

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

Development Bureau
Works Branch
November 2019

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)					
3360EP	First 30-classroom primary school at Queen's Hill, Fanling	386.10			
3361EP	Second 30-classroom primary school at Queen's Hill, Fanling	386.60			
SS G514	Total :	772.70			
	Construction of two 30-classroom primary schools at Queen's Hill, Fanling/ 25 March 2019		710.70	630.86	79.84
<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 (\$25.84 million); (b) Piling (\$23.19 million); and (c) External works (\$30.81 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)					
3068JA SS F504	<p data-bbox="320 548 815 689">Construction of departmental quarters for Customs and Excise Department at No. 57 Sheung Fung Street, Tsz Wan Shan</p> <p data-bbox="384 728 815 943">Construction of departmental quarters for Customs and Excise Department at No. 57 Sheung Fung Street, Tsz Wan Shan, Kowloon/ 28 January 2019</p>	533.10	448.70	398.00	50.70
<p data-bbox="863 1025 1465 1240">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen price competition under prevailing market conditions. Details of the key items with significant savings are as follows -</p> <ul data-bbox="863 1279 1465 1494" style="list-style-type: none"> (a) Contract preliminaries and others (\$25.20 million); (b) Piling (\$13.60 million); (c) Building (\$9.10 million); and (d) Drainage and external works (\$2.80 million). 					

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\$ million (in MOD prices)					
3034NM AL G512	Installation of air-conditioning system at Tai Wai Market Installation of air-conditioning system and general improvement works at Tai Wai Market/ 25 March 2019	109.70	95.80	75.04	20.76
<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 (\$6.35 million); (b) Building services installations (\$7.77 million); and (c) Site works, building works and others (\$6.64 million). 					

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\$ million (in MOD prices)					
3427RO SS G516	Open space in Area 47 and 48, North District Construction of open space in Area 47 and 48, North District/ 24 January 2019	123.70	102.72	82.24	20.48
<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 (\$11.80 million); (b) Site works (\$1.40 million); and (c) External works (\$7.28 million).</p>					

(2) 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)					
4108CD DC/2018/08	West Kowloon drainage improvement—inter-reservoirs transfer scheme Inter-reservoirs transfer scheme—water tunnel between Kowloon Byewash Reservoir and Lower Shing Mun Reservoir/ 14 February 2019	1,222.00	993.90	762.78	231.12
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition of tunnelling works 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) Tunnelling works (\$200.35 million); and (b) Intake and outfall structures (\$30.77 million).</p>					

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\$ million (in MOD prices)					
4180CD	Rehabilitation of underground stormwater drains stage 1	122.80			
4426DS	Rehabilitation of underground sewers stage 1	391.90			
4100DX (block allocation) Item	Condition surveys for decked nullahs along roads other than Red or Pink Routes	13.30			
DZM1851	Total :	528.00			
DC/2018/10	Condition survey and rehabilitation of underground sewers and stormwater drains—stage 1/ 8 January 2019		359.72	276.02	83.70
<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 returned tender price. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Contract preliminaries and others (\$18.98 million); (b) Condition survey and rehabilitation works (\$64.19 million); and (c) Desilting of existing pipe and culvert (\$0.53 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)					
4344DS	Upgrading of Central and East Kowloon sewerage—phase 3	680.90			
4367DS	Upgrading of Central and East Kowloon sewerage—phase 1	304.70			
4377DS	Upgrading of Central and East Kowloon sewerage—phase 2	503.00			
4100DX (block allocation) Item DZX1859	Construction of dry weather flow interceptors near King Yip Lane and Shing Yip Street in Kwun Tong	16.90			
	Total :	1,505.50			
DC/2018/11	Upgrading of Central and East Kowloon sewerage—phase 3/ 7 January 2019		443.60	369.00	74.60
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the fact that the recommended contractor is also the current contractor of another DSD works contract, who is considered possessing the expertise, plant and equipment necessary and make it readily available for this contract. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Contract preliminaries (\$4.26 million); (b) Construction of sewerage system (\$68.96 million); and (c) Others (\$1.38 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)					
4403DS DC/2018/02	Upgrading of sewage pumping stations and sewerage along Ting Kok Road Upgrading of sewage pumping stations and sewerage along Ting Kok Road/ 22 February 2019	847.30	615.50	463.36	152.14
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to 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) Foundation works for SPSs (\$32.41 million); (b) General civil works for SPSs (\$7.66 million); (c) E&M works for SPSs (\$49.37 million); (d) Pipe-laying by open-cut method (\$17.48 million); (e) Pipe-laying by trenchless method (\$40.42 million); and (f) Others (\$4.80 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)					
4425DS DC/2018/05	<p data-bbox="296 551 756 685">Relocation of Sha Tin sewage treatment works to caverns—site preparation and access tunnel construction</p> <p data-bbox="360 730 817 909">Relocation of Sha Tin sewage treatment works to caverns—site preparation and access tunnel construction/ 18 February 2019</p>	2,077.50	1,163.90	811.41	352.49
<p data-bbox="863 1028 1461 1240">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 returned tender price. Details of the key items with significant savings are as follows -</p> <ul data-bbox="871 1285 1461 1464" style="list-style-type: none"> (a) Earthworks (\$86.28 million); (b) Retaining structure (\$119.54 million); (c) Main Access Tunnel (\$121.40 million); and (d) Others (\$25.27 million). 					

(3) Department: Education Bureau

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)					
8032ED EX GS002	Conversion to Heung Hoi Ching Kok Lin Association Buddhist Po Kwong School Construction of an Annex to HHCKLA Buddhist Po Kwong School at 2 Yan Shing Lane, Fanling, New Territories/ 25 February 2019	197.60	166.49	139.80	26.69
<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 preliminary (\$5.87 million); (b) Building (\$13.27 million); (c) Building services (\$4.32 million); and (d) External works and drainage (\$3.23 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)					
6185TB HY/2018/09	Lift and pedestrian walkway system between Tai Wo Hau Road and Wo Tong Tsui Street, Kwai Chung Lift and pedestrian walkway system between Tai Wo Hau Road and Wo Tong Tsui Street, Kwai Chung/ 11 February 2019	249.40	193.50	109.98	83.52
<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 (\$19.61 million); (b) Ground investigation (\$1.00 million); (c) Site clearance (\$1.24 million); (d) Roads and drainage (\$0.11 million); (e) Slope works (\$9.22 million); (f) Inclined lift system (\$42.57 million); (g) Water main diversion (\$7.16 million); (h) Landscape works (\$2.39 million); and (i) Establishment works (\$0.22 million). 					

(5) Department: Home Affairs Bureau

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)					
8044QJ G14-016 -C01	<p data-bbox="296 595 820 734">Youth Hostel Scheme—construction works by Po Leung Kuk for the youth hostel project in Ma Tin Pok, Yuen Long</p> <p data-bbox="360 779 820 882">Foundation works for Po Leung Kuk Youth Hostel/ 3 January 2019</p>	1,444.70	137.40	80.55	56.85
<p data-bbox="863 958 1461 1211">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="871 1256 1437 1397">(a) Contract preliminaries (\$16.19 million); (b) Hoarding works (\$2.36 million); (c) Piling works (\$18.53 million); and (d) Others (19.77 million).</p>					

(6) 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)					
9355WF 4/WSD/18	<p>Water supply to new housing developments in Sheung Shui and Fanling</p> <p>Water supply to new housing developments in Sheung Shui and Fanling—upgrading of Tai Po fresh water pumping station and associated works/ 6 March 2019</p>	1,699.70	73.90	48.88	25.02
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the fact that the recommended tenderer is very familiar with the site constraints for this contract, 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 (\$7.27 million); (b) Modification works for existing pipeworks (\$8.76 million); and (c) Upgrading of Tai Po Fresh Water Pumping Station and associated works (\$8.99 million).</p>					