### 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 2018)

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 June 2018, eleven capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

\_\_\_\_\_

Development Bureau Works Branch June 2019

<sup>&</sup>lt;sup>1</sup> See Director of Audit's Report No. 42, Chapter 3

<sup>&</sup>lt;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

#### 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 2018)

Project Code	Project Title	Approved Project	(A) Sum	(B) Accepted	(A) – (B) Difference
Contract No.	Contract Title/ Award Date	Estimate (APE)	Allowed in APE for the Contract	Tender Price	
		5	s million (ir	n MOD price	es)
3183GK	Reprovisioning of Shanghai Street refuse collection point and street sleepers' services units to the site on Hau Cheung Street, Yau Ma Tei for the phase II development of the Yau Ma Tei Theatre project	223.30			
SS E511	Reprovisioning of Shanghai Street refuse collection point and street sleepers' services units to the site on Hau Cheung Street, Yau Ma Tei/ 13 April 2018		168.70	136.00	32.70
		sum allow is due to market c rates in t	wed in APE keen comp onditions, whe returned	price is low for the con petition unde which resulte tenders. Do nificant savi	tract. This r prevailing ed in lower etails of the
		<ul> <li>(a) Contract preliminaries (\$6.7 million)</li> <li>(b) Building works (including conworks, plastering works and ot (\$10.5 million);</li> <li>(c) Piled foundation and drainage v (\$9.6 million); and</li> <li>(d) Lump sum price adjustment million).</li> </ul>			

### (1) Department: <u>Architectural Services Department</u>

Project Code	Project Title	Approved Project	(A) Sum	(B) Accepted	(A) – (B) Difference
Contract No.	Contract Title/ Award Date	Estimate (APE)	Allowed in APE for the Contract	Tender Price	
		\$	million (in	MOD prices	5)
3436RO	Avenue Park at Kai Tak	321.90			
SS F513	Construction of Avenue Park at Kai Tak/ 18 May 2018		294.00	247.97	46.03
		The accepted tender price is lower than sum allowed in APE for the contract. This due to keen competition under prevail market conditions, which resulted in low rates in the returned tenders. Details of key items with significant savings are follows - (a) Contract preliminaries (\$12.23 million); (b) External works (\$23.16 million); (c) Landscaping softworks (\$4.84 million); (d) Underground drainage (\$2.73 million); a (e) Other works and items (\$3.07 million).			

# (2) Department: <u>Civil Engineering and Development Department</u>

Project Code Contract No.	Project Title Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the	(B) Accepted Tender Price	(A) – (B) Difference
			Contract		
		\$	5 million (in	MOD price	s)
5001BX (block allocation)	Landslip preventive measures				
Item No. 2.270	Landslip prevention and mitigation programme, 2012, package C, landslip prevention and mitigation works in Lantau and Hong Kong Island	162.06			
GE/2018/03	Landslip prevention and mitigation programme, 2012, package C, landslip prevention and mitigation works in Lantau and Hong Kong Island/ 14 June 2018		137.24	113.90	23.34
		sum allow is due to market co rates in th key item follows - (a) Contr (b) Geote	ved in APE keen comp onditions, v ne returned s with sign eact prelimin echnical wor	price is low for the con- etition under which resulte tenders. De- nificant savi aries (\$0.73 ks (\$16.88 n \$5.73 millio	tract. This r prevailing ed in lower etails of the ngs are as million); nillion); and

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 1	MOD prices	)
5816CL	Site formation and associated infrastructural works for development of columbarium at Sandy Ridge Cemetery	1,849.60			
CV/2017/02	Development of columbarium at Sandy Ridge Cemetery – infrastructural works at Man Kam To Road and Lin Ma Hang Road/ 23 May 2018		471.60	308.07	163.53
		allowed in A keen comp conditions, returned ten significant s (a) Slopewa (b) Earthwa (c) Retainin (d) Establis (e) Drainag million)	APE for the operation undependent of the operation which result der. Detail avings are a porks (\$39.57 porks (\$39.24 ng structures hment work ge sewerage v; and t prelimination of the operation	der prevaili ted in lower ls of the key s follows - ' million);	his is due to ing market rates in the v items with lion); llion); orks (\$19.68

Project Code Contract	Project Title Contract Title/	Approved Project Estimate	(A) Sum Allowed	(B) Accepted Tender	(A) – (B) Difference
No.	Award Date	(APE)	in APE for the Contract	Price	
		\$	million (in 1	MOD prices	
7748CL	Development of Lok Ma Chau Loop – land decontamination and advance engineering works	517.60			
YL/2017/03	Development of Lok Ma Chau Loop: Land decontamination and advance engineering works/ 12 June 2018		416.64	313.03	103.61
		allowed in A keen comp conditions, returned ten significant s (a) Contrac (b) Tempor (c) Ground and (d) Establis	n competition under prevailing ditions, which resulted in lower rat urned tenders. Details of the key it nificant savings are as follows - Contract preliminaries (\$42.68 mill Temporary vehicular bridge (\$9.53 Ground treatment works (\$18.94		his is due to ing market rates in the y items with nillion); 53 million); 94 million);

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	)	
Development of Anderson Road Quarry site – road improvement and infrastructure works	2,654.40				
Development of Anderson Road Quarry site – site formation and associated infrastructure works	7,693.40				
Total :	10,347.80				
Development of Anderson Road Quarry site – road improvement works and pedestrian connectivity facilities works phase 2A/ 18 May 2018		1,933.68	1,328.00 <sup>[1]</sup>	605.68	
	allowed in A keen comp conditions, returned ten significant s (a) Contrac (b) Road million) (c) Pedestri (\$90.04	a competition under prevailing m litions, which resulted in lower rates is rned tenders. Details of the key items ificant savings are as follows - Contract preliminaries (\$34.17 million) Road improvement works (\$39 million); Pedestrian connectivity facilities works (\$90.04 million); and			
	Title Contract Title/ Award Date Development of Anderson Road Quarry site – road improvement and infrastructure works Development of Anderson Road Quarry site – site formation and associated infrastructure works Total : Development of Anderson Road Quarry site – road improvement works and pedestrian connectivity facilities works phase 2A/	TitleApproved Project Estimate (APE)Contract Title/ Award DateSDevelopment of Anderson Road Quarry site - road improvement and infrastructure works2,654.40Development of Anderson Road Quarry site - site formation and associated infrastructure works7,693.40Development of Anderson Road Quarry site - road improvement works and pedestrian connectivity facilities works phase 2A/ 18 May 201810,347.80The accepte allowed in A keen comp conditions, returned ten significant sThe accepte allowed in A keen comp conditions, returned ten significant s(a) Contract (b) Road million) (c) Pedestri (\$90.04S	TitleApproved Project(A) Sum Allowed in APE for the ContractAward Date(APE)(A)Development of Anderson Road Quarry site – road improvement and infrastructure works2,654.40Image: ContractDevelopment of Anderson Road Quarry site – site formation and associated infrastructure works7,693.40Image: ContractDevelopment of Anderson Road Quarry site – site formation and associated infrastructure works10,347.80Image: ContractDevelopment of Anderson Road Quarry site – road improvement works and pedestrian connectivity facilities works phase 2A/ 18 May 2018The accepted tender pri allowed in APE for the keen competition un conditions, which resul returned tenders. Deta significant savings are a (a) Contract preliminar (b) Road improvement million); (c) Pedestrian connecti (§90.04 million); ar	TitleApproved Project(A) Sum Allowed 	

\$304.38 million to be funded under 7818CL and 7803CL respectively.

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 I	MOD prices	)
7822TH	Cross Bay Link, Tseung Kwan O – construction	5,625.70			
7872TH	Tseung Kwan O – Lam Tin Tunnel – main tunnel and associated works	15,093.50			
	Total :	20,719.20			
NE/2017/07	Cross Bay Link, Tseung Kwan O – main bridge and associated works/ 29 June 2018		3,474.82	2,585.84 <sup>[2]</sup>	888.98
		allowed in A keen comp conditions, returned ten significant s (a) Contrac (b) Marine	APE for the betition un which resul ders. Deta avings are a t preliminar piling work and assoc	der prevaili ted in lower ils of the key	his is due to ng market rates in the y items with million); illion); and
Note · [2]	The total contract sum awarded is \$2.58				

Note : [2] The total contract sum awarded is \$2,585.84 million which includes \$2,265.84 million and \$320.00 million to be funded under 7822TH and 7872TH respectively.

# (3) Department: <u>Highways Department</u>

Project	Project				
Code Contract No.	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 price	es)
<b>6857TH</b> HY/2014/10	Tuen Mun – Chek Lap Kok Link – construction works Tuen Mun – Chek Lap Kok Link –	44,798.40	313.30	158.00	155.30
	northern connection traffic control and surveillance system/ 14 May 2018				
		sum allow is due to associated software a procured foreign of countries bearings of key item follows - (a) Contr (b) Centr (c) Traffi (d) Close millio (e) Emer millio (f) Radio (g) Other system	<ul> <li>The accepted tender price is lower the sum allowed in APE for the contract. is due to most of the costs for TCS associated works are for the supply of a software and field equipment which are procured worldwide, the fluctuate foreign currencies, global economy countries of origin are factors that bearings on the tender prices. Details key items with significant savings follows -</li> <li>(a) Contract preliminaries (\$39.69 mill (b) Central system (\$10.54 million);</li> <li>(c) Traffic control devices (\$50.46 mill (d) Closed circuit television system (million);</li> <li>(e) Emergency telephone system million);</li> <li>(f) Radio system (\$11.22 million);</li> <li>(g) Other traffic control and surve systems (\$17.95 million); and</li> <li>(h) Others (\$3.91 million).</li> </ul>		

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
		\$	s million (in	MOD price	es)
6857TH	Tuen Mun – Chek Lap Kok Link – construction works	44,798.40			
HY/2017/10	Tuen Mun – Chek Lap Kok Link – northern connection tunnel buildings, electrical and mechanical works/ 24 April 2018		3,205.60	2,589.99	615.61
		sum allow is due to to procured currencies of origin on the t establishe relevant s another fa significan (a) Contr (b) Plum tunne subw millio (c) Tunno millio (d) Build ventil (f) Lands works	ved in APE the supply of worldwide, and global are factors te ender price d commer uppliers and actor. Deta t savings are ract prelimin bing and l, vehicular ay and apon); el and road 1 on); ing servic ation buildi ing servic ation buildi	cial partner d sub-contractils of the key e as follows haries (\$109.0 drainage underpass, t pproach roa lighting syste ces works ng (\$62.46 n ces works ng (\$50.67 n ks and es illion); and	tract. This equipment is of foreign and countries ave bearings contractor's rships with ctors can be y items with - 02 million); system in oll collector ad (\$74.09 em (\$121.11 at north hillion); at south hillion);

# (4) Department: <u>Non-governmental organisations</u>

Project Code Contract No.	Project Title Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE	(B) Accepted Tender Price	(A) – (B) Difference	
INO.	Award Date	(APE)	for the Contract	Price		
		\$	million (in	MOD price	es)	
8004MP	Redevelopment of Grantham Hospital, phase 1 – preparatory works	422.50				
8110058316	Tender for Architectural Consultancy Services for Redevelopment of Grantham Hospital, phase 1/ 6 June 2018		187.90	116.65	71.25	
8110058317	Tender for Building Services Engineering Consultancy Services for Redevelopment of Grantham Hospital, phase 1/ 6 June 2018		57.30	34.39	22.91	
		The accepted tender price is lower than the sum allowed in APE for the contract. The is due to keen competition under prevailing market conditions, which resulted in lower returned tender price.				