

**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

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<sup>1</sup> See Director of Audit’s Report No. 42, Chapter 3

<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  
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(for Capital Works Contracts Awarded in the Fourth Quarter of 2017)**

(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)					
3123KA  RF E512	<p><b>Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes</b></p> <p>Conversion of the former French Mission Building for accommodation use by law-related organisations and related purposes at Battery Path, Central/ 28 December 2017</p>	234.10	168.00	147.00	21.00
<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"> <li>(a) Building works (including wood, steel and metal works, plastering and paving works) (\$9.40 million);</li> <li>(b) Demolition and alterations (\$5.10 million);</li> <li>(c) Contract preliminaries (\$5.00 million); and</li> <li>(d) Conservation and restoration works and others (\$1.50 million).</li> </ul>					

(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
<b>\$ million (in MOD prices)</b>					
5001BX (block allocation)  Item No. 2.267=0  GE/2015/03	Landslip preventive measures  Landslip prevention and mitigation programme, 2011, package H, landslip prevention and mitigation works  Landslip prevention and mitigation programme, 2011, package H, landslip prevention and mitigation works/ 27 November 2017	152.92	126.44	83.69	42.75
<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 (\$6.99 million);  (b) Geotechnical works (\$14.31 million); and  (c) Ancillary works (\$21.45 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)					
5816CL  CV/2016/10	<p data-bbox="296 551 740 689"><b>Site formation and associated infrastructural works for development of columbarium at Sandy Ridge Cemetery</b></p> <p data-bbox="360 768 778 943">Site formation and associated infrastructural works for development of columbarium at Sandy Ridge Cemetery/ 5 December 2017</p>	1,849.60	974.20	780.00	194.20
<p data-bbox="842 1025 1465 1350">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 and the lower tender price of the accepted tender as compared with the other returned tenders. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li data-bbox="852 1391 1378 1458">(a) Site formation and geotechnical works (\$107.98 million);</li> <li data-bbox="852 1462 1453 1529">(b) Roads, drainage, sewerage, landscaping works and waterworks (\$24.48 million); and</li> <li data-bbox="852 1534 1442 1568">(c) Ancillary works and items (\$61.74 million)</li> </ul>					

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\$ million (in MOD prices)					
7814CL  NL/2017/03	<b>Tung Chung New Town Extension — Reclamation and Advance Works</b>  Tung Chung New Town Extension — Reclamation and Advance Works/ 21 December 2017	20,210.00	17,237.72	12,076.30	5,161.42
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen completion under prevailing market conditions. The recommended tenderer has ample experience in reclamation and site formation in Wan Chai Development Phase II as well as reclamation &amp; Deep Cement Mixing works in Third Runway System project who could readily deploy existing resources with competitive tender price for the Contract, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Reclamation and site formation (\$3,900.61M);  (b) Deep cement mixing (\$556.96M); and  (c) Others (\$703.85M)</p>					

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<b>\$ million (in MOD prices)</b>					
B781CL  NL/2017/01	<p data-bbox="296 551 746 651"><b>Infrastructure works for public housing development at Area 54, Tung Chung</b></p> <p data-bbox="360 768 794 909">Infrastructure works for public housing development at Area 54, Tung Chung/ 7 November 2017</p>	284.80	247.65	188.53	59.12
<p data-bbox="842 1025 1465 1272">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 data-bbox="852 1317 1465 1417">(a) Contract preliminaries (\$16.69 million); and (b) Roads, drainage, sewerage and landscaping works (\$42.43 million)</p>					

(3) Department: Drainage 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
<b>\$ million (in MOD prices)</b>					
4380DS  DC/2017/01	<p data-bbox="296 595 756 696"><b>Construction of dry weather flow interceptor at Cherry Street box culvert</b></p> <p data-bbox="360 813 727 954">Construction of dry weather flow interceptor at Cherry Street box culvert/ 12 December 2017</p>	664.60	537.68	258.23	279.45
<p data-bbox="831 1070 1461 1285">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"> <li data-bbox="839 1330 1406 1361">(a) Contract preliminaries (\$32.70 million);</li> <li data-bbox="839 1364 1461 1469">(b) Civil works of dry weather flow interceptor (DWFI) and sewage pumping station (\$193.95 million); and</li> <li data-bbox="839 1471 1461 1576">(c) Electrical and mechanical works of DWFI and sewage pumping station (\$52.80 million).</li> </ul>					

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<b>\$ million (in MOD prices)</b>					
4413DS  DC/2017/05	<b>Enhancement works for Kwun Tong Sewage Pumping Station</b>  Enhancement works for Kwun Tong Sewage Pumping Station/ 22 December 2017	1,054.40	821.10	722.51	98.59
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the keen competition under prevailing market conditions, which resulted in lower rates in the returned tender. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$27.7 million);  (b) Balancing tank (\$55.19 million); and  (c) Ancillary Works (\$15.70 million).</p>					



(4) 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
<b>\$ million (in MOD prices)</b>					
6461TH  HY/2014/07	<b>Central Kowloon Route—Main Works</b>  Central Kowloon Route—Kai Tak West/ 28 December 2017	42,363.90	7,018.32	6,241.65	776.67
<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) Temporary reclamation and underwater tunnel (\$501.88 million);</p> <p>(b) Cut and cover tunnel, depressed road and underpass (\$274.79 million)</p>					