#### 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 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 December 2018, thirteen 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 September 2019

<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 Fourth Quarter of 2018)

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

Project Code	Project Title	Approved		<b>(B)</b>	(A) – (B)
Contract No.	Contract Title/ Award Date	Project Estimate (APE)	Sum Allowed in APE for the Contract	Accepted Tender Price	Difference
		\$	million (in	MOD price	es)
3026NB	Expansion of Wo Hop Shek Crematorium	174.20			
AL G513	Expansion of Wo Hop Shek Crematorium/ 4 December 2018		169.60	140.45	29.15
		sum allowis due to market corates in the key item follows -  (a) Control (b) Build	wed in APE keen componditions, whe returned as with signact preliming (\$7.78 m)	price is low for the con- petition under which results tenders. D nificant savi naries (\$9.84 million); and s (\$11.53 mil	tract. This r prevailing ed in lower etails of the ings are as million);

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
		9	Contract million (ir	ı MOD price	es)
3467RO	Station Square at Kai Tak	1,651.50			
SS G506	Construction of Station Square at Kai Tak (Phase 1)/ 28 December 2018		377.50	283.60	93.90
		sum allow is due to market c rates in t key item follows -  (a) Conto (b) Exter (c) Build millio (d) Drain	to keen competition under prevail conditions, which resulted in love the returned tenders. Details of terms with significant savings are		tract. This r prevailing ed in lower etails of the ings are as million); on); ons (\$16.46

# (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 Contract	(B) Accepted Tender Price	(A) – (B) Difference	
		\$		MOD prices	s)	
5001BX (block allocation)	Landslip preventive measures					
Item No. 1.111	Landslip prevention and mitigation programme, 2018, package K, landslip prevention and mitigation works	131.83				
GE/2018/20	Landslip prevention and mitigation programme, 2018, package K, landslip prevention and mitigation works in Hong Kong Island, Kowloon, the New Territories and Outlying Islands/18 October 2018		107.41	84.84	22.57	
		sum allowed due to keep rates in the key items follows -	The accepted tender price is lower than sum allowed in APE for the contract. The due to keen competition under prevariant market conditions, which resulted in 1 rates in the returned tenders. Details of key items with significant savings are follows -  (a) Contract preliminaries (\$6.29 million): (b) Geotechnical works (\$10.26 million); (c) Ancillary works (\$6.02 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	s)
7188GK	Government Flying Service Kai Tak Division	469.10			
ED/2018/03	Construction of Government Flying Service Kai Tak Division/ 20 November 2018		391.37	323.73	67.64
		sum allowed due to the ample exp and hangar resources we contract, we returned to significant  (a) Air Contract Helicon (b) Apron (c) Aviation	ed in APE for recommender who could with compet which result nder. Details avings are command and pter Hanger (\$12.47 mil)	nd Control (\$53.91 mill lion); and tion Equip	ct. This is er who has of helipad loy existing price for the rates in the y items with  Centre and lion);

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	s)
7195TB	Kwun Tong Town Centre redevelopment—provision of grade-separated pedestrian linkages (footbridge across Hip Wo Street near the junction of Hip Wo Street/Mut Wah Street)	153.50			
SD/2018/01	Footbridge across Hip Wo Street near the Junction of Hip Wo Street/Mut Wah Street/ 5 November 2018		118.50	73.88	44.62
		sum allowed due to keep rates in the key items follows -  (a) Contra (b) Footbr	ed in APE feen compenditions, we returned with sign	price is low or the contra tition under hich resulte tenders. De ificant saving ries (\$34.21 tion (\$5.14 m 5.27 million)	ct. This is prevailing d in lower stails 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	MOD prices	s)
<b>7822TH</b> NE/2017/08	Cross Bay Link, Tseung Kwan O—construction  Cross Bay Link, Tseung Kwan O—Road D9 and associated works/ 26 October 2018	5,625.70	1,383.08	756.94	626.14
		sum allowed due to kee market coming the retuitems with  (a) Roadwillion (b) Noise	ed in APE freen compendition, which in the design is a compendition of the design in the design is a compendition of the design in the design is a compendition of the design in the design is a compensation of the design in t	price is low or the contra tition under th resulted in rs. Details tavings are as rainage work measures and Ilion).	prevailing lower rates of the key s follows - ks (\$339.68

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 million (in	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/2017/06	Traffic Control Surveillance System (TCSS) and associated works/ 29 October 2018		271.06	188.00 <sup>[1]</sup>	83.06
		allowed in A keen compoundations, returned tensignificant services (a) Contract (b) Traffic (c) Commut (d) Closed million) (e) Emerge million) (f) Radio services (g) Speed eand	APE for the petition un which result ders. Deta avings are a st preliminar control devianication system (\$18.	der prevailited in lower ils of the keys follows - ies (\$17.59 m ces (\$10.77 m tem (\$3.23 m evision system) hone system 18 million); system (\$8.	his is due to ing market rates in the y items with million); million); tem (\$12.3 cm (\$6.88)

Note: [1] The total contract sum awarded is \$188.00 million which includes \$167.50 million and \$20.50 million to be funded under 7872TH and 7822TH respectively

# (3) Department: <u>Drainage Services Department</u>

Project	Project				
Code	Title	Approved	(A) Sum	(B)	(A) – (B) Difference
Contract	Contract Title/	Project Estimate	Allowed	Accepted Tender	Difference
No.	Award Date	(APE)	in APE	Price	
			for the		
			Contract		
		\$	million (in	MOD prices	)
3067JA	Construction of Departmental	1,035.20			
	Quarters for Customs and Excise				
	Department at Tseung Kwan O Area 123 (Po Lam Road)				
4222DS	Tai Po sewage treatment works,	463.30			
	stage 5 phase 1				
4236DS	Tai Po sewage treatment works,	659.00			
	stage 5 phase 2B				
4422DS	Outlying Islands Sewerage Stage	133.70			
<b>1122D</b> S	2—Peng Chau Village Sewerage	133.70			
	Phase 2 package 1				
4100DX	Ecological enhancement works in	3.70			
(block	drainage channels at Kau Lung	3.70			
allocation)	Hang, Tai Po				
Item DZX1366					
DEMISOU					
4100DX	Ecological enhancement works in	2.90			
(block allocation)	drainage channels at Man Uk Pin, North District				
Item	North District				
DZX1368					
4100DX	Dueinage improvement weather of	26.00			
(block	Drainage improvement works at Leighton Road and Wong Nai	20.00			
allocation)	Chung Road in Happy Valley				
Item DZX1578					
DLA15/8					
4100DX	Drainage improvement works to	3.80			
(block	downpipes of Wong Nai Chung				
allocation) Item	Road Flyover Structure in Happy Valley				
DZX1812					
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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	Difference
		\$	million (in	MOD prices	)
4100DX (block allocation) Item DZX1813	Nullah decking at Lai Po Road, Sham Shui Po	18.80			
4100DX (block allocation) Item DZX1814	Minor drainage improvement works at Castle Peak Road—San Tin near Shek Wu Wai Road and Yeung Hau Temple	6.50			
4100DX (block allocation) Item DZX1815	Drainage improvement works at Fei Tsui Road, Chai Wan	27.00			
4100DX (block allocation) Item DZX1816	Drainage improvement works at Homantin	12.00			
4100DX (block allocation) Item SZL0742	Village sewerage to Tung Wan Tau, Chung Hau, Tai Tei Tong and Pak Ngan Heung in Mui Wo, Lantau Island	28.00			
4100DX (block allocation) Item SZY1811	Provision of covers and deodourisation facilities to primary sedimentation tank no. 3 at Siu Ho Wan sewage treatment works	19.40			
	Total :	2,439.30			

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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
DC/2018/01	Construction of village sewerage at Peng Chau and Mui Wo, modification works at Tai Po and Siu Ho Wan Sewage Treatment Works and minor drainage and sewerage works in Urban Area and New Territories/ 7 November 2018	The accepte allowed in a keen compositions, tender prices significant seems (a) Contract million (b) Village million (c) Sewer	271.24  ed tender pri APE for the petition un which resu e. Details savings are a et prelimina ); sewerage ); and	206.14  ce is lower the contract. The der prevailing lited in low of the key	han the sum his is due to any market ter returned items with ers (\$35.90 hau (\$19.40
		allowed in a keen compoundations, tender prices significant seem (a) Contract million (b) Village million (c) Sewer	APE for the petition un which result. Details savings are a cet preliminal; sewerage; and construction	contract. The der prevailing the low of the key as follows - ries and oth in Peng Ch	his ing er ito

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 price	es)
4390DS	Rehabilitation of Trunk Sewers in Tuen Mun	806.60			
DC/2018/09	Rehabilitation of Trunk Sewers in Tuen Mun/ 14 December 2018		470.88	360.58	110.30
		sum allow is due to market co returned items with (a) Continuillic (b) Rehal (\$98.5)	wed in APE keen componditions, vertender price a significant ract prelimination); bilitation of 26 million);	price is low for the convetition under which resulted and the converse and of the converse and of the converse and of the converse and of the converse and the	tract. This r prevailing ed in lower of the key as follows - thers (\$6.72

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 price	es)
4392DS	Expansion of Sha Tau Kok sewage treatment works—phase 1	2,040.90			
4423DS	North District sewerage stage 2 part 2A—village sewerage for Tong To	34.00			
	Total :	2,074.90			
DC/2018/03	Expansion of Sha Tau Kok Sewage Treatment Works Phase 1 and Village Sewerage in Tong To/ 14 November 2018		1,382.86	1,122.41	260.45
		sum allow is due to market co rates in the key item follows -  (a) Contramillion (b) Submarket (c) Expansion	ved in APE keen componditions, very returned so with sign ract prelimination); harine outfall asion of S	price is low for the conetition under which results tenders. Denificant savinaries other (\$98.45 milks) Tau Kana (\$73.35 milks)	tract. This r prevailing ed in lower etails of the ngs are as ers (\$88.65 llion); and ok Sewage

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)				
4398DS DC/2018/04	Sewerage to Lei Yue Mun Village  Lei Yue Mun Village Sewerage/ 25 October 2018	260.20	172.15	122.55	49.60	
		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 -  (a) Contract preliminaries and others (\$11.40 million); (b) Civil works (\$29.14 million); and (c) E&M works (\$9.06 million).				

# (4) Department: <u>Education Bureau</u>

Project Code	Project Title	Approved	(A)	<b>(B)</b>	(A) – (B)		
Contract No.	Contract Title/ Award Date	Project Estimate (APE)	Sum Allowed in APE for the Contract	Accepted Tender Price	Difference		
		\$ million (in MOD prices)					
8012EE	Redevelopment of Island School at 20 Borrett Road, Mid-Levels	536.30					
-	Main contract works/ 13 December 2018		532.10	401.29	130.81		
		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 -  (a) Contract preliminaries (\$18.77 million); (b) Site Formation (\$12.9 million); (c) Piling (\$4.18 million) (d) Building (including concrete works, plastering works and others) (\$41.1 million); (e) Drainage (\$3.82 million); (f) External Works (\$22.73 million); and (g) Others (\$27.31 million).					

# (5) Department: <u>Water Supplies Department</u>

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)			
9202WC	Implementation of Water Intelligent Network, Stage 2	655.40			
2/WSD/18	Construction of Pressure Management and District Metering Installations under Water Intelligent Network/ 31 October 2018	sum allow is due to prevailing in lower Details of savings and (a) Control (b) Champing (c) Pipew (d) Testing (e) Concrol (f) Lands works	ved in APE o keen pr g market co rates in of the key re as follows ract prelimin abers and pit vork and fitt ng (14.64 mi rete (1.71 m	naries (8.62 n ts (34.61 millings (22.09 r illion); illion); vorks and es on); and	tract. This ition under ich resulted ed tenders. significant million); lion); million);