

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 2017)**

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 March 2017, 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
September 2017

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: 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)					
3057RG SS E509	Sports centre, community hall and football pitches in Area 1, Tai Po Construction of sports centre, community hall and football pitches in Area 1, Tai Po/ 4 January 2017	2,163.10	1,941.40	1,531.00	410.40
<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) Site works and others (\$192.13 million); (b) Piling and basement enclosure (\$58.38 million); (c) Building works and contract preliminaries (including reinforced concrete, formwork, reinforcement, structural steel truss, plastering and painting finishing works) (\$81.58 million); and (d) External works and drainage (\$78.31 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)					
5001BX (block allocation) Item No. 2.263 GE/2016/02	Landslip preventive measures Landslip prevention and mitigation programme, 2013, package B, landslip prevention and mitigation works Landslip prevention and mitigation programme, 2013, package B, landslip prevention and mitigation works/ 16 January 2017	135.27	99.26	83.18	16.08
<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) Contract preliminaries (\$3.28 million); (b) Geotechnical works (\$6.17 million); and (c) Ancillary works (\$6.63 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)					
7803CL NE/2016/05	Development of Anderson Road Quarry site – site formation and associated infrastructure works Development of Anderson Road Quarry Site – pedestrian connectivity facilities works phase 1 / 20 March 2017	7,693.40	410.00	299.01	110.99
<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) Contract preliminaries (\$24.41 million); (b) Pedestrian connectivity facilities and bus-bus interchange works (\$78.56 million); and (c) Other works (\$8.02 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)					
6169TB HY/2016/06	Lift and pedestrian walkway system at Cheung Hang Estate, Tsing Yi Lift and pedestrian walkway system at Cheung Hang Estate, Tsing Yi / 19 January 2017	222.70	174.44	126.91	47.53
<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) Preliminaries (\$3.08M) ; (b) Road and geotechnical works (\$6.74M) ; and (c) Lift towers, elevated walkway and associated foundation works and landscaping works (\$37.71M).</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)					
6100TX (block allocation) 01/HY/2016	Highways works, studies and investigations for items in Category D of the Public Works Programme Highways Department term contract (management and maintenance of roads on Hong Kong Island excluding high speed roads 2017-2023)/ 1 February 2017	1,200.00	1,200.00	597.87	602.13
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the eagerness for the recommended tenderer to gain a higher market share of road maintenance contracts, 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 (\$70.90M) ; (b) Routine inspection and maintenance of roads, road drainage, roadside slopes, highway structures, tunnels and vegetation on roadside slopes (\$345.79M) ; and (c) Other maintenance works and minor road improvement works (\$185.44M). 					

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) HY/2015/06	Universal Accessibility Programme Provision of barrier-free access facilities for highway structures – phase 3 contract 8/17 January 2017	269.67	230.91	202.86	28.05
<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 item with significant saving are as follows -</p> <p>(d) Contract preliminaries (\$13.30M) ; and (a) Foundation works (\$14.75M).</p>					