

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 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 December 2015, sixteen capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
July 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

**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 2015)**

(1) Department: Architectural 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)					
3182GK SS D505	<p>Reprovisioning of Food and Environmental Hygiene Department Sai Yee Street Environmental Hygiene offices-cum-vehicle depot at Yen Ming Road, West Kowloon Reclamation Area</p> <p>Reprovisioning of Food and Environmental Hygiene Department Sai Yee Street Environmental Hygiene offices-cum-vehicle depot at Yen Ming Road, West Kowloon Reclamation Area/ 26 November 2015</p>	1,549.90	1,273.10	782.80	490.30
<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 and others (\$113.20 million);</p> <p>(b) Piling works (\$113.10 million);</p> <p>(c) Building works (including reinforced concrete structural works, timber, steel and metal works, plastering and painting finishing works (201.10 million);</p> <p>(d) Building services works (\$45.00 million); and</p> <p>(e) External and drainage works (\$17.90 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)					
3066JA SS D503	<p data-bbox="296 551 788 651">Construction of staff quarters for Immigration Department at Heng Lam Street, Kowloon</p> <p data-bbox="357 692 788 831">Construction of staff quarters for Immigration Department at Heng Lam Street, Lok Fu, Kowloon/ 21 December 2015</p>	391.00	349.50	312.29	37.21
<p data-bbox="831 913 1461 1128">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 data-bbox="839 1173 1366 1352" style="list-style-type: none"> (a) Site works (\$9.34 million); (b) Piling works (\$7.53 million); (c) Building works (\$5.99 million); (d) External works (\$14.02 million); and (e) Ancillary works (\$0.33 million). 					

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)					
3060RE PI D504	Construction of the East Kowloon Cultural Centre Construction of piling and preparatory works for the East Kowloon Cultural Centre in Kowloon Bay, Kowloon/ 16 December 2015	4,175.70	319.60	113.30	206.30
<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 and others (\$47.48 million); and</p> <p>(b) Rock-socketed steel H-piles (\$158.82 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)					
3434RO SS D511	Open space at Hing Wah Street West, Sham Shui Po The construction of open space at Hing Wah Street West, Sham Shui Po/ 24 December 2015	122.00	104.33	72.95	31.38
<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 and others (\$10.80 million);</p> <p>(b) External works (\$18.00 million); and</p> <p>(c) Site and drainage works (\$2.58 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)					
7070RE SS D506	Signature Project Scheme (Wong Tai Sin District) – Enhancement of Leisure Facilities of Morse Park Signature Project Scheme (Wong Tai Sin District) – Enhancement of Leisure Facilities of Morse Park/ 28 December 2015	60.90	55.40	37.32	18.08
<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 (\$2.48 million); (b) Cover extension works at the current spectator and performance stage areas (\$12.80 million); and (c) Building services and drainage works (\$2.80 million). 					

(2) 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)					
5019GB NE/2014/03	<p data-bbox="296 595 802 734">Liantang/Heung Yuen Wai Boundary Control Point and associated works – site formation and infrastructure works</p> <p data-bbox="347 779 802 954">Liantang/Heung Yuen Wai Boundary Control Point site formation and infrastructure works – contract 7/4 December 2015</p>	24,973.10	536.80	462.00	74.80
<p data-bbox="836 1037 1461 1323">The accepted tender price is lower than the sum allowed in APE for the contract. This is because the contractor has appropriate construction plants readily available for construction on site, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p data-bbox="844 1364 1461 1469">(a) Vehicular bridges works (\$68.98 million); and (b) Pedestrian bridge works (\$5.82 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)					
6101TX (block allocation)	Universal Accessibility Programme				
Item No. 6A29	Provision of universal access facilities for footbridge no. HF105 in Southern District	38.35			
Item No. 6A30	Provision of universal access facilities for footbridge no. HF154 in Wan Chai District	31.57			
Item No. 6A31	Provision of universal access facilities for footbridge no. HF135 in Central and Western District	31.13			
Item No. 6A32	Provision of universal access facilities for footbridge no. KF88 in Yau Tsim Mong District	38.11			
Item No. 6A33	Provision of universal access facilities for footbridge no. KF89 in Yau Tsim Mong District	37.62			
Item No. 6A34	Provision of universal access facilities for footbridge no. KF90 in Kwun Tong District	33.44			
Item No. 6A35	Provision of universal access facilities for footbridge no. KF102 in Kowloon City District	36.76			
Item No. 6A36	Provision of universal access facilities for footbridge no. HF46 in Central and Western District	25.85			

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. 6A37	Provision of universal access facilities for footbridge no. HF92 in Eastern District	19.02			
Item No. 6A38	Provision of universal access facilities for footbridge no. HF92A in Eastern District	19.12			
Item No. 6A39	Provision of universal access facilities for footbridge no. HF85 in Wan Chai District	26.17			
	Total :	337.14			
CV/2015/01	Provision of universal access facilities for highway structures – package 1 contract 2/ 22 October 2015		299.14	254.08	45.06
<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 (\$17.28 million); (b) Structural, electrical & mechanical (E&M) and ancillary works (\$16.71 million); and (c) Foundation works (\$11.07 million). 					

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)	Universal Accessibility Programme				
Item No. 6A40	Provision of universal access facilities for footbridge no. NF332 in Islands District	37.25			
Item No. 6A41	Provision of universal access facilities for footbridge no. NF328 in Islands District	38.72			
Item No. 6A42	Provision of universal access facilities for subway no. NS230 in Islands District	41.78			
Item No. 6A43	Provision of universal access facilities for footbridge no. NF305 in Yuen Long District	31.02			
Item No. 6A44	Provision of universal access facilities for footbridge no. HF148 in Yuen Long District	17.57			
Item No. 6A45	Provision of universal access facilities for footbridge no. NF306 in Yuen Long District	17.57			
Item No. 6A46	Provision of universal access facilities for footbridge no. NF376 in Yuen Long District	39.88			
Item No. 6A47	Provision of universal access facilities for footbridge no. NF186 in Tsuen Wan District	44.03			
Item No. 6A48	Provision of universal access facilities for footbridge no. NF72A in Kwai Tsing District	26.63			
Item No. 6A49	Provision of universal access facilities for footbridge no. NF73 in Sha Tin District	23.97			

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. 6A50	Provision of universal access facilities for subway no. NS87 in Tai Po District	23.71			
Item No. 6A51	Provision of universal access facilities for footbridge no. NF193 in Sai Kung District	25.30			
Item No. 6A52	Provision of universal access facilities for footbridge no. NF309 in Sai Kung District	35.62			
Item No. 6A53	Provision of universal access facilities for subway no. NS42 in Tuen Mun District	46.58			
CV/2015/02	Total :	449.63			
	Provision of universal access facilities for highway structures – package 2 contract 2/ 17 November 2015		363.41	320.13	43.28
<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) Foundation, structural and miscellaneous works (\$18.96 million); and</p> <p>(b) E&M works (\$24.32 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)					
7711CL KL/2014/01	Kai Tak development – infrastructure works for developments at the southern part of the former runway Kai Tak development – stage 2 infrastructure works for developments at the southern part of the former runway/ 23 November 2015	5,757.10	2,223.40	1,947.00	276.40
<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) Landscaped deck structures (\$217.00 million); and</p> <p>(b) Noise barrier structures (\$59.40 million).</p>					
KL/2014/03	Kai Tak development – stage 3 infrastructure works for developments at the southern part of the former runway/ 12 November 2015		2,624.90	2,175.95	448.95
<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) Supporting underground structure (\$434.00 million); and</p> <p>(b) Roads and associated works (\$14.95 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)					
7788CL	Formation, roads and drains in Area 54, Tuen Mun – phase 1 stage 1 works	493.40			
7789CL	Formation, roads and drains in Area 54, Tuen Mun – phase 2 stages 3 and 4A works	553.10			
9197WC	Water supply to Northern Tuen Mun, stage 2	87.70			
	Total :	1,134.20			
CV/2015/03	Site formation and infrastructural works near Tong Hang Road and Tsz Tin Road in Area 54, Tuen Mun/ 20 November 2015		562.51	428.40	134.11
<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 (\$60.47 million); (b) Road works (\$58.78 million); and (c) Site formation works (\$14.86 million).</p>					

(3) 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)					
4406DS	Shek Wu Hui sewage treatment works – further expansion phase 1A – advance works, consultants’ fees and investigation	502.70			
5033DR	Development of Northeast New Territories landfill	1,841.00			
DE/2014/01	Total :	2,343.70			
	Provision of electrical and mechanical facilities for Shek Wu Hui sewage treatment works – further expansion phase 1A – advance works and Ng Chow South Road/ 28 December 2015		259.71	183.80	75.91
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to (i) keen competition under prevailing market conditions; (ii) drop in Euro by about 20% between Mar 2014 and Sep 2015 (European manufacturers are major sources of the E&M facilities under this contract); and (iii) exclusion of the costs for contract contingency and provisional items, which are covered in APE, in the tender price for this “New Engineering Contract”, 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 contingency and provisional items (\$38.49 million);(b) Activity relating to return activated sludge pumps (\$6.82 million);(c) Activities relating to high voltage switchgear, power transformer, low voltage switchgear, low voltage control gear and associated equipment (\$5.27 million);(d) Activities relating to aeration and air scouring blowers (\$4.68 million);(e) Activities relating to deodourising system including deodourisers with dehumidifiers and air ductworks (\$3.77 million);(f) Activity relating to membrane modules (\$15.43 million); and(g) Activities relating to other E&M equipment (\$1.45 million).
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(4) 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)					
6810TH HY/2013/19	Retrofitting of noise barriers on Tuen Mun Road (Town Centre Section) Retrofitting of noise barriers on Tuen Mun Road – Town Centre Section/ 17 December 2015	826.50		755.90	585.00 170.90
<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) Construction of noise barriers and enclosures (\$76.50 million); (b) Ancillary works (\$62.45 million); and (c) Allowance for price adjustment (\$31.95 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)					
6845TH HY/2014/04	<p data-bbox="296 551 794 689">Hong Kong – Zhuhai – Macao Bridge Hong Kong Boundary Crossing Facilities – Reclamation and Superstructures</p> <p data-bbox="357 730 794 904">Hong Kong – Zhuhai – Macao Bridge Hong Kong Boundary Crossing Facilities – Gantry Type X-ray Vehicle Inspection System/ 21 December 2015</p>	30,433.90 ^[1]	247.50	85.53	161.97
<p data-bbox="836 949 1461 1348">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to (i) the gantry type X-ray vehicle inspection system which is very specialised, sophisticated and dependant on the unique technologies developed by suppliers from time to time at large range of prices; and (ii) keen competition in the prevailing market of the gantry type X-ray vehicle inspection system. Details of the key items with significant savings are as follows -</p> <p data-bbox="836 1388 1461 1572">(a) Gantry Type X-ray Vehicle Inspection System (\$111.31 million); (b) Contract preliminaries and general requirements (\$15.68 million); and (c) Other items (\$34.98 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)					
HY/2014/05	Hong Kong – Zhuhai – Macao Bridge Hong Kong Boundary Crossing Facilities – remaining ancillary buildings and facilities/ 21 December 2015		967.70	1,152.38	(184.68)
<p>The accepted tender price is higher than the sum allowed in APE in 2011 for the contract. This is due to several factors, including additional risk premium to cater for the possible future cost increase for the buildings and building services works, tenderers' perception on higher risks for the future market surge and tight programme, etc.</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 30 January 2016.

(5) 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)					
9358WF 3/WSD/15	In-situ reprovisioning of Sha Tin water treatment works (South Works) – advance works In-situ reprovisioning of Sha Tin water treatment works (South Works) – advance works/ 15 October 2015	1,658.00	1,489.00	998.32	490.68
<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 (\$90.92 million); (b) Civil and other associated works of the logistics centre (\$96.94 million); (c) E&M works of lime dosing system (\$151.32 million); (d) Civil, E&M and other associated works of power house (\$78.80 million); and (e) Civil, E&M and other associated works of hydro turbine house (\$72.70 million). 					