

## 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 2007)**

The Director of Audit published on 21 April 2004 a report<sup>1</sup> on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the 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 contract sum.

2. The Administration has agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated contract sums when these “equal/exceed \$15 million or 10% of the original estimated provision in the APE, whichever is the greater”<sup>2</sup>. We submitted the first report covering up to 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 2007, there were five capital works contracts which satisfy the stipulated criteria. The relevant details of these contracts are set out at **Annex**.

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Development Bureau  
18 September 2007

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<sup>1</sup> Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> 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

**Report on Significant Deviations between Accepted Tender Prices  
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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)					
3246RS	Improvement to Hong Kong Stadium	55.400	47.791		
3248RS	Improvement to Kowloon Park Swimming Pool	155.000	148.893		
AL R321	Improvement to Kowloon Park Swimming Pool and Hong Kong Stadium / 6 June 2007	210.400	196.684	169.680	27.004
<p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -</p> <p>(a) Building works (\$19.699 million); and</p> <p>(b) Building services (\$7.305 million).</p>					

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\$ million (in MOD prices)					
3401RO	District open space in Shek Yam Estate – phases 1 and 4, Kwai Chung	46.100	37.500		
3403RO	Local open space in Area 28, Fanling/Sheung Shui	36.600	30.500		
3404RO	Local open space in Area 50, Sham Tseng, Tsuen Wan	21.100	16.900		
SS R325	Construction of district open space in Shek Yam Estate – phases 1 & 4, Kwai Chung, local open space in Area 28, Fanling/Sheung Shui and local open space in Area 50, Sham Tseng, Tsuen Wan / 14 June 2007	103.800	84.900	100.260	(15.360)
<p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to higher rates likely to be caused by under-estimation in the following -</p> <p>(a) Raw material cost (\$6.740 million); and</p> <p>(b) Proprietary product cost (\$8.620 million).</p>					

**Report on Significant Deviations between Accepted Tender Prices  
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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)					
4126CD	Drainage improvement in East Kowloon – package B phase 2	190.900	148.700		
4134CD	Drainage improvement in East Kowloon – package A	251.500	10.980		
DC/2007/05	Drainage improvement in East Kowloon – package C and remaining works / 27 April 2007	442.400	159.680	129.700	29.980
<p>Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -</p> <p>(a) Drainage works (\$19.100 million);</p> <p>(b) Contract preliminaries (\$5.600 million); and</p> <p>(c) Other works (\$5.280 million).</p>					

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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)					
9182WC  24/WSD/06	<b>Replacement and rehabilitation of water mains, stage 2</b>  Replacement and rehabilitation of water mains, stage 2 – mains in Sai Kung / 17 April 2007	3,156.600	71.000	55.294	15.706
Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -  (a) Contract preliminaries (\$5.222 million); and  (b) Mainlaying works (\$10.484 million).					

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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)					
9182WC  19/WSD/06	<b>Replacement and rehabilitation of water mains, stage 2</b>  Replacement and rehabilitation of water mains, stage 2 – mains in Tsuen Wan / 2 May 2007	3,156.600	62.000	45.125	16.875
Difference between the accepted tender price and original estimate (shown in brackets) is attributed to lower rates likely to be caused by keen competition under prevailing market conditions for -  (a) Contract preliminaries (\$0.451 million); and  (b) Mainlaying works (\$16.424 million).					