

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 First Quarter of 2010)**

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 March 2010, eight capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
July 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

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(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)					
3330EP SS W307	<p>A 24-classroom primary school at the junction of Victoria Road and Pok Fu Lam Road, Pok Fu Lam</p> <p>Construction of a primary school at the junction of Victoria Road and Pok Fu Lam Road, Pok Fu Lam / 3 February 2010</p>	255.600	224.000	185.000	39.000
<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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Site formation works (\$18.200 million); (b) Building works (\$11.000 million); and (c) External works and drainage (\$9.800 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)					
3017NB SS W313	<p data-bbox="337 555 799 660">Provision of a columbarium and garden of remembrance at Kiu Tau Road, Wo Hop Shek</p> <p data-bbox="407 689 807 862">Construction of columbarium and garden of remembrance at Kiu Tau Road, Wo Hop Shek, Fanling, New Territories / 12 January 2010</p>	629.500	598.200	428.400	169.800
<p data-bbox="838 761 1434 1008">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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p data-bbox="838 1041 1434 1220">(a) External works including landscaping works (\$109.800 million); (b) Building works (\$39.100 million); (c) Drainage (\$10.500 million); and (d) Building services works (\$10.400 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)					
3245RS AL W316	<p data-bbox="315 517 780 613">Conversion of secondary pool of Lai Chi Kok Park Swimming Pool into indoor heated pool</p> <p data-bbox="388 651 780 824">Conversion of secondary pool of Lai Chi Kok Park Swimming Pool into an indoor heated pool/ 22 January 2010</p>	166.700	144.800	121.785	23.015
<p data-bbox="821 734 1419 972">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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p data-bbox="821 1010 1419 1256">(a) Mechanical Ventilation and Air Conditioning (MVAC) installation (\$7.600 million); (b) Drainage (\$6.400 million); (c) External works (\$4.130 million); (d) Folding door system (\$2.925 million); and (e) Fire services installation (\$1.960 million).</p>					

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\$ million (in MOD prices)					
8069MM RF W312	<p data-bbox="326 506 791 573">Relocation of Siu Lam Hospital to Block B of Castle Peak Hospital</p> <p data-bbox="401 607 799 779">Improvement of facilities in Block B of Castle Peak Hospital for the relocation of Siu Lam Hospital/ 11 January 2010</p>	320.300		267.600	169.110
<p data-bbox="832 678 1428 920">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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <ul data-bbox="832 958 1428 1238" style="list-style-type: none"> (a) Building works (\$38.330 million); (b) Contract preliminaries (\$28.390 million); (c) Building services works (\$10.160 million); (d) Demolition and alteration works (\$9.230 million); (e) Patient hoist system (\$7.480 million); and (f) External and soft landscaping works (\$4.900 million). 					

(2) Department: Civil Engineering and Development Department

Project Code	Project Title	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
Contract No.	Contract Title/ Award Date	\$ million (in MOD prices)			
5480CL	Disposal of contaminated mud-management and capping of contaminated mud pit 4	570.100			
5729CL	Disposal of contaminated sediment-dredging, management and capping of sediment disposal facility at Sha Chau	770.900			
	Total:	1,341.000			
CV/2009/16	Contaminated mud pits 4 and 5-sampling and testing (2010-14)/ 26 March 2010		171.000	135.257	35.743
		<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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Sediment Quality and Biological Resource Monitoring for Contaminated Mud Pits (CMP) (\$24.210 million);</p> <p>(b) Sediment Quality Monitoring for CMP (\$10.100 million); and</p> <p>(c) Water Quality Monitoring for CMP (\$1.433 million).</p>			

(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)					
4236DS DC/2009/09	Tai Po sewage treatment works, stage 5 phase 2B Construction of Tai Po sewage treatment works, stage 5 phase 2B/ 26 January 2010	659.000	329.500	292.500	37.000
<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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Structural works (\$14.170 million); (b) Piling works (\$11.460 million); (c) Contract preliminaries (\$8.070 million); and (d) Ancillary works (\$3.300 million).</p>					

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\$ million (in MOD prices)					
6159TB HY/2009/10	<p data-bbox="315 600 777 701">Reconstruction of footbridge near Hsin Kuang Centre and extension of bus bays at Lung Cheung Road</p> <p data-bbox="388 734 777 907">Reconstruction of footbridge near Hsin Kuang Centre and extension of bus bays at Lung Cheung Road / 21 January 2010</p>	83.800			
			69.400	45.331	24.069
		<p data-bbox="820 817 1417 1055">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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p data-bbox="820 1093 1417 1234">(a) Footbridge structural works (\$11.668 million); (b) Piling works (\$10.666 million); and (c) Lift towers (\$1.735 million).</p>			

(5) Department: Water Supplies 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)					
9186WC	Replacement and rehabilitation of water mains, stage 3	5,550.000			
9045WS	Salt water supply for Northwest New Territories-remaining works	808.400			
	Total:	6,358.400			
16/WSD/09	Salt water supply for Northwest New Territories-mainlaying in Yuen Long/ 10 February 2010		194.500	131.787	62.713
<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 and the decline in some material prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Mainlaying works in Yuen Long Town north (\$23.359 million); (b) Associated construction works in Yuen Long Town north (\$11.757 million); (c) Mainlaying works in Yuen Long Town south (\$11.644 million); (d) Contract preliminaries (\$8.841 million); and (e) Associated works in Yuen Long Town south (\$7.112 million). 					