

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 2015)**

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 2015, 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 2016

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 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)					
7756CL NE/2014/05	<p>Ma On Shan development – roads, drainage and sewerage works at Whitehead and Lok Wo Sha, phase 2</p> <p>Ma On Shan development – roads, drainage and sewerage works at Whitehead and Lok Wo Sha, phase 2/ 16 July 2015</p>	252.80	208.50	154.74	53.76
<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 (\$7.860 million); (b) Road widening works and construction of footbridge (\$27.800 million); (c) Construction of sewage pumping station (\$12.410 million); and (d) Ancillary works (\$5.690 million).</p>					

(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)					
4371DS	Sewerage in western Tuen Mun	1,340.00			
4404DS	Tuen Mun sewerage – Castle Peak Road trunk sewer and Tuen Mun village sewerage	722.50			
	Total :	2,062.50			
DC/2014/01	Castle Peak Road trunk sewer and Tuen Mun village sewerage/ 15 July 2015		571.00	436.09	134.91
<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) Contract preliminaries (\$8.050 million); (b) Trunk sewer works (\$58.089 million); (c) Construction of sewage pumping stations (\$2.026 million); (d) Allowance for contingency (\$15.745 million); and (e) Provision for resident site staff cost (\$51.000 million). 					

(3) Department: Electrical and Mechanical 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)					
5045CG 2477EM14A	District Cooling System at the Kai Tak development District Cooling System at Kai Tak development phase III (package B) – water pipe laying works/ 21 August 2015	3,752.00	281.00	201.00	80.00
<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 (\$7.200 million); and (b) Pipe laying works (\$72.800 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)					
5183DR EP/SP/76/14	Refurbishment and Upgrading of Sha Tin Transfer Station Sha Tin Transfer Station second follow-on contract/ 18 September 2015	137.10	137.10	118.90	18.20
<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) Replacement and refurbishment of waste handling equipment (\$13.000 million); and</p> <p>(b) Refurbishment and modification of electrical and mechanical works in the station (\$5.200 million).</p>					

(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)					
6845TH HY/2013/06	<p data-bbox="296 595 794 734">Hong Kong – Zhuhai – Macao Bridge Hong Kong Boundary Crossing Facilities – Reclamation and Superstructures</p> <p data-bbox="357 779 798 992">Hong Kong – Zhuhai – Macao Bridge Hong Kong Boundary Crossing Facilities – Automatic Vehicle Clearance Support System/ 31 July 2015</p>	30,433.90 ^[1]	269.30	153.92	115.38
<p data-bbox="836 1037 1461 1503">The accepted tender price is lower than the sum allowed in APE for the contracts. This is due to advancement of technology in computer hardware and software, control engineering, field device and telecommunication engineering. In addition, the rapid developments of information technology and electronic technology have encouraged keen competition under prevailing market of electronic systems, 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 1547 1461 1727">(a) Contract preliminaries and general requirements (\$21.030 million); (b) The Automatic Vehicle Clearance Systems (\$77.290 million); and (c) Other works items (\$17.060 million).</p>					

Note: [1] Legislative Council Finance Committee approved the increase of APE of the project from \$30,433.90 million to \$35,895.00 million on 31 January 2016.

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)					
6101TX (block allocation) Item No. 6YFH213X Item No. 6YFH214X Item No. 6YFX031X Item No. 6YFX032X Item No. 6YFX033X Item No. 6YFX034X Item No. 6YFX035X Item No. 6YFX036X	Universal Accessibility Programme Provision of barrier-free access facilities and universal accessibility facilities for footbridge no. NF89 in Sha Tin District Provision of barrier-free access facilities for footbridge no. NF234 in Tsuen Wan District Provision of barrier-free access facilities for footbridge no. NF76 in North District Provision of barrier-free access facilities for footbridge no. NF100A in Tuen Mun District Provision of barrier-free access facilities for footbridge no. NF101 in Tuen Mun District Provision of barrier-free access facilities for footbridge no. NF407 in Tuen Mun District Provision of barrier-free access facilities for subway no. NS77 in Tai Po District Provision of barrier-free access facilities for subway no. NS139 in Tai Po District	 48.99 40.43 26.52 23.15 28.04 25.69 22.69 18.08			

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)					
Item No. 6YFX037X	Provision of barrier-free access facilities for subway no. NS145 in Tai Po District	29.58			
Item No. 6YFX038X	Provision of barrier-free access facilities for subway no. NS98 in Sai Kung District	25.84			
Item No. 6YFX039X	Provision of barrier-free access facilities for subway no. TS8 in Tsuen Wan District	24.33			
HY/2014/12	Total :	313.34			
	Provision of barrier-free access facilities for highways structures – phase 3 contract 6/15 July 2015		291.41	215.20	76.21
<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> <ul style="list-style-type: none"> (a) Contract preliminaries (\$31.770 million); (b) Superstructure works (\$23.670 million); and (c) Lift installation and electrical & mechanical works (\$20.770 million). 					