



中華人民共和國香港特別行政區政府總部教育局
Education Bureau
Government Secretariat, The Government of the Hong Kong Special Administrative Region
The People's Republic of China

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電話 Telephone : 2892 6665

來函檔號 Your Ref. :

傳真 Fax Line : 2575 4291

30 April 2009

Clerk to the Panel on Education
(Attn: Ms Odelia Leung)
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road, Hong Kong

Dear Ms. Leung,

**Increase in Approved Project Estimate of the
Extension of Lai Chack Middle School**

This letter is to seek Members' support for the proposal to apply to the Finance Committee (FC) of the Legislative Council for increasing the project cost of the extension project for provision of required facilities to Lai Chack Middle School.

The extension project was approved by FC on 23 May 2008. In December 2008, the Director of Architectural Services received tender returns for the construction works of the project. Following a review of the project programme and financial situation, we consider it necessary to increase the approved project estimate of the project to cover additional costs arising from the higher-than-expected tender prices of the construction contract. Members can refer to the attached paper for details.

Subject to the views of or discussion with Members if required, we propose to submit the funding application to increase the approved project estimate for this project to the Public Works Sub-committee on 3 June 2009 for consideration in order to avoid further delay in the progress of the project.

Yours sincerely,

(Raymond Sy)

for Secretary for Education

Encl.

Legislative Council Panel on Education

Extension of Lai Chack Middle School at Scout Path, Kowloon : Increase in Approved Project Estimate

Purpose

This paper seeks Members' support for the proposal to increase the approved project estimate (APE) for the approved capital works project – Extension of Lai Chack Middle School (the Project).

Background

2. In May 2008, we upgraded the Project to Category A at an estimated cost of \$80.7 million in money-of-the-day (MOD) prices. The approved scope of the Project comprises -

- (a) an assembly hall (which can be used for a wide range of physical activities such as badminton, gymnastics and table-tennis);
- (b) a multi-purpose area;
- (c) a library;
- (d) three special rooms, including a multi-purpose room, a computer room and a computer-assisted learning room;
- (e) a green corner;
- (f) a cover to an existing walkway; and
- (g) ancillary facilities including a lift and relevant facilities for the handicapped.

Justifications

3. In December 2008, tenders had been returned for the construction works of the project. Following a review of the project programme and financial situation (i.e. the APE and any possible cost saving proposal), we consider it necessary to increase the APE from \$80.7 million by about \$19.3 million (a combination of effect on the higher-than-expected tender return, consultancy fees and adjustment to the contract price fluctuation provision) to about \$100.0 million in MOD prices to meet the cost of construction works. The increased estimated construction cost is due to higher-than-expected tender rates submitted by contractors arising from the unexpected drastic increase in prices of major construction materials. The rapid rise in the prices of these major construction materials inflated the construction cost in particular for the major structural works of steel H-piles foundations, geotechnical works, and temporary supports for slope works and earthworks etc.

4. It is anticipated that the increasing trend in the overall construction costs in the local market will slow down in view of the recent global financial crises. This proposed increase in APE has already taken this factor into account (see paragraph 5 below). We need to increase the APE so that the contract could be awarded without delay. Otherwise, it will further delay the operation of the school extension and affect the benefit of school operator and students.

5. The Architectural Services Department has carefully scrutinised the Project in detail, and concluded that although the overall construction costs in the local market will likely slow down, the market's response to the re-tender will depend on a wide variety of factors and hence the re-tendered price being lower than the original tender cannot be guaranteed. In fact, with the Contract Price Fluctuation System provided in this contract, the Government will pay less to the contractor should the prices of materials keep dropping during the contract period. This, coupled with the additional consultancy fee involved in a re-tendering exercise, will render the actual saving from re-tendering not significant.

Project Estimate and Implementation Plan

6. The Project is now in Category A. The estimated cost of the Project is about \$100.0 million in MOD prices. Subject to funding approval from the Finance Committee, construction is expected to commence in July 2009 for completion in December 2010.

Way Forward

7. To take forward the Project, we intend to make a submission to the Public Works Sub-committee of the Finance Committee for consideration of increasing the APE at its meeting on 3 June 2009.

Advice Sought

8. Members are invited to support the proposal to increase the APE of the Project.

Education Bureau
April 2009