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Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn : Anthony CHU)

24 December 2014

Dear Anthony,

Public Accounts Committee

Consideration of Chapter 9 of the Director of Audit's Report No. 63

Provision of cycle track network in the New Territories

I refer to your above-quoted letter and would like to provide our responses to the issues mentioned in your letter -

- (a)(i) We have not reported the total expenditure of some \$20 million for contract price fluctuation and claim relating to late possession of works areas as mentioned in Appendix C of the Report to the relevant Legislative Council committees. We however wish to advise that, in the funding application paper submitted to the Public Works Subcommittee for discussion on 20 May 2009, the Approved Project Estimate of the project has included a sum of \$33.5 million comprising \$19.6 million for contingencies for claims and unanticipated events and \$13.9 million for provision for price adjustment. This sum is more than adequate to cover the \$20 million expenditure mentioned above.
- (a)(ii) The latest progress of the six-branching-off sections is given in the following table. The Administration has reported their general progress to the Panel on Development on 28 April 2009, 19 December 2011 and 23 April 2013.

Branching-off sections	Current Progress	Programme
1. Nam Sang Wai section 2. Lung Kwu Tan section 3. Tai Wo section	Major physical and environmental constraints for construction were encountered, as mentioned in the Table 6 of Audit's Report. Civil Engineering and Development Department (CEDD) will proceed to consult the concerned District Councils, after completing the review of these cycle track sections.	The programme is under review.
4. Sai Kung section	Major physical and environmental constraints for construction were encountered, as mentioned in the Table 6 of Audit's Report. CEDD has consulted Tai Po District Council (TPDC) and Sai Kung District Council (SKDC) regarding the proposed deletion of the Sai Kung section. While TPDC has expressed no objection to the proposed deletion, SKDC has requested CEDD to further explore other feasible cycle track alignments.	The programme is under review.
5. Sam Mun Tsai Section	Design work of the cycle track system including the landscape and architectural designs of the resting station and public toilet is in progress. Tree felling application has been submitted and CEDD is now liaising with the relevant departments on the tree compensation proposal.	The programme is under review. Upon satisfactory completion of the design work and resolution of other outstanding issues, we will bid resources for taking forward the construction works.
6. Lok Ma Chau Section	We advised LegCo Panel on Development in April 2013 that this section would be separately pursued under the future Lok Ma Chau Loop development project and was excluded from the scope of NT cycle track network.	The programme is under review.

- (a)(iii) The consultancy work for feasibility studies of NT cycle track network is not included in Table 3 of the Audit's Report. At the feasibility study stage of the project completed before 2006, the consultants conducted desk top studies and site visits to work out a set of preferred cycle track alignments based on the consideration of the various constraints (e.g. space limitation, gradients of existing road surface, impact on existing / planned use) and the results of preliminary environment impact assessment completed at that time. CEDD and the consultants also conducted consultation with the concerned District Councils and cycling associations. All these parties generally supported the implementation of the cycle track project. The programme of the various sections of the cycle track network was developed on the basis of these preliminary assessments and consultation completed under the feasibility stage.

In the preliminary design stage, the consultants reviewed and refined, where appropriate, the preferred cycle track alignments recommended in the previous studies, having regard to more detailed assessment on all engineering and technical aspects including environmental, geotechnical, drainage, traffic, structural, land, visual, landscape and cost, and worked out the preliminary design for the recommended cycle track alignments and other associated facilities. We also consulted the locals, District Councils and green groups in order to work out the design in details. However, the detailed assessments and in-depth consultations revealed that there were more environmental / physical constraints and public concerns than those envisaged at the feasibility stage. To address the constraints and public concerns, more time was required to identify feasible cycle track alignments acceptable to the local communities.

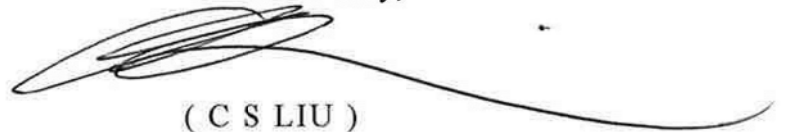
- (a)(iv) The latest progress of Section D, i.e. six branching-off sections, is given in paragraph (a)(ii) above. Regarding Section C, the advance works are under detailed design. Upon satisfactory completion of the design work and resolution of the outstanding issues such as gazetting an amendment scheme to address public views, we will bid resources for taking forward the works. For the Stage 1 and Stage 2 works, we are reviewing the alignment and implementation strategy having regard to the views and objections received from the public and members of Tuen Mun and Tsuen Wan District Councils. The Administration did report the general progress of various sections of the cycle track network to the LegCo Panel on Development on 28 April 2009, 19 December 2011 and 23 April 2013. We plan to report to the Panel on Development of NT cycle-track network in 2015.
- (b)(v) The tender documents including the BQ were prepared by consultants engaged for the project. Our project officers conducted spot checks on the BQ items

prior to the tendering exercise in accordance with the established practice and guidelines at that time. We wish to highlight that, as mentioned in paragraph 3.14 of the Report, CEDD set up a Task Group in October 2013 to review the practice of its consultants and Development Offices in preparing and checking tender BQ items on selected contracts, and to formulate improvement measures to avoid recurrence of similar incidents in the future. All the improvement measures recommended by the Task Group have been promulgated.

- (b)(vi) The Government has suffered no financial loss due to missing items in BQ errors and re-tendering (Contract A1) / tender negotiation (Contract B1), as the errors were spotted and rectified during the tender assessment stage, and the awarded contract sums of these two contracts are significantly lower than their respective tender price before re-tendering (Contract A1) / tender negotiation (Contract B1).
- (b)(vii) All the works of Project A were substantially completed on 2 December 2014, and assessment of contractual claims and contract finalization are in progress. As at 30 November 2014, about \$11.6 million has been used for meeting contingency expenditure. The rest of the contingencies will be used to cater for settlement of contractual claims and contract finalization.
- (c)(viii) For the case mentioned in the Report, CEDD had followed the arrangement adopted by Architectural Services Department (ArchSD) for building works contracts, but it turned out that civil works contractors were not familiar with the special contract provision. As such, CEDD would carefully consider the applicability of ArchSD's standard contractual provisions in our future civil works contracts on a case by case basis. Furthermore, instead of just stipulating the use of certain proprietary products for the works, provisions to allow tenderers to submit rates based on alternative products or materials having equivalent functions and performance, will be incorporated in tender documents as far as practicable.

I understand that Transport Department and Highways Department will provide responses to the items listed in paragraphs (d) and (e) of your letter to you direct.

Yours faithfully,



(C S LIU)

for Director of Civil Engineering and Development

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Internal

Director of Civil Engineering and Development