

**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 2008)**

The Director of Audit published on 21 April 2004 a report<sup>1</sup> 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”<sup>2</sup>. 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 2008, there were two capital works contracts which satisfy the stipulated criteria. The relevant details of these contracts are set out at **Annex**.

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Development Bureau  
4 September 2008

<sup>1</sup> Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> 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)					
B566CL  CV/2007/03	<b>Development at Anderson Road</b>  Development at Anderson Road – site formation and associated infrastructure works/ 9 January 2008	3,467.200	2,625.700	2,062.998	562.702
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) Earthworks (\$310.80 million);  (b) Slopeworks (\$84.60 million);  (c) Retaining walls (\$96.50 million); and  (d) Bridges and subways (\$70.80 million).					

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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)					
4276DS  DE/2007/08	<p><b>Sha Tin sewage treatment works – stage 3 extension</b></p> <p>Supply and installation of electrical and mechanical equipment for Shatin sewage treatment works stage 3 extension – modification works to aeration tanks Nos. 1-8 and final sedimentation tanks Nos. 1-16 and provision of odour control systems for various facilities of sewage treatment works/ 13 March 2008</p>	2,425.000	135.130	106.800	28.330
<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) Biological odour control system (\$19.42 million);</p> <p>(b) Activated carbon absorbers (\$3.77 million);</p> <p>(c) Electrical and mechanical equipment (\$4.41 million); and</p> <p>(d) Other works (\$0.73 million).</p>					