

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 Third Quarter of 2012)

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 September 2012, four capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
December 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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and Estimated Provisions in the Approved Project Estimates
(for Capital Works Contracts Awarded in the Third Quarter of 2012)**

(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)					
3429RO SS A506	Open Space in Area 117, Tin Shui Wai Construction of open space in Area 117, Tin Shui Wai/ 15 August 2012	232.300	208.000	164.980	43.020
<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) Football pitch fence, service block and artificial turf system (\$25.220 million); (b) Ancillary works (\$12.000 million); and (c) Landscape softwork, vertical greening feature frames and signage (\$5.800 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)					
3443RO SS A504	Runway Park at Kai Tak, Kowloon City District—phase 1 Construction of Runway Park at Kai Tak, Kowloon City District—phase 1/ 18 July 2012	169.700	150.400	129.300	21.100
<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) Extra travel allowance to the workers incurred due to lack of public transportation to the Site (\$9.000 million);</p> <p>(b) Soft landscaping works and irrigation system (\$7.100 million); and</p> <p>(c) Site overhead (\$5.000 million).</p>					

(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)					
5737CL CV/2012/03	<p data-bbox="296 645 794 784">Dredging, management and capping of contaminated sediment disposal facility to the south of The Brothers</p> <p data-bbox="357 824 794 967">Management of sediment disposal facility to the south of The Brothers/ 14 September 2012</p>	617.700	406.300	215.000	191.300
<p data-bbox="836 936 1461 1151">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="836 1191 1461 1442" style="list-style-type: none"> (a) Mud dredging and disposal for Pit 2 (\$99.6 million); (b) Mud dredging and disposal for Pit 1 (\$40.5 million); (c) Contract preliminaries (\$27.4 million); and (d) Management of contaminated mud pits (\$23.8 million). 					

(3) 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)					
9189WC 15/WSD/11	Replacement and rehabilitation of water mains, stage 4 phase 2 Replacement and rehabilitation of water mains, stage 4 phase 2—mains on outlying islands/ 19 September 2012	4,510.300	286.400	214.423	71.977
<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) Water main replacement and mainlaying works (\$52.465 million);</p> <p>(b) Contract preliminaries (\$18.416 million); and</p> <p>(c) Landscape softworks and establishment works (\$1.096 million).</p>					