

For Information

**Legislative Council Panel on Home Affairs
Redevelopment of the Hong Kong Sports Institute**

Purpose

This paper reports on the updated financial position of the redevelopment of the Hong Kong Sports Institute (HKSI) and the proposed way forward for implementation of the project.

Background

2. At the Panel meeting on 9 July 2010, Members noted progress with the HKSI redevelopment project, vide LC Paper No. CB(2)1980/09-10(05). In the paper we advised that the works period of the project would be extended by about two years, with completion forecast in the fourth quarter of 2013 instead of the third quarter of 2011. We also advised that the Approved Project Estimate (APE) of \$1,707.5 million might not be sufficient to cover the cost of the works under the approved project scope. Members asked the Administration to arrange a visit for Panel Members and other interested Legislative Council (LegCo) Members to the HKSI and to submit an information paper setting out the revised cost estimate following the tender exercise for Contract 3 of the Project, should an increase in APE be required.

3. On 6 October 2010, Members visited the HKSI at Fo Tan. They were shown the progress of the redevelopment project on site and were informed that it would not be necessary to seek increase in APE following the financial review of the project, as described in paragraphs 4 and 5 of the report at the **Annex**, prepared by the HKSI Limited (HKSIL).

Way Forward

4. Given HKSIL's assessment that, based on the latest financial review, the project can be delivered within the APE, the HKSIL will award Contract 3 shortly in order to allow work on the new buildings to start in November. Most of the new buildings will be completed by the end of 2012 and the completion of the redevelopment project is scheduled for the fourth quarter of 2013.

Advice Sought

5. Members are invited to note the updated financial position of the Project

as described in paragraphs 4 and 5 of the report at the **Annex** and the proposed way forward as outlined in paragraph 4 above.

Home Affairs Bureau
October 2010

Redevelopment of the Hong Kong Sports Institute Progress Update by the Hong Kong Sports Institute Limited

Purpose

This paper reports on the updated financial position of the project to redevelop the Hong Kong Sports Institute (HKSI).

Tender Return of Contract 3

2. The Hong Kong Sports Institute Limited (HKSIL) is implementing the HKSI redevelopment project by way of four contracts. Contract 1¹ has been completed and Contract 2² is nearing completion. For Contract 3, which comprises the superstructure works for a nine-storey multi-purpose building, a multi-purpose sports hall, a rowing boathouse, a 52-m indoor swimming pool and tennis courts, tenders have been returned and assessed. Prior to tendering, our Consultants estimated that the costs of Contracts 3 and 4 might be 16% higher than the sum allowed for in the APE considering the rising trend in construction costs in Hong Kong – in the past three years there has been a 25% increase in the Architectural Services Department's Building Works Tender Price Index³ from 906 in the third quarter of 2007 (when the original cost estimate for the HKSI project was prepared) to 1 134 in the first quarter of 2010. Coupled with the additional costs we envisaged in July vide LC Paper CB(2)1980/09-10(05)⁴, we considered that the Approved Project Estimate (APE) might not be sufficient to cover the cost of the works under the approved project scope.

3. Tenders for Contract 3 were returned on 16 August 2010. The price of the tender intended to be selected for this Contract was lower than the sum allowed for in the APE. Further details cannot be disclosed at this stage as the tender has not yet been awarded.

Review of Financial Position

¹ Contract 1 comprises the refurbishment of the existing indoor sports complex at Fo Tan and the construction of a temporary velodrome at Whitehead, Ma On Shan.

² Contract 2 comprises the foundation works for the new nine-storey multi-purpose building, multi-purpose sports hall, rowing boathouse and 52-m indoor swimming pool.

³ The Tender Price Index is a quarterly index compiled primarily as an aid to adjust building cost data for estimation purpose.

⁴ Including additional decanting cost for the HKSI's extended stay at the YMCA's Wu Kwai Sha Youth Village, increase in consultants' fee for contract administration, additional cost for the in-house technical team due to the longer construction period, and extra cost for additional furniture and equipment.

4. We have reviewed the financial position of the Project based on the actual tender prices of Contracts 1 and 2 as well as the price of the tender intended to be selected for Contract 3. We now estimate that the total cost of these three contracts falls within the sum allowed for in the APE and leaves a balance sufficient to cover Contract 4, including the additional costs we envisaged in July. Contract 4 only accounts for a relatively small portion of the Project, and we will endeavour to deliver this contract within the available budget by exercising a prudent cost management strategy with strict adherence to the following principles –

- (a) there will be no change to the approved scope of works;
- (b) any design adjustments will not compromise functionality or safety; and
- (c) there will be no adverse impact on athletes training programmes.

5. In light of the above considerations, we now take the view that the APE is sufficient to cover the cost of the works of the HKSI redevelopment project and that an increase in APE is not necessary. We briefed Members of the Legislative Council on the latest financial review of the project during their visit to the HKSI on 6 October 2010.

Way Forward

6. Given the outcome of the financial review described in paragraphs 4 and 5 above, we shall award Contract 3 shortly in order to secure the favourable tender price. Contract 3 will then commence in November 2010 for completion by the end of 2012 when most of the new buildings will have been completed. Preparation for Contract 4 will continue, and we plan to invite tenders for the contract towards the end of 2011. Our target remains to have the whole project completed in the fourth quarter of 2013.

Hong Kong Sports Institute Limited
October 2010