

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

Development Bureau
Works Branch
August 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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and Estimated Provisions in the Approved Project Estimates
(for Capital Works Contracts Awarded in the Second Quarter of 2010)**

(1) 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)					
7271RS TP/2010/02	<p>Cycle tracks connecting North West New Territories with North East New Territories—Sheung Shui to Ma On Shan section</p> <p>Cycle tracks from Sheung Shui to Ma On Shan/ 17 May 2010</p>	230.300	176.800	138.879	37.921
<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 tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Site formation (\$11.700 million); (b) Bridges and nullah decks (\$9.800 million); (c) Landscape and ancillary works (\$6.421 million); (d) Contract preliminaries (\$5.500 million); and (e) Road and drainage (\$4.500 million).</p>					

(2) 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 DE/2009/09	<p>Tai Po sewage treatment works, stage 5 phase 2B</p> <p>Supply and installation of electrical and mechanical equipment for Tai Po sewage treatment works, stage 5 phase 2B/ 18 May 2010</p>	659.000	290.000	210.780	79.220
<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 major equipment prices, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Installation of mechanical equipment for final clarifiers and aeration tanks (\$32.000 million);</p> <p>(b) Provision of associated instrumentation and supervisory control and data acquisition equipment (\$15.000 million);</p> <p>(c) Ancillary Works (\$14.520 million);</p> <p>(d) Provision of associated electrical equipment (\$9.000 million); and</p> <p>(e) Contract preliminaries (\$8.700 million).</p>					