

Supplementary Information on Redevelopment of the Hong Kong Sports Institute

Issue

At the Home Affairs Panel meeting on 9 May 2008, the Administration was requested to provide supplementary information on the contingencies, construction unit cost as well as the tender price escalation between 2006 and 2007.

The Administration's Response

A. Contingencies

2. As a normal practice for capital works projects, a contingency provision of about 10% is generally included in the project cost estimate. In the light of the outcome of the recently completed site investigation and building condition surveys for the Hong Kong Sports Institute Redevelopment Project (the Project), the consultants appointed by the Hong Kong Sports Institute (HKSIL Consultants) have reviewed the degree of uncertainty of the Project and suggested setting the contingencies at \$130.2 million (i.e. about 9% of the capital cost of the Project). Director of Architectural Services considers that this contingency level is reasonable.

3. The contingency is provided to cater for the possible changes and construction risk factors that are specific to the Project. The key factors include:

- (i) unlike many other building projects, the construction and refurbishment works of the Project will be carried out in-situ at the existing Hong Kong Sports Institute (HKSI) site. Inevitably, the overlapping phasing arrangements for the demolition, decanting and refurbishment of existing facilities and the new works would pose a higher risk factor to the Project;
- (ii) the contingency will cater for the possible changes related to

the piling works, although site investigation has already been carried out. The presence of marble cavities was revealed by the site investigation which might require additional/longer piles for the support of the new buildings. In addition, the real ground situation will not be completely known until the piling work is actually carried out;

- (iii) the contingency will also cater for the possible changes related to the refurbishment works, although building condition surveys have been carried out. Some elements of the premises of HKSI were inaccessible, such as the high structural slab covered by false ceiling and high ceiling, during the process of the condition surveys. Therefore, the actual refurbishment works might prove to be on a different scale than that envisaged from the findings of the condition survey; and
- (iv) the Project will be implemented under a compressed programme as it is desirable to release as soon as possible YMCA's Wu Kwai Sha Youth Village and Leisure and Cultural Services Department facilities currently being used by the HKSI.

In view of (i) to (iv) above, there may be additional costs to the Project due to extension of time and payment for prolongation cost.

B. Construction Unit Cost

4. The estimated construction unit cost of the various major facilities of the Project, represented by the building and building services costs, and of the corresponding reference projects recently approved are as follows:

Major Facilities	Construction Unit Cost		Remarks
	HKSI Project	Reference Project	
New Works			
Multi-purpose building	\$10,179/m ²	\$10,945/m ² (CUHK 1500-place Student Hostel)	-

New swimming pool	\$16,054/m ²	\$16,306/m ² (Swimming pool at Sun Yat Sen Memorial Park)	-
Multi-purpose sports hall	\$14,954/m ²	\$18,057/m ² (Sports Centre in Area 28A, Fanling)	Higher referenced unit cost due to extra provision of <ul style="list-style-type: none"> - spectator stand - spacious main lobby with high glass wall - rock climbing wall - indoor running track
Rowing boathouse	\$8,652/m ²	-	-
Refurbishment Works			
Main sports hall and hostel wing	\$10,267/m ²	\$8,234/m ² (Improvement Works to 9 Sports Venues for East Asian Games)	Higher project unit cost due to the need for a complete replacement of existing building services installations which are in poor condition
Existing swimming pool	\$14,043/m ²	\$12,806/m ² (Improvement Works to Kowloon Park Swimming Pool)	Same reason as above

C. Tender Price Escalation between 2006 and 2007

5. The HKSIL Consultants, taking the September 2007 prices as the basis on which to prepare the estimated cost of the Project, advised that the net increase of the main works cost from September 2006 prices to September 2007 prices is about \$245.8 million (or about 18.7%). The key factors contributing to the tender price escalation include the

following:

- (i) Contractor mark-up (profit and head office overhead) of the tender price and labour cost – the booming construction market in nearby regions, like Macau and the Mainland, have led to an across-the-board increase in contractor mark-up of the tender price as well as labour cost in the construction industry in Hong Kong; and
- (ii) Material cost – globally, resource and material costs have been rising sharply in recent years. Most of the construction materials in Hong Kong are purchased from the Mainland and paid for in Renminbi, the costs of which have increased sharply in the relevant period.

6. Separately, the Tender Price Index (TPI) is a quarterly index compiled by the Architectural Services Department primarily as an aid to adjust building cost data for estimating purposes. It is prepared also to provide an indication of the level of tender prices for new building works undertaken by the Government. The TPI is calculated from data in the bills of quantities for new projects for which the contractors' tenders have been accepted by the Government. The way it is computed is similar to that used by the Royal Institution of Chartered Surveyors' Building Cost Information Service in the United Kingdom. The value in the first quarter of 1970 is taken to be the base index value of 100, and subsequent values are expressed in index form based on the first quarter 1970 value. Compared with the 18.7% increase of the estimated project cost, the TPI increase from September 2006 (TPI = 751) to September 2007 (TPI = 906) is 20.6%.

Home Affairs Bureau
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