

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 Second 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 June 2017, seven capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
February 2018

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)					
3060RE SS E510	Construction of the East Kowloon Cultural Centre Construction of the East Kowloon Cultural Centre in Kowloon Bay, Kowloon/ 28 April 2017	4,175.70	3,316.70	2,618.00	698.70
<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 (\$274.30 million) (b) Building and contract preliminaries (including reinforced concrete, formwork, reinforcement, structural steel truss, plastering and painting finishing works) (\$399.59 million) (c) Building services and stage equipment (\$24.81 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)	Landslip preventive measures				
Item No. 1.104	Landslip prevention and mitigation programme, 2011, package K, landslip prevention and mitigation works in Hong Kong Island, Kowloon, the New Territories and Outlying Islands	77.68			
Item No. 1.106	Landslip prevention and mitigation programme, 2013, package K, landslip prevention and mitigation works in Hong Kong Island, Kowloon, the New Territories and Outlying Islands	106.74			
Item No. 1.109	Landslip prevention and mitigation programme, 2016, package K, landslip prevention and mitigation works	73.52			
	Total:	257.94			
GE/2016/01	Landslip prevention and mitigation programme, 2016, package K, landslip prevention and mitigation works in Hong Kong Island, Kowloon, the New Territories and Outlying Islands/ 5 April 2017		79.77	55.14	24.63

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\$ million (in MOD prices)					
		<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 (\$1.63 million); (b) Geotechnical works (\$15.22 million); (c) Ancillary works (\$7.78 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)					
5001BX (block allocation) Item No. 2.266 GE/2017/01	Landslip preventive measures Landslip prevention and mitigation programme, 2014, package A, landslip prevention and mitigation works Landslip prevention and mitigation programme, 2014, package A, landslip prevention and mitigation works/ 24 May 2017	166.72	117.94	84.78	33.16
<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 (\$6.18 million); (b) Geotechnical works (\$18.38 million); and (c) Ancillary works (\$8.60 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)					
6164TB HY/2016/05	<p data-bbox="296 595 786 701">Footbridge connecting Tsuen Wan Plaza, Skyline Plaza and adjacent landscaping area</p> <p data-bbox="360 779 786 920">Footbridge connecting Tsuen Wan Plaza, Skyline Plaza and adjacent landscaping area / 8 May 2017</p>	146.20		132.54	86.81 45.73
<p data-bbox="839 1037 1469 1249">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 data-bbox="839 1294 1469 1469">(a) Contract preliminaries (\$14.31 million); (b) Footbridge, lift tower and associated foundation works (\$28.63 million); and (c) Roadworks and landscaping works (\$2.79 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)					
6175TB HY/2017/02	<p data-bbox="300 546 820 651">Lift and pedestrian walkway system between Kwai Shing Circuit and Hing Shing Road, Kwai Chung</p> <p data-bbox="363 725 815 904">Lift and pedestrian walkway system between Kwai Shing Circuit and Hing Shing Road, Kwai Chung/ 5 June 2017</p>	239.40	189.30	127.86	61.44
<p data-bbox="863 987 1469 1234">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="871 1279 1461 1491" style="list-style-type: none"> (a) Contract preliminaries (\$6.19 million); (b) Lift tower (\$27.59 million); (c) Elevated walkway (\$13.10 million); and (d) Geotechnical works, associated road, landscaping, drainage, public lighting and E&M works (\$14.56 million). 					

(4) 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)						
9350WF 4/WSD/16	Improvement of water supply to Sheung Shui and Fanling Improvement of water supply to Sheung Shui and Fanling/ 25 April 2017	521.30		369.50	220.00	149.50
<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 (\$22.74M); (b) Service reservoir and mainlaying works (\$109.68M); and (c) Other works (\$17.08M).</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)					
9053WS 7/WSD/16	Uprating of Chai Wan salt water supply system Uprating of Chai Wan Salt Water Supply System—mainlaying and upgrading of Siu Sai Wan Salt Water Pumping Station/ 25 April 2017	379.10	188.58	133.85	54.73
<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 (\$4.74M); (b) Mainlaying works (\$49.94M); and (c) Other works (\$0.05M).</p>					