

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 703 – BUILDINGS

HEAD 706 – HIGHWAYS

HEAD 708 (PART) – CAPITAL SUBVENTIONS

Increase in Approved Project Estimates for ten Category A projects

Members are invited to recommend to Finance Committee to increase the approved project estimates of ten Category A projects from a total of \$2,332.2 million by \$741.5 million to a total of \$3,073.7 million in money-of-the-day (MOD) prices.

PROBLEM

_____ The approved project estimates (APE) of the ten Category A projects at Enclosure 1 are not sufficient to cover the cost of the respective works under these projects.

PROPOSAL

_____ 2. We propose to increase the APE of the ten projects at Enclosure 1 from a total of \$2,332.2 million by \$741.5 million to a total of \$3,073.7 million in MOD prices.

/PROJECT

PROJECT SCOPE AND NATURE

3. Brief description of the approved scope and nature of each of the ten Category A projects is set out at Enclosure 4 to Enclosure 13 separately.

JUSTIFICATION

4. There has been a steady increase in construction material prices since 2004 but from mid-2007 onwards, there was an accelerated increase. A chart showing the trend of material cost increase is at Enclosure 2. For example, the July 2008 cost index for steel reinforcement has risen 48%, 90% and 150% over the corresponding indices in January 2008, July 2007 and January 2007 respectively (i.e. over the period of half year, one year and one and a half years).

5. These price increases are reflected in tender prices. The tender price index¹ for government building works compiled by the Architectural Services Department for Quarter 2 in 2008 has risen by 14% over the last quarter and 48% over the past 12 months. More or less similar increases are also reflected in the tender price index compiled by the Housing Authority (Quarter 2 in 2008 has risen by 11% over the last quarter and 42% over the past 12 months). The trend of increase in tender price index compiled by the Architectural Services Department is illustrated at Enclosure 3.

6. As a result of the increase in construction cost, a total of ten Category A projects cannot proceed to construction stage because the returned tender prices/pre-tender estimates are considerably higher than the original sum allowed in the APE. We have to tackle these immediately so that construction would not be impeded and contracts could be awarded without delay. The overall situation as of to date is as follows –

- a) for eight projects namely **304EP**, **347EP**, **104ET**, **260RS**, **261RS**, **162TB**, **53EG** and **11EL** (Enclosures 4 to 9, 12 and 13), the returned tender prices of which are much higher than the original sums allowed in the APE, the latter needs to be increased before the projects can proceed to the construction stage; and

/ b)

¹ The tender price index is a quarterly index compiled by the Architectural Services Department based on data from accepted tenders.

- b) for two highly time-critical projects namely **53EF** and **52EG** (Enclosures 10 and 11), the site formation works of which has already started, tenders for superstructure and remaining works will be invited in November 2008 but based on current market trend (i.e. sharp increase in tender price index), the APE will need to be increased before the projects can proceed to construction.

Higher-than-expected returned tender price

7. As regards paragraph 6 (a), there are now a total of seven building projects and one highways project that would require increase in APE before the tenders can be awarded and the projects can proceed to the construction stage. For these projects, works departments have carefully scrutinised each project in detail, and concluded that against the prevailing market condition, a re-tendering is unlikely to attract any favourable tender that could be accommodated within the APE. Instead, re-tendering will delay the project by at least six to nine months which is highly undesirable. This is particularly so in the case of education facilities required to meet policy needs or leisure facilities serving local residents such as the Tung Chung Swimming Pool.

8. As regards paragraph 6 (b), these are two highly time-critical projects of which foundation works have started and tenders for the construction of superstructure will be invited in November 2008. Based on latest tender price index and pre-tender estimates, the APE for these two university campus development projects (including academic space and student hostels) will need to be increased before the projects can proceed with the construction of superstructure. In view of the urgent need to improve the campus facilities at The University of Hong Kong and The Chinese University of Hong Kong and not to further delay the project completion by another semester, the Administration supports the institutions' proposal to seek increases in APE in parallel with tender invitation.

/ Provision.....

Provision for price adjustment

9. In view of the rapid increase in material prices since mid-2007 as explained in paragraph 4, we anticipate there is a need for additional provision for price adjustment to meet the increased contract price fluctuation (CPF) payment for four out of the ten Category A projects, namely **347EP**, **104ET**, **261RS** and **162TB**. According to existing government practice, monthly payments to contractors for Government civil engineering and building contracts² are adjusted to cover market fluctuations in labour and material costs, which are known as CPF payments. The CPF payment is calculated based on the difference between the indices of costs of construction labour and materials at the time of tendering and the current values of these indices at the time of payment in accordance with a predetermined relative proportion of each cost index. The CPF system allows for upward/downward adjustment to contract payments in accordance with movements in the cost of labour and materials in Government civil engineering and building contracts. The objective of this system is for equitable risk sharing between Government as the employer and the contractor. In the planning stage when the project estimate is prepared, an estimate on the market movements during the construction stage of the project is made using a set of price adjustment factors based on the forecast on inflation for construction works. The MOD project estimate is derived by applying the price adjustment factors to the baseline project estimate.

10. The tenders for **304EP** and **260RS** did not incorporate the provision for CPF as their contract periods are less than 21 months and tenders were invited before July 2008. There is no CPF provision for four projects under the University Grants Committee, **53EF**, **52EG**, **53EG** and **11EL**, which are delivered by the universities in accordance with their established policy.

11. It is necessary to increase the APE of the ten projects by a total of \$741.5 million to make up the inadequate provision. Details of the proposed increase in APE for each project are given in Enclosure 4 to Enclosure 13.

/ FINANCIAL.....

² Before July 2008, provisions for price adjustment were incorporated in capital works contracts with contract duration exceeding 21 months to cover market fluctuations in labour and material costs. To alleviate the risk of the sharp increase in material prices since mid-2007, all capital works contracts invited since July 2008 may incorporate the CPF provision regardless of contract duration. This helps to remove the uncertainty of inflation and hence the contractors can price their tenders on the current market value of the works. Without CPF provision, contractors may build in additional premium in their bids for fixed price contracts under an inflationary environment. An information note FCRI (2008-09)5 was provided to the Finance Committee in July 2008 on this subject.

FINANCIAL IMPLICATIONS

12. Subject to approval, we will phase the expenditure as follows -

Year	\$ million (MOD)
Up to 31 March 2008 ³	23.0
2008 – 09	81.8
2009 – 10	514.2
2010 – 11	1,388.6
2011 – 12	729.4
2012 – 13	306.7
2013 – 14	30.0
	3,073.7

_____ Details of the expenditure phasing for each project are given in Enclosure 4 to Enclosure 13.

13. The proposed increase in the APE will not give rise to any additional recurrent expenditure.

PUBLIC CONSULTATION

14. We informed the Legislative Council Panel on Development on 22 October 2008 of the proposal to increase the APE for the ten Category A projects. Members did not raise objection to the proposal.

/ ENVIRONMENTAL.....

³ This is the actual total expenditure for the piling work of **260RS** “Tung Chung swimming pool complex in Area 2, Tung Chung, Lantau” up to 31 March 2008. For other nine projects, there is no expenditure up to 31 March 2008.

ENVIRONMENTAL IMPLICATIONS

15. The proposed increase in the APE does not have any environmental implication.

HERITAGE IMPLICATIONS

16. The proposed increase in the APE does not have any heritage implication.

LAND ACQUISITION

17. The proposed increase in the APE does not require any land acquisition.

BACKGROUND INFORMATION

18. Finance Committee approved the upgrading of the ten projects to Category A at various dates, between July 2007 and July 2008.

19. The proposed increase in the APE will not involve any additional tree removal or planting proposal.

20. The proposed increase in the APE will not create additional job.

提高10個甲級工程項目的工程計劃核准預算費**Increase in Approved Project Estimates for Ten Category A Projects**

工務工程 編號 PWP No.	工程項目名稱 Project title	核准工程預算 (百萬元) APE (\$M)	所須增加的 核准工程預算 (百萬元) Increase in APE required (\$M)	因高投標價而 修訂的工程預算 (百萬元) Revised project estimates due to high tender return (\$M)	附件 Enclosure
總目703 — 建築物 HEAD 703 – BUILDINGS					
教育 – 小學 Education - Primary					
3304EP	九龍衛理道1 所設有24 間課室的小學 A 24-classroom primary school at Wylie Road, Kowloon	150.0	70.0	220.0	4
3347EP	深水埗石硤尾重建計劃第4期1所設有24間課室的小學 A 24-classroom primary school at Phase 4, Shek Kip Mei Redevelopment, Sham Shui Po	148.1	43.9	192.0	5
教育 – 其他 Education - Others					
3104ET	元朗第13 區1 所直接資助學校 (中學暨小學) A direct subsidy scheme school (secondary-cum -primary) in Area 13, Yuen Long	242.9	33.8	276.7	6
康樂、文化及市政設施 – 體育設施 Recreation, Culture and Amenities – Sports facilities					
3260RS	大嶼山東涌第2區游泳池場館 Swimming pool complex in Area 2, Tung Chung, Lantau	410.2	31.2	441.4	7
3261RS	粉嶺 / 上水第28A 區體育館 Sports centre in Area 28A, Fanling/Sheung Shui	249.5	110.5	360.0	8
總目706 — 公路 HEAD 706 – HIGHWAYS					
運輸 – 行人天橋及行人隧道 Transport – Footbridges and pedestrian tunnels					
6162TB	荃灣行人天橋網絡擴充工程 – 沿大河道興建的行人天橋A Extension of footbridge network in Tsuen Wan - Footbridge A along Tai Ho Road	109.6	59.4	169.0	9
總目708 (部分) — 非經常資助金 HEAD 708 (PART) – CAPITAL SUBVENTIONS					
教育資助金 – 大學 Education Subventions – Universities					
8053EF	香港中文大學1 500宿位的學生宿舍 1,500-place student hostels (CUHK)	338.2	128.2	466.4	10
8052EG	香港大學人類研究中心第一期 Human Research Institute - phase 1 (HKU)	133.2	55.3	188.5	11
8053EG	香港大學堅尼地城龍華街1 800 個宿位的學生宿舍 1 800-place student residences at Lung Wah Street, Kennedy Town (HKU)	459.7	183.9	643.6	12
8011EL	香港科技大學現有教學大樓擴建工程 Extension to the existing Academic Building (HKUST)	90.8	25.3	116.1	13

總計 Total

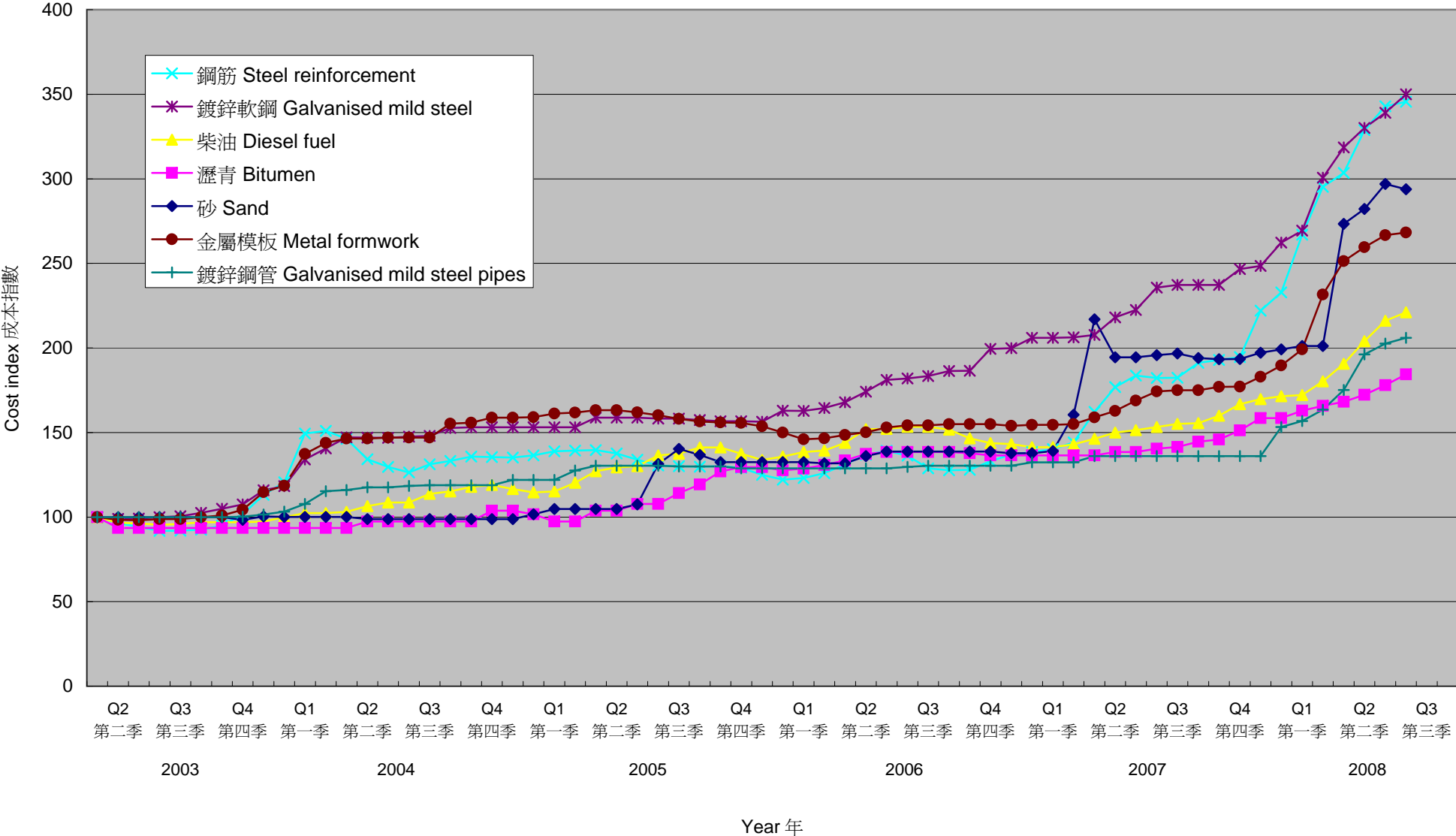
2,332.2

741.5

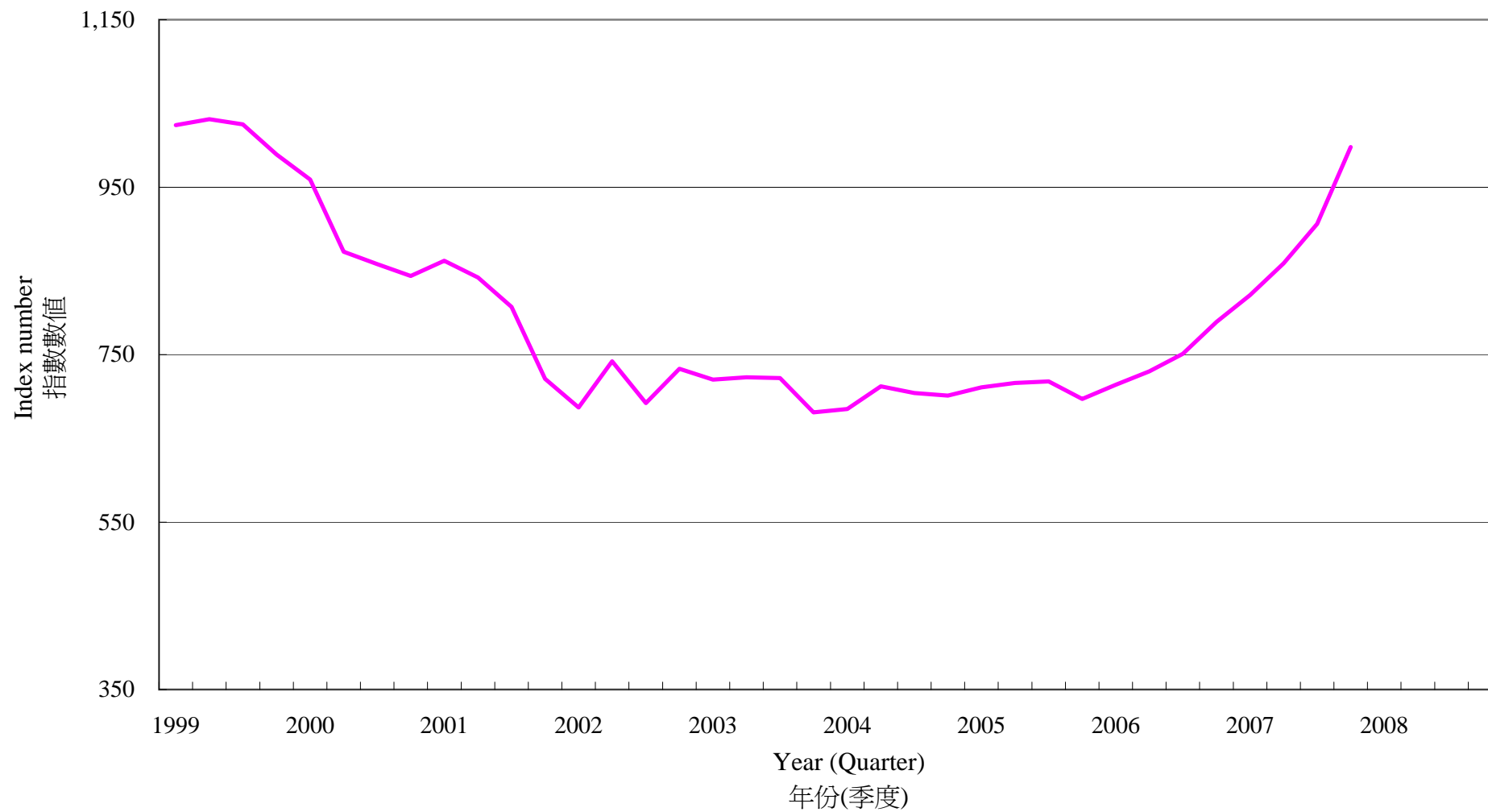
3,073.7

公營建築工程的材料成本指數 (2003年4月=100)
(2003年4月至2008年7月)

Index Numbers of Costs of Materials used in Public Sector Construction Projects (April 2003=100)
(April 2003 – Jul 2008)



Architectural Services Department's Tender Price Index 建築工程投標價格指數



HEAD 703 – BUILDINGS**Education – Primary****304EP – A 24-classroom primary school at Wylie Road, Kowloon****PROJECT SCOPE AND NATURE**

In February 2008, the Finance Committee approved the upgrading of **304EP** “A 24-classroom primary school at Wylie Road, Kowloon” to Category A at an estimated cost of \$150.0 million in money-of-the-day (MOD) prices for the demolition of two blocks of existing quarters on site and construction of a 24-classroom primary school. We commenced demolition of the two existing quarters on site in March 2008 for completion in November 2008. We plan to commence construction works in December 2008 for completion in August 2010. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **304EP** from \$150.0 million by \$70.0 million to \$220.0 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Demolition	10.3	12.0	1.7
(b) Geotechnical works	6.7	18.4	11.7
(c) Piling	23.1	59.9	36.8
(d) Building	60.1	80.8	20.7
(e) Building services	14.8	17.4	2.6
(f) Drainage	2.6	3.8	1.2

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(g) External works	10.1	11.4	1.3
(h) Furniture and equipment	3.0	3.0	-
(i) Consultants' fees for	6.0	6.0	-
(i) contract administration	2.0	2.0	-
(ii) site supervision	4.0	4.0	-
(j) Contingencies	13.3	7.3	(6.0)
Total	150.0	220.0	70.0

4. **As regards 3(a) (Demolition)**, the increase of \$1.7 million is based on the actual costs derived from the works done on site to meet the actual site conditions.

5. **As regards 3(b) (Geotechnical works)**, the increase of \$11.7 million is due to higher-than-expected rates submitted by the contractor.

6. **As regards 3(c) (Piling)**, the increase of \$36.8 million is due to higher-than-expected rates submitted by the contractor for the piling works especially the unexpected drastic increase in steel H-piles material cost.

7. **As regards 3(d) (Building)**, the increase of \$20.7 million is due to higher-than-expected rates submitted by the contractor.

8. **As regards 3(e) (Building services)**, the increase of \$2.6 million is due to higher-than-expected rates submitted by the contractor.

9. **As regards 3(f) (Drainage)**, the increase of \$1.2 million is due to higher-than-expected rates submitted by the contractor.

10. As regards 3(g) (External works), the increase of \$1.3 million is due to higher-than-expected rates submitted by the contractor.

11. As regards 3(j) (Contingencies), the decrease of \$6.0 million is used to offset part of the increases in items 3(a) to 3(g).

12. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 2009	13.1
2009 – 2010	74.9
2010 – 2011	84.1
2011 – 2012	25.2
2012 – 2013	22.7
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Education Bureau
October 2008

HEAD 703 – BUILDINGS**Education – Primary****347EP – A 24-classroom primary school at Phase 4, Shek Kip Mei
Redevelopment, Sham Shui Po****PROJECT SCOPE AND NATURE**

In May 2008, the Finance Committee approved the upgrading of **347EP** “A 24-classroom primary school at Phase 4, Shek Kip Mei Redevelopment, Sham Shui Po” to Category A at an estimated cost of \$148.1 million in money-of-the-day (MOD) prices for the construction of a 24-classroom primary school. We plan to commence construction works in December 2008 for completion in August 2010. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **347EP** from \$148.1 million by \$43.9 million to \$192.0 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Site formation	5.5	6.5	1.0
(b) Piling	16.5	35.8	19.3
(c) Building	63.6	83.0	19.4
(d) Building services	17.6	20.2	2.6
(e) Drainage	2.3	3.8	1.5
(f) External works	8.3	9.8	1.5
(g) Furniture and equipment	3.0	3.0	-

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(h) Consultants' fees for	6.0	6.0	-
(i) contract administration	1.7	1.7	-
(ii) site supervision	4.3	4.3	-
(i) Contingencies	11.4	7.5	(3.9)
(j) Provision for price adjustment	13.9	16.4	2.5
Total	148.1	192.0	43.9

4. **As regards 3(a) (Site formation)**, the increase of \$1.0 million is due to higher-than-expected rates submitted by the contractor.

5. **As regards 3(b) (Piling)**, the increase of \$19.3 million is due to higher-than-expected rates submitted by the contractor for the piling works especially the unexpected drastic increase of steel H-piles material cost.

6. **As regards 3(c) (Building)**, the increase of \$19.4 million is due to higher-than-expected rates submitted by the contractor.

7. **As regards 3(d) (Building services)**, the increase of \$2.6 million is due to higher-than-expected rates submitted by the contractor.

8. **As regards 3(e) (Drainage)**, the increase of \$1.5 million is due to higher-than-expected rates submitted by the contractor.

9. **As regards 3(f) (External works)**, the increase of \$1.5 million is due to higher-than-expected rates submitted by the contractor.

10. **As regards 3(i) (Contingencies)**, the decrease of \$3.9 million is used to offset part of the increases in items 3(a) to 3(f).

11. As regards 3(j) (Provision for price adjustment), the increase of \$2.5 million is due to the expected upsurge in contract price fluctuation payment to the contractor during the construction period.

12. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 2009	3.1
2009 – 2010	72.7
2010 – 2011	69.4
2011 – 2012	21.7
2012 – 2013	25.1
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	192.0
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Education Bureau
October 2008

HEAD 703 – BUILDINGS**Education – Others****104ET – A direct subsidy scheme school (secondary-cum-primary) in Area 13, Yuen Long****PROJECT SCOPE AND NATURE**

In July 2008, the Finance Committee approved the upgrading of **104ET** “A direct subsidy scheme school (secondary-cum-primary) in Area 13, Yuen Long” to Category A at an estimated cost of \$242.9 million in money-of-the-day (MOD) prices for the construction of a 24-classroom secondary cum 18-classroom primary direct subsidy scheme school. We plan to commence construction works in December 2008 for completion in September 2010. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **104ET** from \$242.9 million by \$33.8 million to \$276.7 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Piling	42.0	61.7	19.7
(b) Building	98.2	111.3	13.1
(c) Building services	32.0	35.6	3.6
(d) Drainage and external works	21.5	23.5	2.0
(e) Consultants' fees for	7.2	7.2	-
(i) contract administration	3.0	3.0	-
(ii) site supervision	4.2	4.2	-

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(f) Contingencies	19.4	14.5	(4.9)
(g) Provision for price adjustment	22.6	22.9	0.3
Total	242.9	276.7	33.8

4. **As regards 3(a) (Piling)**, the increase of \$19.7 million is due to higher-than-expected rates submitted by the contractor.

5. **As regards 3(b) (Building)**, the increase of \$13.1 million is due to higher-than-expected rates submitted by the contractor.

6. **As regards 3(c) (Building services)**, the increase of \$3.6 million is due to higher-than-expected rates submitted by the contractor.

7. **As regards 3(d) (Drainage and external works)**, the increase of \$2.0 million is due to higher-than-expected rates submitted by the contractor.

8. **As regards 3(f) (Contingencies)**, the decrease of \$4.9 million is used to offset part of the increases in items 3(a) to 3(d).

9. **As regards 3(g) (Provision for price adjustment)**, the increase of \$0.3 million is due to the expected upsurge in contract price fluctuation payment to the contractor during the construction period.

10. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 2009	8.0

2009 – 2010	103.6
2010 – 2011	98.6
2011 – 2012	29.7
2012 – 2013	36.8
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	276.7
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Education Bureau
October 2008

HEAD 703 – BUILDINGS**Recreation, Culture and Amenities – Sports facilities****260RS – Swimming pool complex in Area 2, Tung Chung, Lantau****PROJECT SCOPE AND NATURE**

In July 2007, the Finance Committee approved the upgrading of **260RS** “Swimming pool complex in Area 2, Tung Chung, Lantau” to Category A at an estimated cost of \$410.2 million in money-of-the-day (MOD) prices for the construction of a swimming pool complex in Tung Chung. We commenced foundation works in September 2007 and completed in September 2008. We plan to commence construction of the superstructure works in January 2009 for completion in November 2010. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **260RS** from \$410.2 million by \$31.2 million to \$441.4 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Site works and slope works	4.1	4.1	-
(b) Piling	37.8	34.4	(3.4)
(c) Building	186.5	226.6	40.1
(d) Building services	106.7	110.2	3.5
(e) Drainage works	2.5	2.6	0.1
(f) External works	19.5	19.5	-
(g) Consultants’ fees for	17.2	17.2	-

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(i) contract administration	8.3	8.3	-
(ii) site supervision	8.9	8.9	-
(h) Furniture and equipment	1.2	1.2	-
(i) Contingencies	34.7	25.6	(9.1)
Total	410.2	441.4	31.2

4. **As regards 3(b) (Piling)**, the decrease of \$3.4 million is due to competitive prices submitted by the piling contractor in July 2007.

5. **As regards 3(c) (Building)**, the increase of \$40.1 million is due to higher-than-expected rates submitted by the contractor.

6. **As regards 3(d) (Building services)**, the increase of \$3.5 million is due to higher-than-expected rates submitted by the contractor.

7. **As regards 3(e) (Drainage works)**, the increase of \$0.1 million is due to higher-than-expected rates submitted by the contractor.

8. **As regards 3(i) (Contingencies)**, the decrease of \$9.1 million is used to offset part of the increases in items 3(c) to 3(e).

9. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
Up to 31 March 2008 ¹	23.0
2008 – 2009	29.0
2009 – 2010	100.0
2010 – 2011	150.0
2011 – 2012	100.0
2012 – 2013	39.4
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	441.4
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Home Affairs Bureau
October 2008

¹ This is the actual expenditure up to 31 March 2008.

HEAD 703 – BUILDINGS**Recreation, Culture and Amenities – Sports facilities****261RS – Sports centre in Area 28A, Fanling / Sheung Shui****PROJECT SCOPE AND NATURE**

In April 2008, the Finance Committee approved the upgrading of **261RS** “Sports centre in Area 28A, Fanling / Sheung Shui” to Category A at an estimated cost of \$249.5 million in money-of-the-day (MOD) prices for the construction of a sports centre in Fanling / Sheung Shui. We plan to commence construction works in January 2009 for completion in July 2011. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **261RS** from \$249.5 million by \$110.5 million to \$360.0 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) – (A) Difference (\$ million)
(a) Site works	3.5	3.7	0.2
(b) Piling	43.1	79.5	36.4
(c) Building	102.6	137.1	34.5
(d) Building services	44.2	45.4	1.2
(e) Drainage works	4.1	4.8	0.7
(f) External works	4.0	10.1	6.1
(g) Consultants’ fees for	18.1	18.1	-

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) – (A) Difference (\$ million)
(i) contract administration	8.5	8.5	-
(ii) site supervision	9.6	9.6	-
(h) Furniture and equipment	2.4	2.4	-
(i) Contingencies	20.2	13.0	(7.2)
(j) Provision for price adjustment	7.3	45.9	38.6
Total	249.5	360.0	110.5

4. **As regards 3(a) (Site works)**, the increase of \$0.2 million is due to higher-than-expected rates submitted by the contractor.

5. **As regards 3(b) (Piling)**, the increase of \$36.4 million is due to higher-than-expected rates submitted by contractor for piling works especially the unexpected drastic increase in steel H-piles material cost.

6. **As regards 3(c) (Building)**, the increase of \$34.5 million is due to higher-than-expected rates submitted by the contractor.

7. **As regards 3(d) (Building services)**, the increase of \$1.2 million is due to higher-than-expected rates submitted by the contractor.

8. **As regards 3(e) (Drainage works)**, the increase of \$0.7 million is due to higher-than-expected rates submitted by the contractor.

9. **As regards 3(f) (External works)**, the increase of \$6.1 million is due to higher-than-expected rates submitted by the contractor.

10. As regards 3(i) (Contingencies), the decrease of \$7.2 million is used to offset part of the increases in items 3(a) to 3(f).

11. As regards 3(j) (Provision for price adjustment), the increase of \$38.6 million is due to the expected upsurge in contract price fluctuation payment to the contractor during the construction period.

12. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 2009	0.5
2009 – 2010	85.0
2010 – 2011	150.0
2011 – 2012	80.0
2012 – 2013	30.0
2013 – 2014	14.5
	<hr/> 360.0 <hr/>

Home Affairs Bureau
October 2008

HEAD 706 – HIGHWAYS**Transport – Footbridges and pedestrian tunnels****162TB – Extension of footbridge network in Tsuen Wan – Footbridge A
along Tai Ho Road****PROJECT SCOPE AND NATURE**

In January 2008, the Finance Committee approved the upgrading of **162TB** “Extension of footbridge network in Tsuen Wan – Footbridge A along Tai Ho Road” to Category A at an estimated cost of \$109.6 million in money-of-the-day (MOD) prices for the construction of a footbridge system (Footbridge A) to connect the Tsuen Wan Station with the existing elevated walkway system near Castle Peak Road at the north and Sha Tsui Road at the south. We shall commence construction works in January 2009 for completion in January 2012. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **162TB** from \$109.6 million by \$59.4 million to \$169.0 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

		(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a)	Footbridge A	82.4	111.6	29.2
	(i) civil works	80.0	108.9	28.9
	(ii) E&M works	2.4	2.7	0.3
(b)	Road and drainage, landscaping works, structural modification, utility diversions	2.3	2.2	(0.1)

		(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(c)	Electrical and Mechanical Services Trading Fund charges	0.2	0.2	-
(d)	Consultants' fees for	12.3	12.3	-
	(i) construction supervision and contract administration	0.8	0.8	
	(ii) resident site staff	11.5	11.5	
(e)	Contingencies	9.9	12.6	2.7
(f)	Provision for price adjustment	2.5	30.1	27.6
	Total	109.6	169.0	59.4

4. **As regards 3(a) (Footbridge A)**, the increase of \$29.2 million is due to higher-than-expected rates submitted by the contractor.

5. **As regards 3(b) (Road and drainage, landscaping works, structural modification, utility diversions)**, the decrease of \$0.1 million is due to slightly lower rates submitted by the contractor.

6. **As regards 3(e) (Contingencies)**, as the tender price is higher-than-expected and works of contingencies if required will be carried out and paid based on the rates in the tender, we consider it necessary to increase the project contingencies from \$9.9 million by \$2.7 million to \$12.6 million. The level of contingencies in relation to the total cost of construction and consultancy in the APE has been reduced from 10.2% (9.9/97.2) to 10% (12.6/126.3) in the revised estimate.

7. **As regards 3(f) (Provision for price adjustment)**, the increase of \$27.6 million is due to the expected upsurge in contract price fluctuation payment to the contractor during the construction period.

8. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 2009	0.4
2009 – 2010	32.3
2010 – 2011	55.9
2011 – 2012	31.0
2012 – 2013	33.9
2013 – 2014	15.5
	<hr/>
	169.0
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Transport and Housing Bureau
October 2008

HEAD 708 (PART) – CAPITAL SUBVENTIONS**Universities****The Chinese University of Hong Kong****53EF – 1 500-place student hostel****PROJECT SCOPE AND NATURE**

In April 2008, the Finance Committee approved the upgrading of 53EF “1 500-place student hostel” to Category A at an estimated cost of \$338.2 million in money-of-the-day (MOD) prices. The project will provide 1 500 hostel places in five hostel blocks to be constructed by The Chinese University of Hong Kong (CUHK) at two sites on podium structure of ancillary facilities, providing approximately 23 059 square metres in net operational floor area. CUHK commenced the site formation and foundation works at one of the two sites in August 2008 and plans to complete the whole project in late 2011. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of 53EF from \$338.2 million by \$128.2 million to \$466.4 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Site formation and development	44.3	45.7	1.4
(b) Building	253.3	396.4	143.1
(c) Building services	71.4	89.2	17.8
(d) Drainage, external work, utilities and services	22.4	32.9	10.5
(e) Consultants' fees	11.6	11.6	-

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(f) Furniture and equipment	40.5	40.5	-
(g) Contingencies	33.3	41.1	7.8
(h) Enhanced communal facilities ¹	283.1	437.1	154.0
Sub-total	759.9	1,094.5	334.6
(i) Less contribution by CUHK ²	(421.7)	(628.1)	(206.4)
Total	338.2	466.4	128.2

4. As regards **3(a) (Site formation and development)**, **3(b) (Building)**, **3(c) (Building services)**, **3(d) (Drainage, external work, utilities and services)**, the increases are due to higher-than-expected rates for site formation and foundation works for Site A and pre-tender estimates for remaining site formation, foundation and superstructure works in the light of the rapid rise in the costs of building materials for construction works.

5. As regards **3(g) (Contingencies)**, the increase of \$7.8 million is to keep a suitable level of contingencies to cater for unforeseen circumstances as the project is still at the early construction stage. The level of contingencies in relation to the total cost of construction has been reduced from 4.4% (33.3/759.9) to 3.8% (41.1/1,094.5) in the revised estimate.

6. As regards **3(i) (Contribution by CUHK)**, the increase of \$206.4 million in contribution by CUHK is to cover the increases in construction costs for the 81 hostel places, 25% of the publicly-funded hostel places and the ancillary facilities, as well as the enhanced communal facilities.

¹ Detailed cost breakdowns of the enhanced communal facilities are at Annex.

² CUHK's contribution is to cover the full cost of 81 hostel places and enhanced communal facilities, 25% of 1 419 hostel places and ancillary facilities.

7. Subject to approval, CUHK will phase the expenditure as follows –

Year	\$ million (MOD)	Contribution by CUHK \$ million (MOD)	53EF \$ million (MOD)
2008 – 09	57.8	57.8	-
2009 – 10	465.2	465.2	-
2010 – 11	455.1	105.1	350.0
2011 – 12	99.5	-	99.5
2012 – 13	16.9	-	16.9
	<hr/> 1,094.5 <hr/>	<hr/> 628.1 <hr/>	<hr/> 466.4 <hr/>

Education Bureau
October 2008

Annex

**The Chinese University of Hong Kong
53EF – 1 500-place student hostel**

**Estimated cost of the enhanced communal facilities
(to be funded by CUHK's private sources of funding.)**

	Original Estimate \$ million (MOD)	Revised Estimate \$ million (MOD)
(a) Site formation and development	18.8	19.5
(b) Building	149.2	254.1
(c) Building services	54.0	88.8
(d) Drainage, external works, utilities and services	9.5	14.6
(e) Consultants' fees	6.4	6.4
(f) Furniture and equipment	25.1	25.1
(g) Contingencies	20.1	28.6
Total	283.1	437.1

HEAD 708 (PART) – CAPITAL SUBVENTIONS**Universities****The University of Hong Kong****52EG – Human Research Institute – phase 1****PROJECT SCOPE AND NATURE**

In February 2008, the Finance Committee approved the upgrading of **52EG** “Human Research Institute – phase 1” to Category A at an estimated cost of \$133.2 million in money-of-the-day (MOD) prices. The approved project scope comprises the construction of a 12-storey building at Sassoon Road by The University of Hong Kong (HKU), providing about 8 082 square metres in net operational floor area to provide the necessary space, advanced technologies and facilities to cultivate a multi-disciplinary environment for fundamental human research. HKU commenced the site formation and foundation works in September 2008 and plans to start the superstructure works in July 2009, for project completion in the second quarter of 2011. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **52EG** from \$133.2 million by \$55.3 million to \$188.5 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimates in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Site preparation and site formation	12.6	14.7	2.1
(b) Building	122.4	179.1	56.7
(c) Building services	71.4	105.0	33.6
(d) Drainage and external works	9.5	16.3	6.8

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(e) Consultants' fees	9.5	9.5	-
(f) Furniture and equipment	23.5	28.4	4.9
(g) Contingencies	17.5	23.9	6.4
Sub-total	<u>266.4</u>	<u>376.9</u>	<u>110.5</u>
(h) Less contribution by HKU	(133.2)	(188.4)	(55.2)
Total	<u>133.2</u>	<u>188.5</u>	<u>55.3</u>

4. As regards **3(a) (Site preparation and site formation)**, the increase of \$2.1 million is due to higher-than-expected rates submitted by the contractor for piling works which is attributable to the continuing drastic increase in the costs of steel.

5. As regards **3(b) (Building)**, **3(c) (Building services)**, and **3(d) (Drainage and external works)**, the increases are due to higher pre-tender estimates for these items in light of the rapid rise in the costs of building materials for construction works.

6. As regards **3(f) (Furniture and equipment)**, the increase of \$4.9 million is due to higher estimated cost for laboratory bench and fume cupboards.

7. As regards **3(g) (Contingencies)**, the increase of \$6.4 million is to keep a suitable level of contingencies to cater for unforeseen circumstances as the project is still at the early construction stage. The level of contingencies in relation to the total cost of construction and consultancy in the APE has been reduced from 6.6% (17.5/266.4) to 6.3% (23.9/376.9) in the revised estimate.

8. As regards **3(h) (Contribution by HKU)**, the increase of \$55.2 million in contribution by HKU is to partially meet the increase in project cost.

9. Subject to approval, HKU will phase the expenditure as follows –

Year	\$ million (MOD)	Contribution by HKU \$ million (MOD)	52EG \$ million (MOD)
2008 – 09	24.5	24.5	-
2009 – 10	123.2	123.2	-
2010 – 11	180.0	40.7	139.3
2011 – 12	49.2	-	49.2
	376.9	188.4	188.5

Education Bureau
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HEAD 708 (PART) – CAPITAL SUBVENTIONS**Universities****The University of Hong Kong****53EG – 1 800-place student residences at Lung Wah Street, Kennedy Town****PROJECT SCOPE AND NATURE**

In February 2008, the Finance Committee approved the upgrading of **53EG** “1 800-place student residences at Lung Wah Street, Kennedy Town” to Category A at an estimated cost of \$459.7 million in money-of-the-day (MOD) prices. The project will provide 1 800 publicly-funded hostel places in four hostel blocks to be constructed by The University of Hong Kong (HKU) on a podium of ancillary facilities, providing approximately 20 882 square metres in net operational floor area. HKU plans to commence the construction works in late 2008 for completion in the second quarter of 2012. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **53EG** from \$459.7 million by \$183.9 million to \$643.6 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
(a) Area and site development	65.0	215.6	150.6
(b) Building	320.6	444.6	124.0
(c) Building services	94.0	170.9	76.9
(d) External works and drainage	22.4	23.0	0.6
(e) Consultants' fees	18.0	18.0	-
(f) Furniture and equipment	44.6	44.6	-
(g) Contingencies	41.7	27.7	(14.0)

	(A) Approved Estimate (\$ million)	(B) Revised Estimate (\$ million)	(B) - (A) Difference (\$ million)
Sub-total	606.3	944.4	338.1
(h) Less contribution by HKU	(146.6)	(300.8)	(154.2)
Total	459.7	643.6	183.9

4. As regards **3(a) (Area and site development)**, **3(b) (Building)**, **3(c) (Building services)**, and **3(d) (External works and drainage)**, the increases are due to higher-than-expected rates submitted by the contractor in the light of the rapid rise in the costs of building materials for construction works.

5. As regards **3(g) (Contingencies)**, the decrease of \$14.0 million is due to a reduction in contingencies to meet part of the increase in project cost.

6. As regards **3(h) (Contribution by HKU)**, the increase of \$154.2 million in contribution by HKU is to partially meet the increase in project cost.

7. Subject to approval, HKU will phase the expenditure as follows –

Year	Contribution		
	\$ million (MOD)	by HKU \$ million (MOD)	53EG \$ million (MOD)
2008 – 09	37.9	37.9	-
2009 – 10	198.9	198.9	-
2010 – 11	322.6	64.0	258.6
2011 – 12	283.1	-	283.1
2012 – 13	101.9	-	101.9
	944.4	300.8	643.6

Education Bureau
October 2008

HEAD 708 (PART) – CAPITAL SUBVENTIONS**Universities****The Hong Kong University of Science and Technology****11EL – Extension to the existing Academic Building****PROJECT SCOPE AND NATURE**

In January 2008, the Finance Committee approved the upgrading of **11EL** “Extension to the existing Academic Building” to Category A at an estimated cost of \$90.8 million in money-of-the-day (MOD) prices. The approved project scope comprises the construction of a five-storey extension block by The Hong Kong University of Science and Technology (HKUST), providing a total of about 3 000 square metres in net operational floor area adjoining the HKUST’s existing Academic Building. The project will provide additional space and facilities such as open laboratories, classrooms, study space, library facilities, offices and student/staff amenities for implementation of the “3+3+4” new academic structure starting from the 2012/13 academic year. HKUST plans to commence the construction works in late 2008 for completion in the second quarter of 2011. There is no change to the approved project scope.

FINANCIAL IMPLICATIONS

2. Upon a review of the financial position of the project, we consider it necessary to increase the APE of **11EL** from \$90.8 million by \$25.3 million to \$116.1 million in MOD prices to meet the additional expenditure required under the project.

3. A comparison of the cost breakdowns of the APE and the revised project estimate in MOD prices is as follows –

	(A) Approved Estimate \$ million	(B) Revised Estimate \$ million	(B) - (A) Difference \$ million
(a) Site development including piling and interfacing works	4.1	8.1	4.0
(b) Building	43.2	53.9	10.7
(c) Building services	21.6	31.0	9.4
(d) Drainage and external works	4.4	6.2	1.8

	(A) Approved Estimate \$ million	(B) Revised Estimate \$ million	(B) - (A) Difference \$ million
(e) Consultant's fees	3.1	3.1	-
(f) Furniture and equipment	8.1	8.1	-
(g) Contingencies	6.3	5.7	(0.6)
Total	90.8	116.1	25.3

4. As regards **3(a) (Site development), 3(b) (Building), 3(c) (Building services) and 3(d) (Drainage and external works)**, the increases are due to higher-than-expected rates submitted by the contractor for these items in the light of the rapid rise in the costs of building materials for construction works.

5. As regards **3(g) (Contingencies)**, the decrease of \$0.6 million is due to a reduction in contingencies to meet part of the increase in project cost.

6. Subject to approval, HKUST will phase the expenditure as follows –

Year	\$ million (MOD)
2008 – 09	27.7
2009 – 10	45.7
2010 – 11	32.7
2011 – 12	10.0
	116.1