

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 Third Quarter of 2019)**

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 September 2019, five capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
July 2020

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)					
3067JA SS F509	<p>Construction of Departmental Quarters for Customs and Excise Department at Tseung Kwan O Area 123 (Po Lam Road)</p> <p>Construction of Departmental Quarters for Customs and Excise Department at Tseung Kwan O Area 123 (Po Lam Road)/ 30 August 2019</p>	1,035.20	906.30	640.33	265.97
<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 (\$64.31 million); (b) Site development (\$153.96 million); (c) Building works (\$26.39 million); and (d) Building services installations (\$21.31 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)					
3467RO SS H508	Station Square at Kai Tak Construction of Station Square at Kai Tak (Phase 2)/ 5 September 2019	1,651.50	1,190.95	713.70	477.25
<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) Contract preliminaries (\$134.25 million); (b) External works (\$220.24 million); (c) Building services installations (\$81.67 million); and (d) Drainage and ancillary facilities (\$41.09 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)					
7747CL ND/2019/06	<p data-bbox="296 595 794 775">Advance site formation and engineering infrastructure works at Kwu Tung North new development area and Fanling North new development area</p> <p data-bbox="360 813 794 1032">Fanling North new development area, phase 1: Reprovisioning of North District Temporary Wholesale Market for agricultural products/ 16 September 2019</p>	17,320.10	193.72	162.04	31.68
<p data-bbox="842 1111 1465 1357">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 1402 1465 1509">(a) Contract preliminaries (\$21.98 million); and (b) Road works (\$9.70 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
\$ million (in MOD prices)					
4388DS DC/2018/06	Shek Wu Hui Effluent Polishing Plant Shek Wu Hui Effluent Polishing Plant — main works stage 1—civil works for sludge treatment facilities and 132kV primary substation/ 11 September 2019	11,972.80	1,203.60	954.37	249.23
<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) Civil and structural works (\$111.15 million); (b) Process pipeworks (\$51.33 million); (c) Piling works (\$49.20 million); and (d) Architectural works (\$37.55 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
\$ million (in MOD prices)					
6461TH HY/2018/08	Central Kowloon Route—Main Works Central Kowloon Route— Central Tunnel/ 3 July 2019	42,363.90	9,112.50	6,226.12	2,886.38
<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 (\$456.87 million); (b) Tunnel works (\$2,332.07 million); and (c) Foundation system (\$97.44 million).</p>					