#### 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 2017)

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 2017, eight 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 January 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 Fourth Quarter of 2017)

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

Project Title	Approved Project	(A) Sum	(B) Accepted	(A) – (B) Difference		
Contract Title/ Award Date	Estimate (APE)	Allowed in APE for the Contract	Tender Price			
	5	\$ million (in MOD prices)				
Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes	234.10					
Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/ 28 December 2017		168.00	147.00	21.00		
	<ul> <li>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 low rates in the returned tenders. Details of the key items with significant savings are follows -</li> <li>(a) Building works (including wood, state and metal works, plastering and pavit works) (\$9.40 million);</li> <li>(b) Demolition and alterations (\$5. million);</li> <li>(c) Contract preliminaries (\$5.00 million and and test works and test works and test works and test preliminaries (\$5.00 million);</li> </ul>					
	Title         Contract Title/ Award Date         Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes         Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/	Title       Approved         Contract Title/ Award Date       Project         Estimate (APE)       S         Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes       234.10         Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/ 28 December 2017       The acce sum allow is due to market c rates in t key item follows -         (a) Build and n work       (a) Build and n work         (b) Denn millid (c) Cont and (d) Cons	TitleApproved Project(A) SumContract Title/ Award DateEstimate (APE)Allowed in APE for the ContractConversion of the former French Mission Building for accommodation use by law-related organisations and related purposes234.10Conversion of the former French Mission Building for accommodation use by 	Title Contract Title/ Award DateApproved Project (APE)(A) Sum Accepted Tender Price for the ContractConversion of the former French Mission Building for accommodation use by law-related organisations and related purposes234.10If 8.00147.00Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/ 28 December 2017168.00147.00The accepted tender price is low sum allowed in APE for the con is due to keen competition, which result rates in the returned tenders. Di key items with significant savi follows -10147.00Image: Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/ 28 December 2017The accepted tender price is low sum allowed in APE for the con is due to keen competition unde market conditions, which result rates in the returned tenders. Di key items with significant savi follows -(a) Building works (including ' and metal works, plastering works) (\$9.40 million); (b) Demolition and alteratio million); (c) Contract preliminaries (\$5.0 and		

# (2) Department: <u>Civil Engineering and Development 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)				
5001BX (block allocation)	Landslip preventive measures						
Item No. 2.267=0	Landslip prevention and mitigation programme, 2011, package H, landslip prevention and mitigation works	152.92					
GE/2015/03	Landslip prevention and mitigation programme, 2011, package H, landslip prevention and mitigation works/ 27 November 2017		126.44	83.69	42.75		
		sum allowd due to ka market co rates in th key items follows - (a) Contra (b) Geoted	accepted tender price is lower allowed in APE for the contract. to keen competition under p tet conditions, which resulted in the returned tenders. Detai items with significant savings ws - Contract preliminaries (\$6.99 mill Geotechnical works (\$14.31 millic Ancillary works (\$21.45 million)				

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 price	s)
5816CL	Site formation and associated infrastructural works for development of columbarium at Sandy Ridge Cemetery	1,849.60			
CV/2016/10	Site formation and associated infrastructural works for development of columbarium at Sandy Ridge Cemetery/ 5 December 2017		974.20	780.00	194.20
		sum allowe due to ke market corrates in the tender print compared Details of savings are (a) Site for (\$107.9 (b) Roads, works a	cepted tender price is low owed in APE for the contra- keen competition under conditions, which resulted the returned tenders and price of the accepted ed with the other return of the key items with are as follows - formation and geotechnical 07.98 million); ds, drainage, sewerage, land ks and waterworks (\$24.48 m illary works and items (\$61.50)		ect. This is prevailing d in lower l the lower tender as ed tenders. significant works scaping 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 price	es)
<b>7814CL</b> NL/2017/03	Tung Chung New Town Extension — Reclamation and Advance Works Tung Chung New Town Extension — Reclamation and Advance Works/ 21 December 2017	20,210.00	17,237.72	12,076.30	5,161.42
		sum allow is due to market tenderer h and site f Phase II Cement System p existing price for lower rate	r prevailing commended reclamation Development on & Deep rd Runway dily deploy itive tender resulted in rrs. Details savings are formation		

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	5)
B781CL	Infrastructure works for public housing development at Area 54, Tung Chung	284.80			
NL/2017/01	Infrastructure works for public housing development at Area 54, Tung Chung/ 7 November 2017		247.65	188.53	59.12
		sum allowe due to ke market co rates in th key items follows - (a) Contra- (b) Roads,	ed in APE f een competenditions, w e returned with sign	price is low or the contra tition under hich resulte tenders. De ificant savin ties (\$16.69 m ewerage and ton)	ct. This is prevailing d in lower etails of the ngs are as nillion); and

## (3) Department: <u>Drainage Services 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	)
4380DS	Construction of dry weather flow interceptor at Cherry Street box culvert	664.60			
DC/2017/01	Construction of dry weather flow interceptor at Cherry Street box culvert/ 12 December 2017		537.68	258.23	279.45
			APE for the petition unwhich resuluters. Detaiders. Detaiders are a petition and sev 5 million); and sev 5 million); and meeting and meeti	der prevaili ted in lower ils of the key s follows - ies (\$32.70 n weather flow vage pump	his is due to ing market rates in the y items with nillion); y interceptor ing station as of DWFI

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	)
4413DS	Enhancement works for Kwun Tong Sewage Pumping Station	1,054.40			
DC/2017/05	Enhancement works for Kwun Tong Sewage Pumping Station/ 22 December 2017		821.10	722.51	98.59
		allowed in A the keen co conditions, returned ter significant s (a) Contrac (b) Balanci	APE for the ompetition which resul- ider. Detai avings are a et preliminar ng tank (\$55	under prevai ted in lower ls of the key	his is due to ling market rates in the v items with illion); ; and

## (4) Department: <u>Highways 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	)
6461TH	Central Kowloon Route—Main Works	42,363.90			
HY/2014/07	Central Kowloon Route—Kai Tak West/ 28 December 2017		7,018.32	6,241.65	776.67
		allowed in A keen comp conditions, returned ten significant s (a) Tempor tunnel ( (b) Cut and	APE for the petition un- which resul- iders. Deta avings are a ary reclam \$501.88 mil	der prevaili ted in lower ils of the key s follows - nation and lion); nel, depresse	his is due to ing market rates in the v items with