

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 Second 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 June 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
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)					
3023PP SS F508	Reprovisioning of the Hongkong Post's Headquarters Construction of Hongkong Post Headquarters Building at Wang Chin Street, Kowloon Bay/ 11 April 2019	1,600.90	1,485.80	1,079.70	406.10
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to a more effective pile foundation system 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 (\$128.36 million); (b) Piling (\$112.50 million); (c) Building (\$103.76 million); and (d) Building Services (\$61.48 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)					
7822CL ED/2018/01	<p>Kai Tak development— infrastructure for developments at the former runway and south apron</p> <p>Kai Tak development—stage 4 infrastructure at the former runway and south apron/ 16 May 2019</p>	2,874.70	2,137.99	1,480.44	657.55
<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) Bridge D3 and approach ramps (\$138.28 million); (b) Underpass D3 and depressed roads (\$93.94 million); (c) Landscaped elevated walkway (\$168.12 million); (d) Waterfront promenade and open space (\$149.78 million); and (e) Others (\$107.43 million). 					

(3) 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/2018/02	Central Kowloon Route—main works Central Kowloon Route—Kai Tak East/ 10 April 2019	42,363.90	2,491.26	1,973.86	517.40
<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 (\$26.15 million); (b) Bridge works (\$357.62 million); (c) Disposal of C&D materials (\$99.04 million); (d) Underpasses (\$33.09 million); and (e) Others (\$1.50 million). 					

(4) 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 5/WSD/18	Water supply to new housing developments in Sheung Shui and Fanling Water supply to new housing developments in Sheung Shui and Fanling—mainlaying in Sheung Shui and Fanling Areas/ 19 June 2019	1,699.70	662.48	458.50	203.98
<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) Mainlaying by open trench method (\$96.70 million);</p> <p>(b) Mainlaying by trenchless method (\$104.99 million); and</p> <p>(c) Others (\$2.29 million).</p>					

(5) Department: Non-governmental organisation

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)					
8016MD 8110059232	Redevelopment of Kwong Wah Hospital—main works (superstructure and associated works for phase 1) Superstructure and associated works contract for redevelopment of Kwong Wah Hospital (phase 1)/ 9 May 2019	10,049.30	7,742.20	5,688.00	2,054.20
<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) Basement (\$20.63 million); (b) Building works (\$728.19 million); (c) Building services installations (\$1,094.10 million); (d) Drainage and external works (\$19.91 million); and (e) Others (\$191.37 million). 					