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19 June 2015

Secretary General  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn.: Ms Sophie LAU)

**By Email and Fax**  
**(Email: [ssylau@legco.gov.hk](mailto:ssylau@legco.gov.hk))**  
**(Fax. no.: 2978 7569)**

Dear Ms Lau,

**Legislative Council Panel on Transport  
Meeting on 20 March 2015  
Widening of Tai Po Road (Sha Tin Section) –  
Detailed Design and Site Investigation**

**Supplementary Information**

At the meeting of the Legislative Council (LegCo) Panel on Transport held on 20 March 2015, some members requested the Government to provide supplementary information about the captioned project. Our reply is as follows.

**(1) Implementation timetable of Widening of Tai Po Road (Sha Tin Section)**

The Government has been monitoring the traffic condition of Tai Po Road (Sha Tin Section) and planning road works in a timely manner to cater for the traffic demand. In view of the continued development in Sha Tin and North Districts, there is a need to widen the section of Tai Po Road (Sha Tin Section) between Sha Tin Rural Committee Road and Fo Tan Road.

In March 2013, the Civil Engineering and Development Department (CEDD) engaged a consultant to carry out an investigation study, which included preliminary design and environmental impact assessment, for the widening of Tai Po Road (Sha Tin Section) (the Project). The relevant works have been completed. The project is planned to be gazetted under the Roads (Works, Use and Compensation) Ordinance (Cap. 370) in 2015.

Meanwhile, we are seeking funding from the LegCo for the detailed design and site investigation for the Project. We consulted the LegCo Panel on Transport on 20 March 2015 and obtained its support. We will seek support from the Public Works Subcommittee and then seek funding from the Finance Committee, with a view to commencing the detailed design and site investigation by end of this year for completion by end-2017. Regarding the construction works, we will seek funding from the Finance Committee in a timely manner in accordance with the established procedures for public works projects.

**(2) Major types of vehicles causing traffic congestion to Tai Po Road (Sha Tin Section)**

According to the results of the investigation study carried out by CEDD for the Project, over 70 percent of vehicles using Tai Po Road (Sha Tin Section) are private cars and the rest include light, medium and heavy goods vehicles, buses, etc.

**(3) Anticipated additional traffic volume brought about by the proposed Liantang/Heung Yuen Wai Boundary Control Point to Tai Po Road (Sha Tin Section) by 2021**

According to the results of the investigation study carried out by CEDD for the Project, it is estimated that the vehicles travelling along Tai Po Road (Sha Tin Section) to and from the development area of Liantang/Heung Yuen Wai Boundary Control Point will account for approximately eight percent of the total traffic volume along the road section concerned by 2021.

**(4) Reasons for reserving \$3.4 million for contingencies and \$6.3 million for provision for price adjustment in the cost estimate of the Project**

In accordance with the established practices for public works projects, we have reserved \$3.4 million for contingencies and \$6.3 million for provision for price adjustment in our cost estimate for the detailed design and site investigation of the Project.

The contingencies are to cater for additional costs caused by unforeseen circumstances in the course of detailed design and site investigation (such as additional site investigation works as a result of worse-than-expected ground conditions).

The provision for price adjustment is to cater for the fluctuation in labour and material costs during the periods of the two contracts for the Project (i.e. a detailed design consultancy contract and a site investigation works contract). In the course of estimating the provision for price adjustment, we have derived the estimate of the project cost in money-of-the-day prices by adopting the latest price adjustment factors<sup>1</sup>. The expenses of the consultancy contract are mainly the labour cost of the consultant, whereas those of the site investigation works contract are mainly the works cost in terms of labour, plant and materials.

The aforesaid two contracts will provide for price adjustment. During the periods of the contracts, the Government's payments to consultants and contractors will be adjusted in response to market changes in labour and material costs, which are known as contract price fluctuation payments. With contract provisions of price fluctuation, consultants and contractors are aware at the time of tenders that the contracts will be subject to the contract price fluctuation system from the outset. This helps to avoid the uncertainty arising from inflation, and therefore consultants and contractors can price their tenders based on the current market value of the works required by the contracts without a need to build in additional premium to cater for price fluctuation, so as to offer the

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<sup>1</sup> Price adjustment factors are derived from the Government Economist's latest set of assumptions based on the trend rate of change in prices of public sector buildings and construction output. In the process, the Government Economist takes full account of all relevant factors, including annual and quarterly buildings and construction output, the overall situation in the labour market, the latest trend of labour wages and prices of construction materials in the construction industry, as well as trends in global and local economic performance. Prices adjustment factors are generalised price indices and applicable to all capital works projects.

most competitive tender prices. On the Government's part, the contract price fluctuation system allows the Government to pay for the amount payable taking into account the prevailing inflation or deflation.

Yours sincerely,

( Jessica LEE )  
for Secretary for Transport and Housing

c.c.

Director of Civil Engineering and Development  
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