

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 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 December 2019, 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
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)					
3272ES SS H507	<p>A 30-classroom secondary school at Site KT2e, Development at Anderson Road, Kwun Tong</p> <p>Construction of a 30-classroom secondary school at Site KT2e, Development at Anderson Road, Kwun Tong/ 3 October 2019</p>	434.80	402.00	333.00	69.00
<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> <p>(a) Contract preliminaries (\$19.80 million); (b) Foundation (\$17.20 million); (c) Building works and building services installation (\$22.00 million); and (d) Drainage and external works (\$10.00 million).</p>					

(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	Advance site formation and engineering infrastructure works at Kwu Tung North new development area and Fanling North new development area	17,320.10			
7759CL	First stage of site formation and engineering infrastructure at Kwu Tung North new development area and Fanling North new development area	896.40			
ND/2019/01	Kwu Tung North new development area, phase 1: Site formation and infrastructure works/ 28 November 2019	Total :			
		18,216.50	3,376.00	2,485.22 ^[1]	890.78
<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 (\$258.36 million); (b) Earthworks (\$161.13 million); (c) Soil treatment works (\$225.85 million); (d) Demolition works (\$124.81 million); (e) Roadworks and environmental mitigation measures (\$76.52 million); and (f) Drainage works and sewerage works (\$44.11 million). 					

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\$ million (in MOD prices)					
ND/2019/03	Kwu Tung North and Fanling North new development areas, phase 1: Development of Long Valley Nature Park/ 10 December 2019		443.09	323.80	119.29
<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) Ecological conservation & compensation (\$105.79 million); (b) Building works (\$10.65 million); and (c) Others (\$2.85 million).</p>					

Note : [1] The contract sum has excluded the cost for the works under other project items, which will be carried out only after the respective funding is available.

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)					
7793CL ND/2018/01	Site formation and infrastructure works for Police facilities in Kong Nga Po Site formation and infrastructure works for Police facilities in Kong Nga Po/ 13 November 2019	1,913.00	1,560.40	1,098.17	462.23
<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> <ul style="list-style-type: none"> (a) Contract preliminaries (\$162.19 million); (b) Upgrading of Kong Nga Po Road (\$57.35 million); (c) Site formation and infrastructure works in Kong Nga Po site (\$227.88 million); and (d) Others (\$14.81 million). 					

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\$ million (in MOD prices)					
7822CL	Kai Tak development— infrastructure for developments at the former runway and south apron	2,874.70			
7785TH	Trunk Road T2 and Cha Kwo Ling Tunnel—Construction	16,017.00			
ED/2018/04	<p style="text-align: right;">Total :</p> Trunk Road T2 and infrastructure works for developments at the former south apron/ 31 October 2019	18,891.70	13,135.00	10,918.19	2,216.81
<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) Underwater tunnel (\$884.39 million); (b) Underground tunnel (\$612.88 million); (c) Road works (\$413.68 million); (d) Tunnel electronic and mechanical works (\$92.65 million); and (e) Others (\$213.21 million). 					

(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 DE/2018/03	Shek Wu Hui Effluent Polishing Plant Shek Wu Hui Effluent Polishing Plant —main works stage 1— sidestream treatment facilities and E&M works for sludge treatment facilities/ 11 October 2019	11,972.80	1,117.20	933.20	184.00
<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 item with significant savings are as follows -</p> <p>(a) Electrical and mechanical installation works (\$184.00 million).</p>					

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\$ million (in MOD prices)					
4388DS	Shek Wu Hui Effluent Polishing Plant	11,972.80			
7747CL	Advance site formation and engineering infrastructure works at Kwu Tung North new development area and Fanling North new development area	17,320.10			
DC/2018/07	Total :	29,292.90			
	Shek Wu Hui Effluent Polishing Plant—main works stage 1—civil works for sewage treatment facilities/ 5 November 2019		1,149.30	952.41	196.89
<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 (\$111.23 million); (b) Piling works (\$71.62 million); (c) Architectural works (\$9.69 million); and (d) Pipeworks (\$4.35 million).</p>					

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\$ million (in MOD prices)					
DE/2018/04	Shek Wu Hui Effluent Polishing Plant— main works stage 1—E&M works for sewage treatment facilities/ 20 November 2019		761.90	557.59	204.31
<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 item with significant savings are as follows -</p> <p>(a) Electrical and mechanical installation works (\$204.31 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)					
6178TB HY/2019/02	Lift and Pedestrian Walkway System between Castle Peak Road and Kung Yip Street, Kwai Chung Lift and Pedestrian Walkway System between Castle Peak Road and Kung Yip Street, Kwai Chung/ 11 December 2019	584.40	402.03	284.09	117.94
<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 (\$46.59 million); (b) Foundation works (\$30.42 million); (c) Construction of lift towers and elevated walkways (\$37.38 million); and (d) Others (\$3.55 million). 					

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\$ million (in MOD prices)					
6845TH HY/2019/01	Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities—Reclamation and Superstructures Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities—phase 2 and other works/ 20 November 2019	35,895.00	1,093.60	750.11	343.49
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to recommended tenderer's previous works experience, including construction of the existing Public Transport Interchanges, vehicle clearance plazas and kiosks at the Hong Kong Port. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Contract preliminaries (\$29.90 million); (b) South and North Public Transport Interchange (\$85.00 million) (c) Landscaping works (\$61.8 million); (d) Vehicle clearance plazas (\$58.50 million); (e) Automatic Vehicle Clearance Support System (a specialised E&M system for Customs and Excise Department) (\$53.40 million); (f) Vehicle clearance kiosks (\$43.70 million); and (g) Others (\$11.19 million). 					

(5) Department: Water Supplies 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)					
9357WF 13/WSD/17	Design and construction for first stage of desalination plant at Tseung Kwan O Design, build and operate first stage of Tseung Kwan O Desalination Plant/ 11 December 2019	7,727.50	6,200.00	4,242.47 ^[1]	1,957.53
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to more effective designs for the civil engineering works and electrical and mechanical engineering works submitted by the recommended tenderer, and 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 (\$208.49 million); (b) Civil engineering works (\$1,076.43 million); (c) Electrical and mechanical engineering works (\$486.16 million); and (d) Others (\$186.45 million).</p>					

Note : [1] This is a design-build-operate contract. The total awarded contract sum is \$9,018.90 million. Part of the contract at a value of \$4,776.43 million is for operating the first stage of Tseung Kwan O Desalination Plant for 15 years, which will be funded by the General Revenue Account.