

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 2011)**

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 2011, nine capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
March 2012

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)					
3400IO RF Y309	Transformation of the former Police Married Quarters on Hollywood Road into a creative industries landmark Transformation of the former Police Married Quarters on Hollywood Road into a creative industries landmark at 35 Aberdeen Street, Central/ 15 December 2011	560.100	504.400	354.096	150.304
<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> <ul style="list-style-type: none"> (a) Excavation works in area with historic remains, structural strengthening works and protection works to existing building (\$55.576 million); (b) Contract preliminaries (\$54.82 million); (c) Electrical installation, air-conditioning installation and fire services installation (\$30.791 million); and (d) Piling works, external works and drainage (\$9.117 million). 					

(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)					
5001BX (block allocation) Item 2.206	Landslip prevention and mitigation programme 2008, package A, landslip prevention and mitigation works in Hong Kong Island West and South	279.890			
GE/2010/25	Landslip prevention and mitigation programme, 2008, package A, landslip prevention and mitigation works in Hong Kong Island West and South/ 21 December 2011		230.010	169.500	60.510
<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) Ancillary works (\$33.59 million); (b) Geotechnical works (\$14.71 million); (c) Excavation works (\$9.31 million); and (d) Contract preliminaries (\$2.9 million).</p>					

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\$ million (in MOD prices)					
5001BX (Block allocation) Item 2.211	Landslip prevention and mitigation programme 2008, package I, landslip prevention and mitigation works in Central and Western District	321.910			
GE/2010/24	Landslip prevention and mitigation programme, 2008, package I, landslip prevention and mitigation works in Central and Western District/ 29 November 2011		298.110	238.880	59.230
<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) Geotechnical works (\$33.694 million); and (b) Ancillary works (\$25.536 million).</p>					

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\$ million (in MOD prices)					
5001BX (Block allocation) Item 2.223 GE/2010/21	Landslip prevention and mitigation programme 2008, packages I and M, landslip prevention and mitigation works in Wan Chai Landslip prevention and mitigation programme, 2008, package I and M, landslip prevention and mitigation works in Wan Chai/ 27 October 2011	315.260			
			292.660	227.669	64.991
		<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) Geotechnical works (\$44.936 million); (b) Ancillary works (\$13.655 million); and (c) Contract preliminaries (\$6.4 million).</p>			

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\$ million (in MOD prices)					
5017GB CV/2011/03	<p data-bbox="293 577 802 719">Liantang/Heung Yuen Wai Boundary Control Point and associated works—detailed design and ground investigation</p> <p data-bbox="357 757 802 936">Liantang/Heung Yuen Wai Boundary Control Point—ground investigation for site formation and infrastructure works / 21 October 2011</p>	265.800	117.100	146.795	(29.695) ^[1]
		<p data-bbox="836 831 1465 1048">The accepted tender price is higher than the sum allowed in APE for the contract. This is due to recent unexpected surge in the demands in the ground investigation market and thus higher price levels. Details of the key items with significant deviations are as follows -</p> <p data-bbox="836 1088 1465 1267">(a) Drilling (\$18 million); (b) Contract preliminaries (\$4.67 million); (c) Boulder investigation (\$3.8 million); and (d) Tree survey and ancillary works (\$3.225 million).</p>			

Note: [1] The difference will be met by the savings under the consultancy agreement of the project. The awarded consultancy sum is lower than the sum allowed in the APE.

(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)					
4140CD DC/2011/04	<p data-bbox="284 611 790 757">Reconstruction and rehabilitation of Kai Tak Nullah from Po Kong Village Road to Tung Kwong Road—remaining works</p> <p data-bbox="347 790 790 969">Reconstruction, improvement and rehabilitation of Kai Tak River from Wong Tai Sin Police Station to Tung Tau II Estate/ 24 October 2011</p>	1,602.000	1,006.000	818.000	188.000
<p data-bbox="826 869 1457 1081">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> <ul data-bbox="826 1126 1457 1518" style="list-style-type: none"> (a) Reconstruction and rehabilitation of nullah, and box culvert construction (\$75.3 million); (b) Associated works (including landscaping works and footbridge reprovisioning) (\$46.7 million); (c) Contract preliminaries (\$28.6 million); (d) Environmental mitigation measures (\$21.5 million); and (e) Relocation of affected existing watermains and sewers (\$15.9 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)					
6167TB	Provision of barrier-free access facilities at public footbridges, elevated walkways and subways—design works and phase 1 construction works	292.100			
HY/2011/12	Provision of lifts to two footbridges across Waterloo Road near Suffolk Road and across Tsing Yi Heung Sze Wui Road near Vigor Industrial Building, and two subways across Aberdeen Praya Road near Old Main Street Aberdeen and across Tai Po Road near Pei Ho Street/ 30 December 2011		64.400	44.500	19.900
		<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) Foundation and structural works (\$9.665 million);</p> <p>(b) Ancillary works (\$6.395 million); and</p> <p>(c) Contract preliminaries (\$3.84 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)					
6845TH	Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities—reclamation and superstructures	30,433.900			
6846TH	Tuen Mun-Chek Lap Kok Link—detailed design, site investigation and advance works	1,909.600			
	Total:	32,343.500			
HY/2010/02	Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities—reclamation works/ 18 November 2011		8,510.812	6,989.000	1,521.812
<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) Reclamation works (\$583 million); (b) Ground treatment works (\$386 million); (c) Ancillary works (\$242.063 million); (d) Contract Preliminaries (\$201.749 million); and (e) Earthworks (\$109 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)					
9192WC 8/WSD/11	Water supply to Pak Shek Kok reclamation area, Tai Po—stage 2 phase 1 Construction of Pak Shek Kok fresh water service reservoir extension/ 16 December 2011	79.800	69.000	45.716	23.284
<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) Contract preliminaries (\$12.23 million); (b) Service reservoir construction (\$9.2 million); and (c) Ancillary works (\$1.854 million)</p>					