

**For information
on 9 July 2010**

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

Purpose

This paper presents a report from the Hong Kong Sports Institute Limited (HKSIL) on the current status of the redevelopment of the Hong Kong Sports Institute (the Project) at **Annex** and the proposed way forward for the implementation of the Project.

Background

2. On 13 June 2008, the Finance Committee (FC) approved the upgrading of the Project to Category A at an estimated cost of \$1,707.5 million in money-of-the-day (MOD) prices. It is being implemented by way of four contracts. Due to the reasons explained in paragraphs 6 and 7 of HKSIL's paper at **Annex**, it is anticipated that the overall works period will be lengthened by about two years, with the overall completion projected in the fourth quarter of 2013 instead of the third quarter of 2011 as originally proposed, and that the Approved Project Estimate (APE) may not be sufficient to cover the cost of all the works under the approved project scope.

Way Forward

3. Contract 3, which is the largest of the four contracts in terms of contract sum, is being tendered out and returns are expected by August 2010. With information from the tender returns, the HKSIL would be able to prepare a more accurate overall cost estimate for the Project by September 2010, in time for seeking an increase in APE from PWSC / FC in November / December 2010.

4. Subject to any comments Members may have, we will re-assess the overall cost estimate of the Project when tender prices for Contract 3 are available in August 2010. If the overall cost estimate does exceed the APE as now envisaged, we will explain to this Panel the revised cost estimate and proceed to seek PWSC / FC's approval for increasing the APE in November / December 2010, with a view to securing the necessary approval for awarding Contract 3 within 2010 to avoid further delay to the Project.

Advice Sought

5. Members are invited to note the latest cost estimate in paragraph 9 of the **Annex** for the Project and our proposed way forward as outlined in paragraph 4 above.

Home Affairs Bureau
July 2010

Redevelopment of the Hong Kong Sports Institute – Progress Report

Purpose

This paper reports on the current status of the redevelopment of the Hong Kong Sports Institute (the Project).

Background

2. On 13 June 2008, the Finance Committee (FC) approved the upgrading of the Project to Category A at an estimated cost of \$1,707.5 million in money-of-the-day (MOD) prices.

3. The approved project scope comprises –

- (a) demolition of the velodrome for the construction of a new 9-storey multi-purpose building situated at the site of the existing outdoor velodrome in Fo Tan, consisting of the following facilities –
 - a sports information centre;
 - conference centre, lecture and coaching rooms and function rooms;
 - athletes' canteen / restaurant;
 - athletes' hostel (four storeys at Level 6 to 9 with a capacity for at least 370 athletes);
 - sports residence (five storeys at Level 1 to 5 for visiting athletes and sports personnel); and
 - offices and ancillary facilities;
- (b) a new multi-purpose sports hall (for a 12-lane bowling centre, a venue for training of wushu and three doubles squash courts convertible to four singles squash courts);
- (c) a new 52-metre (m) international standard indoor swimming pool connected with the existing 25-m pool to form an integrated indoor swimming complex;
- (d) a new 2-storey rowing boathouse;
- (e) demolition of part of the Hong Kong Sports Institute (HKSI) hostel wing for the construction of the entrance of the new integrated indoor swimming complex and upgrading of the existing spectator stand;

- (f) upgrading of the existing indoor sports complex (to provide better facilities for table tennis, fencing, badminton, sports science laboratories, sports medicine clinic and fitness training centre with expanded, integrated recovery centre, coaches' offices, building services and fittings);
- (g) upgrading of the running / cycling trail with 3-m wide rubber finish;
- (h) a 120m 4-lane covered warm-up track;
- (i) reprovision of four tennis courts, addition of two tennis clay courts and two tennis covered courts, and conversion of the surplus tennis courts and volleyball courts into a new multi-purpose outdoor venue;
- (j) a new elevated and covered walkway connecting the new 9-storey multi-purpose building with other key facilities of the HKSI;
- (k) integrated sports facilities for athletes with disabilities including, but not necessarily limited to, fencing, boccia, table tennis, rowing, tenpin bowling, swimming, track and field, warm-up and cross-training. Additional ancillary facilities will be specifically targeted for athletes with disabilities including residence, access, toilets and changing rooms, lifts, car-parks, wheel-chair storage etc; and
- (l) an off-site temporary velodrome at Whitehead as decanting arrangement.

4. As the HKSI is being redeveloped in-situ, to minimise disruption to its operation and athletes' training, as well as to shorten the period of the HKSI occupying the YMCA's Wu Kwai Sha Youth Village (WKSJV) and the facilities of the Leisure and Cultural Services Department as temporary premises and training venues, the Hong Kong Sports Institute Limited (HKSIL) is implementing the Project by way of four contracts. The scopes of the four contracts are –

- (a) Contract 1 – Refurbishment of the existing indoor sports complex at Fo Tan and construction of a temporary velodrome at Whitehead, Ma On Shan;
- (b) Contract 2 – Foundation works for the new 9-storey multi-purpose building, multi-purpose sports hall, rowing boathouse and a 52-m indoor swimming pool;
- (c) Contract 3 – Superstructure works for the new 9-storey multi-purpose building, multi-purpose sports hall, rowing boathouse, a 52-m indoor swimming pool and the tennis courts; and

- (d) Contract 4 – Alteration works to the existing hostel wing, renovation of the existing 25-m swimming pool, new cover to spectator stand and refurbishment of the external area around these premises and the multi-purpose hard court.

Latest Developments

5. Contract 1 of the Project commenced in March 2009. The refurbishment of the existing sports hall and the construction of the temporary velodrome at Whitehead were completed in February and April 2010 respectively, and the HKSI has moved back to Fo Tan since early March 2010. The foundation works under Contract 2 commenced in July 2009 and are due for completion by January 2011.

6. Although Contract 1 is complete and Contract 2 is in progress, as compared to the timetable presented to the Public Works Sub-committee (PWSC) in June 2008 vide PWSC(2008-09)13, it is anticipated that the overall works period will be lengthened by more than two years, with the overall completion projected in the fourth quarter of 2013 instead of the third quarter of 2011 as originally proposed. The main reasons for the additional works period include –

- (a) before the commencement of Contract 1, more time (three months) was needed for carrying out a detailed condition survey¹ to ascertain the status of the existing buildings which were almost 30 years old and did not have accurate and updated as-built records to facilitate the refurbishment works; and an additional 1.5 months were required for price negotiation as the lowest tender price returned was substantially higher than the pre-tender estimate;
- (b) the inclement weather during the works period of Contract 1 has resulted in a delay of about two months, and the unforeseeable technical difficulties encountered by the contractor in constructing the first ever international-grade concrete velodrome in Hong Kong have resulted in an additional 5.5 months in the construction period;
- (c) for Contract 2, more time (three months) was required for conducting additional rounds of pre-qualification exercise with a view to identifying more suitable potential tenderers. Also, additional time (4.5 months) was needed for revising the foundation design to align with the improved building's layout which is more efficient in the use of space. Moreover, due to the delay in the construction of the concrete velodrome as explained in (b) above, the existing velodrome in the HKSI could not be demolished to allow foundation works to begin as scheduled, thus causing another delay of 4.5 months, and

¹ Including the need to trace on site all the electrical and mechanical services of the existing buildings.

- (d) as a result of the additional time required for completing Contracts 1 and 2, there are knock-on effects on Contracts 3 and 4 and their commencement dates have to be adjusted accordingly. Having regard to the experiences with Contracts 1 and 2, it is considered prudent and reasonable to allow more float time in the construction period under Contracts 3 and 4 to cater for inclement weather and for sorting out potential technical difficulties, and hence the proposed final completion of the Project is now revised from the third quarter of 2011 to the fourth quarter of 2013 - even though the majority of the new buildings are still scheduled for completion by end 2012.

Expected Increase in Project Estimate

7. A review of the current financial position has revealed that the Approved Project Estimate (APE) may not be sufficient to cover the cost of all the works under the approved project scope. The increase in the project estimate is mainly attributable to the following –

- (a) Higher-than-expected pre-tender estimates
There has been an increase in price levels in the past three years. For reference, the Architectural Services Department's (ArchSD) Building Works Tender Price Index² has increased significantly 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, representing a 25% increase. The pre-tender cost estimate for Contracts 3 and 4, which account for about 70% of the cost of the Project, is now higher than expected by about 16%;
- (b) Additional decanting cost
The original plan was for the HKSI to move back to its Fo Tan venue upon the completion of Contract 1 in the third quarter of 2009. However, due to the delay as explained in paragraph 6(a) and (b) above, the HKSI had to extend its stay at the WKSJV until February 2010, thus resulting in additional decanting costs not projected in the APE;
- (c) Increase in consultants' fee for contract administration
The Quantity Surveying (QS) consultant appointed by the HKSIL in September 2007 tendered voluntary withdrawal in June 2009, and it was necessary to engage a replacement QS consultant through tender. The fees charged were higher because the replacement consultant only took up his job half way through the Project and needed to manage and ensure the delivery of the Project within a much tighter time frame;

² Tender Price Index is a quarterly index compiled primarily as an aid to adjust building cost data for estimation purpose.

(d) Additional cost for in-house technical team

The HKSIL has employed an in-house technical team to oversee the implementation of the Project. The original employment of the team was up to the third quarter of 2011 only, but given the lengthening of the works period to the fourth quarter of 2013, the employment of the team has to be extended accordingly, and hence the additional staff cost; and

(e) Need for additional furniture and equipment

Detailed requirements on furniture and equipment have been reviewed to cope with developments in the detailed design of the Project. Additional provisions have to be sought to provide the furniture and equipment to an adequate level.

8. In the circumstances, the HKSIL has conducted cost saving exercises in an attempt to counter the effect of the increase in the project estimate. The principles of the cost saving exercises were that the approved project scope should be maintained, and that the safety and environmental standards must not be compromised. The major possible cost saving items included -

- (a) adopting a revised design for excavation and lateral support at the site and using open cutting as far as possible;
- (b) revising the design of the structural steel framework of metal roofs;
- (c) omitting fire-rated coating to the structural steel framework, and
- (d) revising the design of electrical and mechanical installations.

9. However, the savings so achieved (about \$43 million in total) would not be enough to offset the anticipated increase in the project estimate. According to the latest assessment of the QS consultant, the updated project estimate would likely be \$1,957.6 million in MOD prices, which exceeds the APE by \$250.1 million (or about 15% of the APE). A more accurate project estimate will be available after the tender price of Contracts 3 is known.

Tendering of Contracts 3 and 4

10. Contract 3, which is the largest of the four contracts and accounts for about 60% of the total cost estimate, is being tendered out and returns are expected by August 2010. With information from the tender returns, we would be able to prepare a more accurate overall cost estimate for the Project by September 2010, in time for seeking an increase in APE from PWSC / FC in November / December 2010 if such an increase is necessary. Only after the increase in APE has been approved by PWSC/FC would we proceed to award Contract 3. Construction works are scheduled to commence by end 2010 for completion in the fourth quarter of 2012. Tenders for Contract 4 will be invited in mid 2012. The whole Project will still be completed in

the fourth quarter of 2013.

11. The HKSIL has adopted suitable measures to enhance the effectiveness and efficiency of the delivery of the Project. On one hand, it has engaged a replacement QS consultant with sound track record in handling projects of the similar nature and complexity, and on the other, strengthened its in-house technical team by appointing a Senior Project Director to head the team, oversee the implementation of the Project and liaise with contractors and stakeholders.

Hong Kong Sports Institute Limited
July 2010