

**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 2014)**

On 21 April 2004, the Director of Audit published a report<sup>1</sup> 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”<sup>2</sup>. 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 2014, six capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

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Development Bureau  
Works Branch  
June 2015

<sup>1</sup> See Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> 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  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
<b>5001BX</b> (block allocation) <b>Item 2.219</b>	<b>Landslip preventive measures</b>  <b>Landslip prevention and mitigation programme, 2008, package N, landslip prevention and mitigation works in Sham Wat, Tai O East, Upper Keung Shan and Keung Shan Road East in West Lantau</b>	354.99			
GE/2013/16	Landslip prevention and mitigation programme, 2008, package N, landslip prevention and mitigation works in Sham Wat, Tai O East, Upper Keung Shan and Keung Shan Road East in West Lantau / 11 November 2014		322.23	268.07	54.16
		<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 (\$41.96 million); (b) Contract preliminaries (\$9.57 million); and (c) Ancillary works (\$2.63 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
<b>\$ million (in MOD prices)</b>					
5001BX (block allocation) Item 2.246  GE/2013/16	<p data-bbox="296 551 794 797"><b>Landslip preventive measures</b></p> <p data-bbox="296 656 794 797"><b>Landslip prevention and mitigation programme, 2010, package H, landslip prevention and mitigation works in Cheung Chau</b></p> <p data-bbox="347 842 802 1055">Landslip prevention and mitigation programme, 2010, package H, landslip prevention and mitigation works in Cheung Chau/ 3 December 2014</p>	154.47	137.88	78.89	58.99
<p data-bbox="836 987 1473 1200">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 1245 1378 1350">(a) Geotechnical works (\$35.92 million); (b) Ancillary works (\$20.85 million); and (c) Landscape works (\$2.22 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)					
5001BX (block allocation) Item 2.258  GE/2014/16	Landslip preventive measures  Landslip prevention and mitigation programme, 2012, package J, landslip prevention and mitigation works  Landslip prevention and mitigation programme, 2012, package J, landslip prevention and mitigation works / 3 December 2014	144.68			
			91.68	71.10	20.58
<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 (\$16.77 million);  (b) Contract preliminaries (\$2.23 million); and  (c) Ancillary works (\$1.58 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)					
5047CG  CV/2013/13	Greening master plan for the New Territories Southeast and Northwest—priority greening works  Greening works in Sha Tin and Sai Kung/ 22 December 2014	350.00	116.00	87.65	28.35
		<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 (\$13.75 million); (b) Greening works (\$12.08 million); and (c) Ancillary works (\$2.52 million).</p>			
CV/2013/14	Greening works in Tuen Mun and Yuen Long/ 12 December 2014		124.00	95.38	28.62
		<p>The accepted tender price is lower than the sum allowed in APE for the contracts. 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 (\$15.02 million); (b) Greening works (\$10.50 million); and (c) Ancillary works (\$3.10 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)					
7774CL  TK/2014/01	<p data-bbox="296 551 794 651"><b>Development of Anderson Road Quarry site—detailed design and site investigations</b></p> <p data-bbox="347 689 802 831">Ground investigation for development of Anderson Road Quarry site and associated works/ 13 November 2014</p>	187.20	54.30	71.52	(17.22) <sup>[1]</sup>
<p data-bbox="836 842 1474 1093">The accepted tender price is higher than the sum allowed in APE for the contract. This is due to the shorter than usual contract period within which the tenderer is required to complete the works, resulting in additional cost to secure additional resources. Details of the key items with significant deviations are as follows -</p> <p data-bbox="836 1133 1474 1240">(a) Contract preliminaries (\$14.86 million); and (b) Ancillary works (\$2.36 million).</p>					

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