approved Project Estimates
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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) | | | | | |
| 4052DS | Ting Kau sewerage stage 2 | 64.900 | 39.700 | | |
| 4126DS | Sham Tseng sewerage stage 3 | 45.000 | 28.700 | | |
| DC/2006/14 | Ting Kau and Sham Tseng sewerage / 28 February 2007 | 109.900 | 68.400 | 52.687 | 15.713 |
| <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) Drainage works (\$8 million);</p> <p>(b) Earthworks and reinforced concrete works (\$3 million);</p> <p>(c) Contract preliminaries (\$3.200 million); and</p> <p>(d) Finishing works (\$1.513 million).</p> | | | | | |

**Report on Significant Deviations between Accepted Tender Prices
and Estimated Provisions in the Approved Project Estimates
(for Capital Works Contracts Awarded in the First Quarter of 2007)**

Department: Water Supplies Department

| Project Code | Project Title | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) - (B) Difference |
|--|--|---------------------------------|---|---------------------------|----------------------|
| \$ million (in MOD prices) | | | | | |
| 9174WC | Replacement and rehabilitation of water mains, stage 1 phase 2 | 1,267.100 | | | |
| 3/WSD/06 | Replacement and rehabilitation of water mains stage 1 phase 2 - mains along Connaught Road Central, Connaught Road West, Sai Wan and Sheung Wan / 19 March 2007 | | 150.000 | 126.790 | 23.210 |
| 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 - | | | | | |
| (a) Contract preliminaries (\$6.790 million); and | | | | | |
| (b) Mainlaying works (\$16.420 million). | | | | | |