

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

Development Bureau
8 April 2008

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: 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)					
3048RG BS S312	Tin Shui Wai public library cum indoor recreation centre Construction of basement and foundation for Tin Shui Wai public library cum indoor recreation centre in Tin Shui Wai/ 12 November 2007	625.400	140.250	91.480	48.770
<p>Difference between the accepted tender price and original estimate for piling works (of \$32.370 million) is attributed to lower rates likely to be caused by keen competition, and the original estimate for piling works was also on the high side.</p> <p>Difference between the accepted tender price and original estimate for basement construction (of \$12.761 million) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions.</p>					

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\$ million (in MOD prices)					
3402RO SS S316	District open space in Area 9, Tsing Yi Construction of district open space in Area 9, Tsing Yi/ 17 October 2007	175.900		143.700	19.580
<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) External works (\$5.480 million);</p> <p>(b) Landscape hardworks and softworks (\$11.080 million); and</p> <p>(c) Building services works (\$3.020 million).</p>					

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\$ million (in MOD prices)					
3411RO SS S318	<p>Ngau Chi Wan Recreation Ground, Wong Tai Sin</p> <p>Construction of Ngau Chi Wan Recreation Ground in Wong Tai Sin, Kowloon/ 28 December 2007</p>	199.400	(179.900)	154.432	25.468
<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) External works (\$17.582 million);</p> <p>(b) Building works (\$6.736 million); and</p> <p>(c) Underground drainage (\$1.150 million).</p>					

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\$ million (in MOD prices)					
3238RS SS S319	Recreational facilities on Jordan Valley former landfill, Kwun Tong Recreational facilities on Jordan Valley former landfill, Kwun Tong/ 11 December 2007	179.600	166.100	137.700	28.400
<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) External works (\$13.135 million);</p> <p>(b) Site formation works (\$4.957 million); and</p> <p>(c) Underground drainage (\$10.308 million).</p>					