

## **Supplementary Information on 63MM – North Lantau Hospital, Phase 1**

### **INTRODUCTION**

At the Public Works Subcommittee (PWSC) meeting on 3 December 2009, the Hon Cyd HO expressed concern about the substantial reduction of the capital cost for the North Lantau Hospital, Phase 1 project from \$3,200 million to \$2,480 million and requested the Administration to provide a comparison on the breakdown of the cost items under the two estimates, and information on Government's building works tender price index. We set out in this note the above requested information for Members' reference.

### **BACKGROUND**

2. To expedite the delivery of the North Lantau Hospital, Phase 1 project, we have invited tenders for the project in April 2009 in parallel with the upgrading of the project to Category A. A design-and-build contract strategy has been adopted for this project so that a single contractor will be selected to undertake both the design and construction works thereby expediting the project.

### **ORIGINAL ESTIMATE IN THE SUBMISSION TO THE PANEL**

3. In our paper to the Legislative Council Panel on Health Services (the Panel) in June 2009, we estimated that the project cost was around \$3,200 million in money-of-the-day prices. This project estimate was prepared by making reference to the Building Works Tender Price Index (BWTPI)<sup>1</sup> for government building works compiled by Architectural Services Department for the third quarter of 2008. We informed the Panel of the arrangement of parallel tendering for this project and that the project estimate would be updated after we know the tendered price in our submission to the PWSC and the Finance Committee for funding approval.

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<sup>1</sup> Building Works Tender Price Index is a quarterly index compiled by the Architectural Services Department as an aid to adjust building cost data for estimating purposes. It also provides an indication of the level of tender prices for new building works undertaken by the Architectural Services Department.

## **REVISED ESTIMATE IN THE SUBMISSION TO PUBLIC WORKS SUBCOMMITTEE (PWSC)**

4. The tender bids for the project were returned in July 2009. The successful bid price was lower than the pre-tender estimate. We had therefore revised the project cost downwards in our PWSC submission.

### **COMPARISON OF THE TWO ESTIMATES**

5. The decrease in project cost is mainly due to two reasons: (a) lower-than-expected tender prices submitted by tenderers, and (b) a more economical alternative piling design proposed by the successful tenderer. Moreover, we have also allowed a lower provision for contingencies because of the actual tender prices.

6. The lower-than-expected tender prices submitted by tenderers are mainly attributed to the decrease in construction material prices since September 2008. The construction cost indices<sup>2</sup> published by the Census and Statistics Department indicated there was a substantial drop in the material costs for major construction materials from September 2008 to July 2009. For example, the July 2009 cost indices for galvanized mild steel and steel reinforcement have dropped by 35% and 43% respectively as compared to the corresponding indices in September 2008. These have resulted in lower cost in the building and building services works items. The chart at Enclosure 1 shows the trend of material cost.

7. Tender price is also affected by other external factors such as the market condition in particular type of works. The graph at Enclosure 2 shows the movement of BWTPI for government building works. The BWTPI has dropped by 29.84% from 1401 in the third quarter of 2008 to 983 in the second quarter of 2009.

8. With regard to the piling design, the contractor's proposal removes some over estimation in the pre-tender stage which was based only on a preliminary design. This has resulted in significant savings.

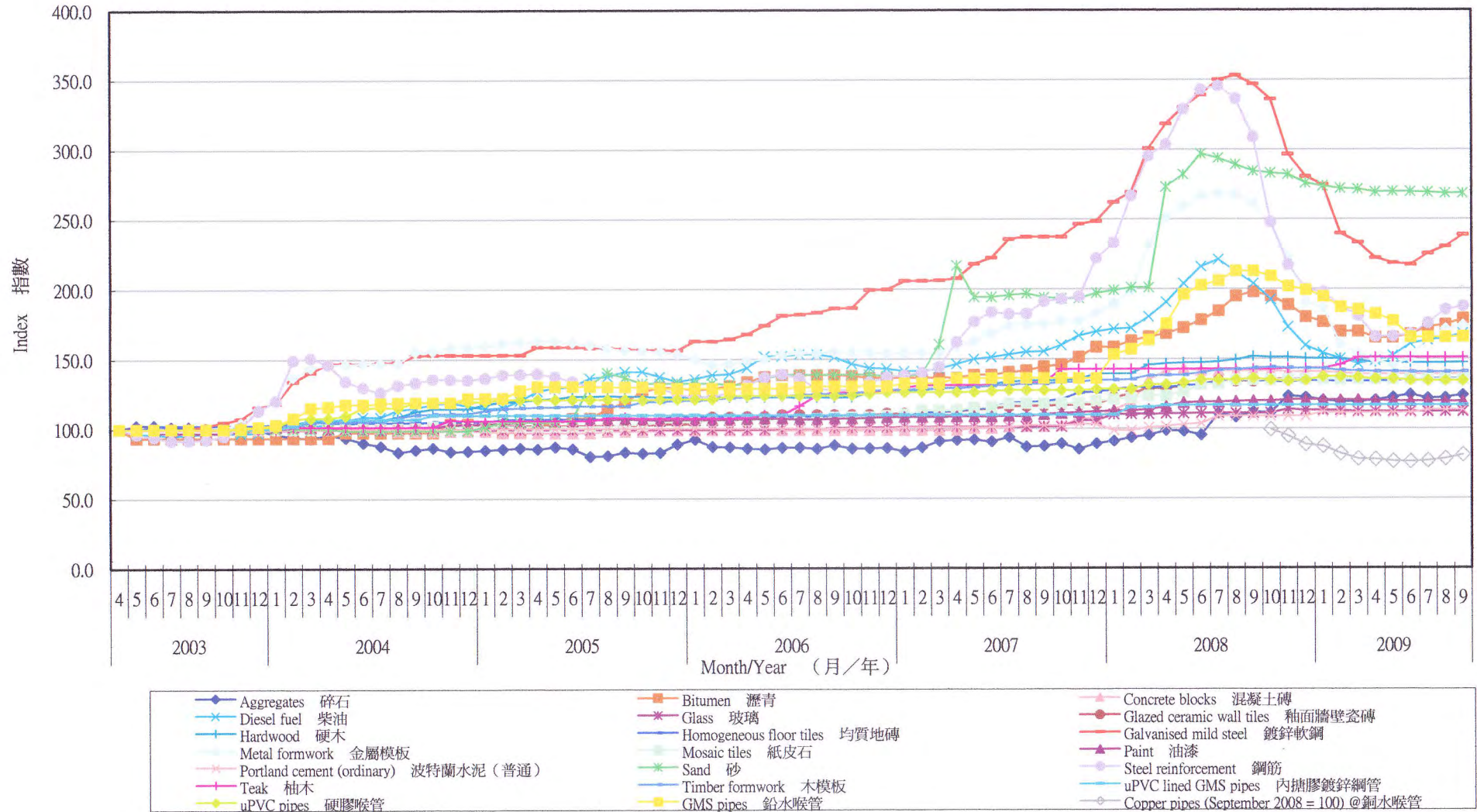
9. A comparison of the cost breakdown of the two estimates, together with the explanation, is at Enclosure 3.

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<sup>2</sup> Construction cost indices refer to the *Index Numbers of the Costs of Labour and Materials Used in Public Sector Construction Projects* published monthly by Census and Statistics Department. The costs of labour and materials indices are compiled for working out the increase/decrease of payment to the main contractors of public sector construction projects to adjust for the change in costs.

Census and Statistics Department Cost of Materials Index (April 2003 = 100)  
 政府統計處材料成本指數 (2003年4月 = 100)

Enclosure 1  
 附件 1

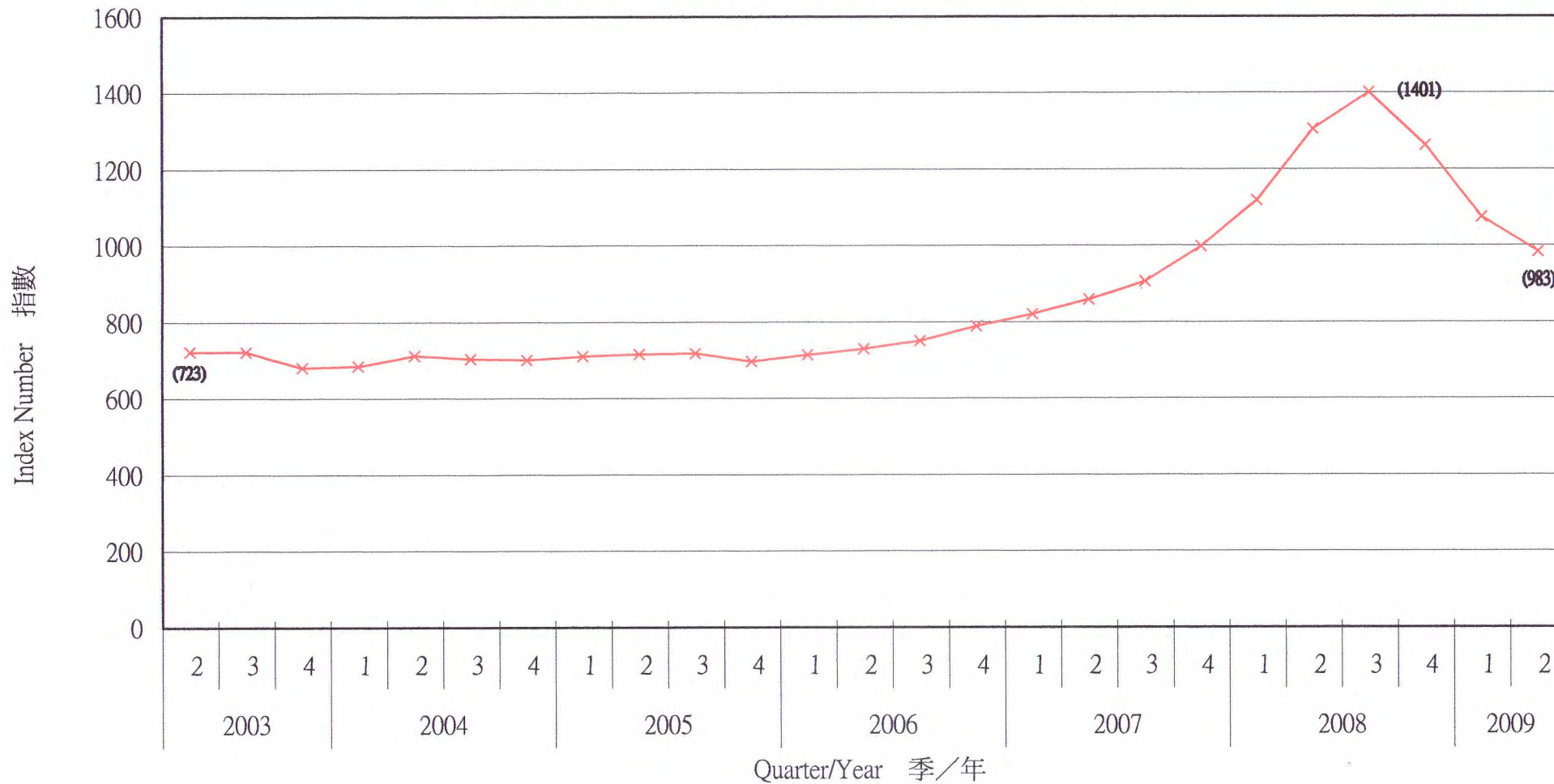


(Source: Census and Statistics Department) (資料來源:政府統計處)

@ The copper pipes cost index is a new index series with data collection commenced since 2008. @銅喉成本指數為一新數列,有關數據自2008年開始搜集

Architectural Services Department  
 Building Works Tender Price Index (Jan 1970 = 100)  
 建築署建築工程投標價格指數 (1970年1月 = 100)

Enclosure 2  
 附件 2



## Enclosure 3

### 63MM – North Lantau Hospital, Phase 1

A comparison of the estimate prepared for Panel Paper and that for PWSC Paper in MOD prices is as follows –

		(A) Panel Paper Estimate (\$ million)	(B) PWSC Paper Estimate (\$ million)	(B)-(A) Difference (\$ million)
(a)	Site works	2.0	1.4	(0.6)
(b)	Geotechnical works	74.5	59.2	(15.3)
(c)	Piling and foundation works	230.9	115.3	(115.6)
(d)	Building	1,016.4	889.7	(126.7)
(e)	Building services	603.7	432.6	(171.1)
(f)	Drainage	12.5	11.0	(1.5)
(g)	External works	59.3	53.9	(5.4)
(h)	New link road	23.9	20.3	(3.6)
(i)	Soft landscape	13.0	12.5	(0.5)
(j)	Additional energy conservation measures	40.0	29.3	(10.7)
(k)	Furniture and equipment	400.0	400.0	-
(l)	Consultants' fee	15.7	15.7	-
(m)	Remuneration of resident site staff	56.0	56.0	-
(n)	Contingencies	305.7	209.7	(96.0)
(o)	Provision for price adjustment	320.1	175.4	(144.7)
	<b>Total</b>	3,173.7	2,482.0	(691.7)