

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 2013)**

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 2013, 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
January 2014

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: Civil Engineering and Development Department

Project Code	Project Title	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
Contract No.	Contract Title/ Award Date				
\$ million (in MOD prices)					
5019GB	Liantang/Heung Yuen Wai Boundary Control Point and associated works—site formation and infrastructure works	16,253.200			
6720TH	Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling—stage 2	4,320.000			
	Total:	20,573.200			
CV/2012/09	Liantang/Heung Yuen Wai Boundary Control Point site formation and infrastructure works—contract 3/ 2 July 2013		1,994.770	2,545.000	(550.230) ^[1]
<p>The accepted tender price is higher than the sum allowed in APE for the contract. This is due to the higher than expected tender price for viaduct and other heavy civil engineering works, restrictive working method and complicated traffic arrangement for the viaduct works over the expressway and East Rail. Details of the key items with significant deviations are as follows -</p> <p>(a) Viaducts works (\$335.23 million); and (b) Contract preliminaries (\$215 million).</p>					

Note: [1] The difference will be met from project contingencies.

(2) 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)					
4368DS	Yuen Long South sewerage and expansion of Ha Tsuen sewage pumping station	550.800			
4395DS	Tolo Harbour sewerage of unsewered areas, stage 2 phase 1	364.700			
4396DS	Sewerage in Nam Wa Po and Wai Tau Tsuen	319.100			
	Total:	1,234.600			
DC/2013/01	Tolo Harbour sewerage of unsewered areas stage 2—phase 1 and sewerage in Nam Wa Po and Wai Tau/ 26 July 2013		421.700	360.365	61.335
<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) Sewer laying works (\$32.900 million); (b) Contract preliminaries (\$19.235 million); and (c) Associated works (\$9.200 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)					
5168CD SZRRIV-A	Liantang/Heung Yuen Wai Boundary Control Point and associated works—regulation of Shenzhen River stage IV Regulation of Shenzhen River stage IV contract A/ 30 August 2013	595.100	345.172	226.701	118.471
<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) Construction of river bank (\$38.895 million); (b) Temporary works (\$37.331 million); (c) Environmental and mitigation measures (\$26.890 million); (d) Tree planting and landscaping works (\$11.802 million); and (e) Miscellaneous works (\$3.553 million). 					

(3) Department: Electrical and Mechanical Services Department

Project Code Contract No.	Project Title Contract Title/ Award Date	Approved Project Estimate (APE)	(A)	(B)	(A) – (B)
			Sum Allowed in APE for the Contract	Accepted Tender Price	Difference
\$ million (in MOD prices)					
5045CG	District cooling system at the Kai Tak development	3,145.900			
1016EM12W	District cooling system at Kai Tak development phase III (package A)—electrical and mechanical installation/ 5 July 2013		300.100	232.613	67.487
		The accepted tender price is lower than the sum allowed in APE for the contracts. Details of the deviations are as follows - (a) Allowance for contingency (\$47.087 million); and (b) Provision for resident site staff cost (\$20.400 million) ^[2] .			
1020EM12A	District cooling system at Kai Tak development phase III (package A)—chilled water pipe laying works/ 9 July 2013		588.900	519.965	68.935
		The accepted tender price is lower than the sum allowed in APE for the contracts. Details of the deviations are as follows - (a) Provision for resident site staff cost (\$39.400 million) ^[3] ; (b) Allowance for contingency (\$16.135 million); and (c) Allowance for price fluctuation (\$13.400 million).			

Note: [2] and [3] The accepted tender price does not include the resident site staff cost.

(4) 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)					
9334WF 4/WSD/11	<p data-bbox="296 595 783 734">Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities—part 2 works</p> <p data-bbox="357 779 783 954">Construction of Butterfly Valley fresh water primary service reservoir extension and associated mainlaying / 12 September 2013</p>	6,176.700	408.540	336.440	72.100
<p data-bbox="826 815 1461 1032">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="826 1072 1461 1211">(a) Laying of water mains (\$51.858 million); (b) Miscellaneous works (\$16.860 million); and (c) Construction of fresh water primary service reservoir (\$3.382 million).</p>					