

**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 First Quarter of 2016)**

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 March 2016, three 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  
August 2016

<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: 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)					
3351EP  SS D515	<p><b>Two 24-classroom primary schools at ex-Tanner Road Police Married Quarters site at Pak Fuk Road, North Point, Hong Kong</b></p> <p>Construction of two 24-classroom primary schools at ex-Tanner Road Police Married Quarters Site, Pak Fuk Road, North Point/ 8 March 2016</p>	660.00	592.20	521.20	71.00
<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) Site formation and protection works (\$36.50 million);            (b) Contract preliminaries (\$22.30 million);            (c) Reinforced concrete structure works (\$7.90 million); and            (d) Slope maintenance (\$4.30 million).</p>					

(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)					
B757CL  NE/2015/09	Roads and drains in Area 16 and Area 58D, Sha Tin  Site formation and roadworks in Area 16 and Area 58D, Sha Tin/ 7 March 2016	224.50	181.00	93.02	87.98
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the very keen competition under prevailing market conditions and the fact that the recommended tenderer has relevant job experience and is familiar with the nature and risk of the works, 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 (\$29.58 million);            (b) Roadworks (\$8.11 million);            (c) Cut slope works (\$36.91 million); and            (d) Drainage and utilities (\$13.38 million).</p>					

(3) 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)					
4410DS	Trunk sewers at Hiram's Highway	68.90			
6703TH	Dualling of Hiram's Highway between Clear Water Bay Road and Marina Cove and Improvement to Local Access to Ho Chung	1,774.40			
9191WC	Replacement and rehabilitation of water mains, stage 4 phase 1	6,262.40			
HY/2014/16	Hiram's Highway improvement stage 1 – between Clear Water Bay Road and Marina Cove/ 17 March 2016	<b>Total :</b>	8,105.70	1,485.30	1,263.99
					221.31
<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"> <li>(a) Geotechnical works (\$132.69 million);</li> <li>(b) Vehicular bridge-cum-walkway (\$81.73 million); and</li> <li>(c) Roads and associated works (\$6.89 million).</li> </ul>					