

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 707 - NEW TOWNS AND URBAN AREA DEVELOPMENT
Hong Kong Island and Islands Development
Civil Engineering - Land development
444CL - Central reclamation, phase II (Tamar basin reclamation)

Members are invited to recommend to Finance Committee to increase the approved project estimate for **444CL** from \$307 million by \$18.3 million to \$325.3 million in money-of-the-day prices.

PROBLEM

The approved project estimate for **444CL** is not sufficient for the works under the project.

PROPOSAL

2. The Director of Territory Development (DTD), with the support of the Secretary for Planning and Lands, proposes to increase the approved project estimate for **444CL** from \$307 million by \$18.3 million to \$325.3 million in money-of-the-day (MOD) prices.

PROJECT SCOPE AND NATURE

3. The original scope of the project comprised -
- (a) seawall construction and reclamation of about 5.3 hectares of seabed;

/(b)

- (b) construction of access roads, a footbridge and associated street amenities;
- (c) reprovisioning of cooling water pumping station facilities and construction of cooling water mains between Edinburgh Place and Fenwick Pier Street;
- (d) advance provision for cross-harbour watermains diversion along Road D2;
- (e) relocation of the Fenwick Street helipad and associated works;
- (f) reprovisioning works within Prince of Wales Barracks;
- (g) construction of stormwater culverts/drains and sewers;
- (h) upgrading of existing stormwater drains and sewers;
- (i) demolition of existing structures; and
- (j) landscaping works.

Site plans are at Enclosures 1 and 2.

4. We have substantially completed the above works, except items 3(b) and 3(d). For reasons stated in paragraph 7 below, we deleted part of items 3(b) and 3(d) from the project scope of **444CL**. However, the savings from the deletion of works could not offset the increase in total project costs due to the delay in completion of the project.

JUSTIFICATION

5. We started construction works for **444CL** in December 1994 and planned to complete these in December 1996. However, we only substantially completed the works in September 1997. Inclement weather seriously delayed the project and the contractor had to stop working for 97 rainy days¹. Moreover, a

/layer

¹ Rainy days means the days when the contractor has to stop working because of the inclement weather conditions and hence causing delay to the completion of the works. Under the conditions of contract, the contractor is entitled to an equivalent extension of time to the completion date of the contract for every rainy day.

layer of marine deposit at an area near the breakwater was thicker than expected and we had to carry out additional geotechnical works to reduce the settlement of the reclaimed land. We also encountered an uncharted seawall along Harcourt Road and abandoned facilities for the Prince of Wales Barracks that needed to be removed or diverted. These have not been recorded in as-built drawings and were only discovered during the construction of the project. The contractor was entitled to payment for these additional works which had not been included in the contract.

6. The delay in completing the project has led to an increase in the price fluctuation cost, consultants' fees and site staff costs. We also incurred additional costs because of the increase in the quantities of works based on actual measurement on site and prolongation costs incurred through extending the construction period by nine months. The total cost increase is \$59.2 million.

7. On the other hand, we have deleted the proposed footbridge (part of item 3(b)) and watermains works along Road D2 (item 3(d)) from the project scope of **444CL**. In December 1996, we learned that the Mass Transit Railway Corporation (MTRC) had revised the proposed alignment of the North Hong Kong Island Line (NHKL) and the overrun tunnel of the Airport Railway (AR) under Road D2 (both of which were still in planning stage at the time) and these would clash with the foundation of the proposed footbridge and the proposed watermains. Having consulted the Transport Department and reassessed the traffic forecast, we consider a signal-controlled crossing would be sufficient to satisfy the anticipated traffic demand. Moreover, we decide to defer the watermains works as the revised alignment of NHKL and the overrun tunnel of AR under Road D2 are subject to further study. Deletion of these two items will avoid abortive work and facilitate better planning and co-ordination between the planned railway works and proposed Central Reclamation Phase III. The total saving from deletion of works is \$14.9 million.

8. Following a review of the financial position of the project, DTD considers it necessary to increase the approved project estimate of **444CL** from \$307 million by \$18.3 million to \$325.3 million in MOD prices (see paragraph 9 below) in order to meet the increase in cost of the completed works less the savings and contingencies. A breakdown for the proposed increase of \$18.3 million is as follows -

/Factor

Factor	Amount (\$ million)	% of the total increased amount
<u>Additional funding required</u>		
(a) Quantity/volume variation - increase in the quantities of works based on actual measurement	11.7	63.9
(b) Construction of signal- controlled crossing	0.1	0.6
(c) Price variation – price fluctuation payments made under the contract ²	25.9	141.5
(d) Prolongation costs ³	8.2	44.8
(e) Consultants' fees for construction stage	0.9	4.9
(f) Site staff costs	12.4	67.8
Sub-total	59.2	

/Partly

² The increase of \$25.9 million was a result of fluctuations in construction prices during the period from June 1994 to September 1997. The project was approved by FC in July 1994 before the introduction of MOD project estimates.

³ Under the terms of the contract, the Contractor is entitled to claim prolongation cost due to delay to the completion of works caused by variations.

<u>Partly offset by</u>		
(g) Drawdown from contingency	(26.0) ⁴	(142.1)
(h) Deletion of footbridge	(9.9)	(54.1)
(i) Deletion of advance provision for cross-harbour watermains diversion	(5.0)	(27.3)

Sub-total	(40.9)	
Net increase	18.3	(in MOD prices)
		100

A comparison of the cost breakdown of the approved project estimate (in June 1994 prices) and the revised project estimate (in MOD prices), together with reasons leading to the proposed increase in the approved project estimate, are set out at Enclosure 3.

FINANCIAL IMPLICATIONS

9. Subject to approval, we will phase the expenditure as follows –

Year	\$ million (MOD)
Up to 31 March 1999 ⁵	301.4
1999 - 2000	4.8
	/2000 - 2001

⁴ Figure in brackets represent negative values.

⁵ This is actual expenditure up to 31 March 1999.

2000 - 2001	19.1
	<hr/>
	325.3
	<hr/>

10. The proposed increase in the approved project estimate will not give rise to additional recurrent expenditure.

PUBLIC CONSULTATION

11. As there is no major change in the project scope and the works are completed, public consultation is unnecessary.

ENVIRONMENTAL IMPLICATIONS

12. The proposed increase in the approved project estimate will not have any environmental implications. As the works have been completed, there will not be any generation of construction and demolition material.

LAND ACQUISITION

13. The proposed increase in the approved project estimate does not require further land acquisition.

BACKGROUND INFORMATION

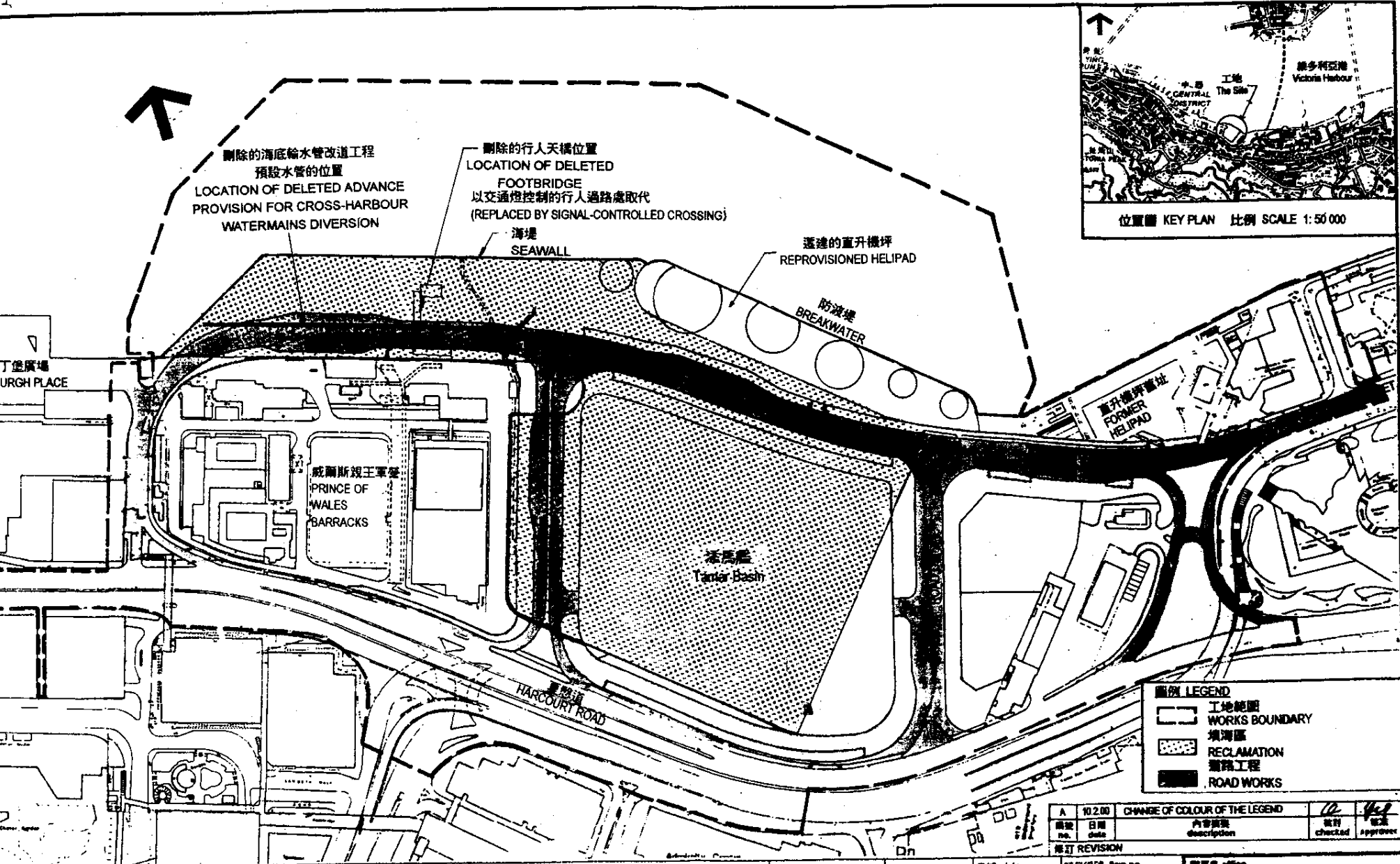
14. In July 1994, Finance Committee approved the upgrading of part of **343CL** "Central and Wan Chai reclamation - engineering works (remainder)" to Category A as **444CL** at an estimated cost of \$307 million.

15. We started the works in December 1994 and completed the works in September 1997. We are now processing the final accounts of the project.

16. As the works have been completed, the proposed increase in the approved project estimate would not create any jobs.

Planning and Lands Bureau
March 2000

(CL444-03.DOC)

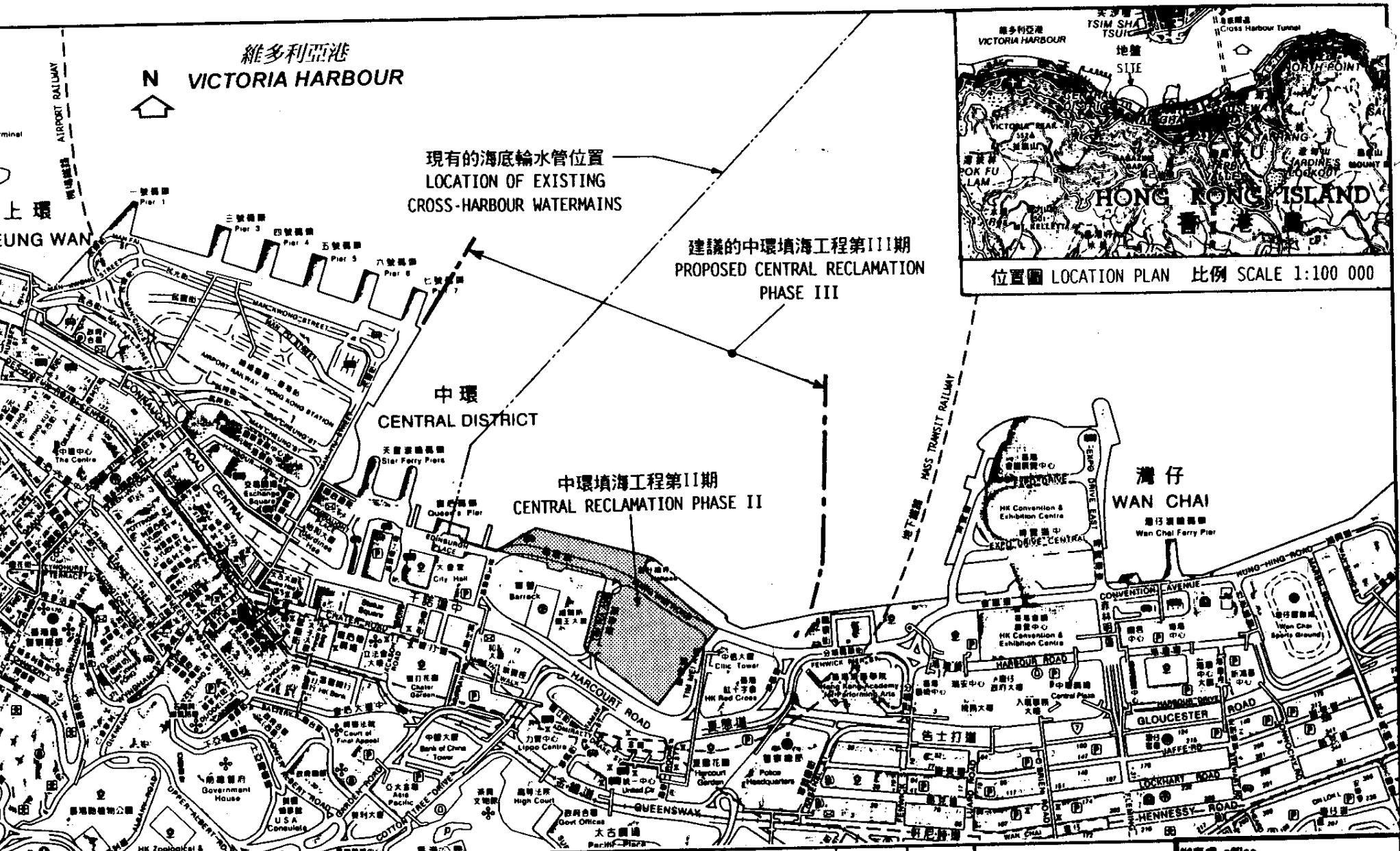


一九九九至二〇〇〇年度工務小組委員會文件
PWSC Submission 1999-2000

中環填海工程第 II 期
(添馬艦填海工程)
CENTRAL RECLAMATION, PHASE II
(TAMAR BASIN RECLAMATION)

圖名 drawing title

繪圖 drawn	簽署 initial	日期 date	項目編號 item no.	辦事處 office
CC Ng	CC	25-11-99	444CL	港島及離島拓展處 HONG KONG ISLAND AND ISLANDS DEVELOPMENT OFFICE
核對 checked	簽署 initial	日期 date	比例 scale	拓展署 TERRITORY DEVELOPMENT DEPARTMENT
Kevin Lee	KL	25-11-99	1:2000	
核准 approved	簽署 initial	日期 date	圖則編號 drawing no.	
H H Yeung	HY	25-11-99	HKI-340A	



一九九九年至二〇〇〇年度工務小組委員會文件
PWSC Submission 1999-2000

中環填海工程第II期
(添馬艦填海工程)
CENTRAL RECLAMATION, PHASE II
(TAMAR BASIN RECLAMATION)

繪圖 drawn	簽署 initial	日期 date
W.L.Lam	lan	00-01-2000
核對 checked	簽署 initial	日期 date
Kevin Lee	ce	00-01-2000
核准 approved	簽署 initial	日期 date
H.H.Yeung	ye	10-1-2000

項目編號 item no.	444CL
比例 scale	1:10 000
圖則編號 drawing no.	HKI-343

辦事處 office
港島及離島拓展處
HONG KONG ISLAND AND ISLANDS
DEVELOPMENT OFFICE



Enclosure 2 附件 2

Enclosure 3 to PWSC(1999-2000)110

444CL - Central reclamation, phase II (Tamar basin reclamation)

A comparison of the approved project estimate (in June 1994 prices) and the revised project estimate (in MOD prices) is as follows -

	Approved Estimate	Revised Estimate
	\$ million	
(a) Project works which include -	251.0	278.8
(i) seawall construction and reclamation	81.0	83.4
(ii) roads, highway structures and drainage	107.0	125.0
(iii) reprovisioning works (excluding the advance provision for the cross-harbour watermains diversion)	43.0	48.1
(iv) demolition of existing structures	13.0	14.5
(v) landscaping works	7.0	7.8
(b) Advance provision for the cross-harbour watermains diversion	5.0	0
(c) Prolongation costs	0	8.2
(d) Consultants' fees for construction stage	3.0	3.9
(e) Site staff costs	22.0	34.4

(f) Contingencies	26.0	0
	<hr/>	<hr/>
Sub-total	307.0 (in June 1994 prices)	325.3 (in MOD prices)
	<hr/>	<hr/>

2. **As regards (a) (project works)**, the total net increase of \$27.8 million includes -

- (a) an increase of \$11.7 million due to the increase in the quantities of works completed after conducting actual measurement on site (except the signal controlled crossing);
- (b) an increase of \$0.1 million due to the construction of the signal-controlled crossing;
- (c) an increase of \$25.9 million due to fluctuations in construction prices during the period June 1994 to September 1997; and
- (d) a decrease of \$9.9 million due to the deletion of a footbridge across Road D2.

3. **As regards (b) (advance provision for the cross-harbour watermains diversion)**, the net reduction of \$5.0 million is due to the deletion of the proposed works.

4. **As regards (c) (prolongation cost)**, the total increase of \$8.2 million is to cover the prolongation costs incurred by the contractor through extending the construction period by nine months. The contractor needed more time to carry out the works due to unforeseen underground conditions and inclement weather.

5. **As regards (d) (consultants' fees for construction stage)**, the total increase of \$0.9 million is in line with the increased cost of works.

6. **As regards (e) (site staff cost)**, the total increase of \$12.4 million includes -

- (a) \$7.0 million for additional site staff cost during the nine-month extended construction period; and
- (b) \$5.4 million due to the adjustments to site staff salary between June 1994 and September 1997.

7. **As regards (f) (contingencies)**, we have not retained any sum as contingencies for the project.