

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 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 December 2012, six 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 2013

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 Fourth 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)					
3062JA SS A511	Redevelopment of disciplined services quarters in Fu Tei, Tuen Mun Redevelopment of disciplined services quarters in Fu Tei, Tuen Mun/ 29 November 2012	413.400	305.000	264.900	40.100
<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) Concrete works (\$20.100 million); (b) Piling works (\$8.700 million); (c) Building services works (\$6.700 million); and (d) External and drainage works (\$4.600 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)					
3055RG SS A510	Sports centre, community hall and district library in Area 14B, Sha Tin The construction of sports centre, community hall and district library in Area 14B, Sha Tin/ 3 December 2012	1,084.000	932.100	799.300	132.800
<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) Reinforced concrete structures, curtain wall and suspended ceiling (\$70.000 million); (b) Building services works (\$44.100 million); and (c) Site formation and piled foundation (\$18.7 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 2.235 GE/2012/30	<p data-bbox="296 645 802 786">Landslip prevention and mitigation programme, 2011, package B, landslip prevention and mitigation works in Hong Kong Island (East)</p> <p data-bbox="355 824 802 1039">Landslip prevention and mitigation programme, 2011, package B, landslip prevention and mitigation works in Hong Kong Island (East)/ 10 December 2012</p>	142.140	119.910	85.530	34.380
<p data-bbox="836 898 1465 1113">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 data-bbox="836 1155 1445 1261">(a) Contract preliminaries (\$19.073 million); (b) Geotechnical works (\$10.948 million); and (c) Ancillary works (\$4.359 million).</p>					

(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)					
4332DS DC/2012/08	Lam Tsuen Valley sewerage — stage 2 Lam Tsuen Valley sewerage — village sewerage, stage 2, phase 2/ 25 October 2012	588.300	209.800	170.916	38.884
<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) Construction of sewers within villages (\$23.453 million);</p> <p>(b) Construction of sewage pumping stations (\$13.130 million); and</p> <p>(c) Construction of rising main (\$2.301 million).</p>					

(4) Department: Environmental Protection 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)					
5168DR	Refurbishment and modification of Island East transfer station	56.500			
5174DR	Refurbishment and modification of Island West transfer station	99.700			
	Total:	156.200	113.906	90.400 ^[1]	23.506
EP/SP/63/11	Island West and Island East transfer stations follow-on contract/ 8 November 2012	<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) Enhancement and upgrading of ventilation and air-scrubbing systems (\$13.706 million); and</p> <p>(b) Replacement of mechanical waste compactors (\$9.800 million).</p>			

Notes: [1] This is a design-build-operate contract. The total contract sum awarded is \$878.271 million. Part of the contract at a value of \$787.871 million is for operating the transfer stations for 7.5 years, which will be funded by the General Revenue Account.

(5) 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)					
6798TH HY/2011/13	Improvement to Pok Oi Interchange Improvement to Pok Oi Interchange/ 16 November 2012	264.800	195.000	170.000	25.000
<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) Flyover foundation (\$16.500 million); (b) Road works (\$4.700 million); and (c) Noise barriers (\$3.800 million).</p>					