

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 2009)

On 21 April 2004, the Director of Audit published a report¹ on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the Director of 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 provision in the APE.

2. In response to the recommendation of PAC, the Administration had agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated provision in the APE when these “equal/exceed \$15 million or 10% of the original estimated provisions in the APE, whichever is the greater”². We submitted the first report covering projects up to end 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 2009, twelve capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
June 2010

¹ See Director of Audit’s Report No. 42, Chapter 3

² See 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

**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 2009)**

(1) 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)					
3015GB SS W306	<p>Construction of a secondary boundary fence and new sections of primary boundary fence and boundary patrol road – phase 1</p> <p>Construction of a secondary boundary fence and new section of primary boundary fence and boundary patrol road from Lok Ma Chau Control Point to Ng Tung River/ 22 December 2009</p>	395.500	271.540	179.124	92.416
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Security fence (\$66.491 million); (b) Building works (\$13.472 million); and (c) External services and soft landscaping (\$12.453 million).</p>					

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)					
3051RG PI W302	Redevelopment of Kwun Tong Swimming Pool Complex and Kwun Tong Recreation Ground Design and construction of piled foundation and construction of preparatory works for redevelopment of Kwun Tong Swimming Pool Complex and Kwun Tong Recreation Ground/ 13 November 2009	1,323.800	142.618	51.981	90.637
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Piling works (\$47.179 million); (b) Demolition and breaking up of underground obstruction (\$15.170 million); (c) Re-provision of training pool (\$14.538 million); and (d) Double deck covered walkway with catch fence (\$13.750 million). 					

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)					
3052RG SS W305	Lam Tin North Municipal Services Building Construction of Lam Tin North Municipal Services Building/ 23 October 2009	708.500			
			658.100	471.250	186.850
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Building works (\$84.270 million); (b) Piling works and substructure (\$68.560 million); (c) Contract preliminaries (\$19.880 million); (d) Demolition of existing open space (\$7.090 million); and (e) Building services works (\$7.050 million). 					
3053RG SS W301	Sports centre and community hall in Area 101, Tin Shui Wai Construction of sports centre and community hall in Area 101, Tin Shui Wai/ 10 November 2009	629.800			
			573.000	389.800	183.200
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Piling works and substructure (\$113.200 million); (b) Building works (\$36.800 million); (c) Building services works (\$19.300 million); (d) Contract preliminaries (\$10.500 million); and (e) Site formation works (\$3.400 million). 					

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)					
3421RO 3422RO SS W318	District open space in Area 37, Tseung Kwan O Local open space in Area 25, Fanling/ Sheung Shui Construction of district open space in Area 37, Tseung Kwan O and local open space in Area 25, Fanling/Sheung Shui/ 27 November 2009	140.600 51.300			
			169.500	137.025	32.475
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Site formation works (\$8.775 million); (b) Paving (\$8.400 million); (c) Landscaping (\$6.700 million); (d) Fence wall (\$5.100 million); and (e) Skating equipment (\$3.500 million).</p>					
3266RS SS T333	Redevelopment of Victoria Park Swimming Pool Complex Redevelopment of Victoria Park Swimming Pool Complex/ 13 November 2009	1,197.700			
			1,129.400	928.688	200.712
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Internal and external finishing (\$101.712 million); (b) External works (\$50.000 million); (c) Structural steel roof (\$25.000 million); (d) Substructure and basement (\$15.000 million); and (e) Plumbing and drainage (\$9.000 million).</p>					

(2) 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)					
7736CL KL/2009/01	Site formation for Kai Tak cruise terminal development Site formation for Kai Tak cruise terminal development/ 24 November 2009	2,303.900	1,750.184	1,340.000	410.184
		<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Interface walling (\$147.794 million); (b) Quay deck foundation (\$83.883 million); (c) Seawall construction of Berth 1 (\$75.176 million); (d) Seawall construction of Berth 2 (\$71.126 million); (e) Dredging of seabed (\$22.046 million); and (f) Berthing structure, mooring/fender systems, transition structures and associated works (\$10.159 million). 			

(3) 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)					
4348DS DC/2009/07	<p>North District and Tolo Harbour sewerage, sewage treatment and disposal – regional sewerage works, part 1 – sewerage upgrade</p> <p>North District and Tolo Harbour regional sewerage – upgrading of trunk sewers at Ma Liu Shui, Tai Po and North District/ 18 November 2009</p>	793.200	378.000	326.500	51.500
		<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Sewerage works in Tai Po (\$35.730 million); (b) Sewerage works in North District (\$13.560 million); and (c) Sewerage in Ma Liu Shui (\$2.210 million).</p>			
4369DS DE/2009/02	<p>Harbour Area Treatment Scheme, stage 2A – construction of the sewage conveyance system and advance works for upgrading of Stonecutters Island sewage treatment works</p> <p>Provision of covers and deodourisation facilities to existing sedimentation tanks at Stonecutters Island sewage treatment works/ 21 October 2009</p>	9,286.500	270.000	188.800	81.200
		<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Openable type cover in containment system (\$37.000 million); (b) Fixed type cover in containment system (\$31.500 million); (c) Deodourisation system (\$8.100 million); and (d) Contract preliminaries (\$4.600 million).</p>			

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)					
4371DS DC/2009/11	Sewerage in western Tuen Mun Tuen Mun western trunk sewerage/ 30 November 2009	1,340.000	796.860	710.996	85.864
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Gravity sewers (\$50.060 million); (b) Rising mains (\$22.100 million); (c) Sewage pumping station of the western interceptor sewer and associated works (\$7.804 million); and (d) Box culvert (\$5.900 million). 					

(4) Department: Highways 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)					
6805TH	Retrofitting of noise barriers on Fanling Highway (MTR Fanling Station to Wo Hing Road)	506.900			
6807TH	Retrofitting of noise barriers on Fanling Highway (Po Shek Wu Road to MTR Fanling Station)	247.100			
HY/2009/09	Noise barriers on Fanling Highway between Po Shek Wu Road and MTR Fanling Station/ 16 October 2009		404.000	343.317	60.683
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Noise barriers (\$32.770 million); (b) Mini-piles (\$20.713 million); (c) Roadworks (\$6.200 million); and (d) Structural steel posts (\$1.000 million). 					

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)					
7743CL	Tseung Kwan O further development – infrastructure works for Tseung Kwan O stage I landfill site (phase I)	168.900			
HY/2009/05	Tseung Kwan O further development – design-and-build of infrastructure works for Tseung Kwan O stage I landfill site (phase I)/ 16 December 2009		151.085	128.945	22.140
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions which resulted in lower rates in the returned tender. Material prices also fall sharply since the third quarter in 2008. Details of the key items with significant savings are as follows -</p> <p>(a) Bridge structure (\$10.087 million);</p> <p>(b) Piling (\$8.316 million); and</p> <p>(c) Pile cap (\$3.737 million).</p>					