

## 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 2009)

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 March 2009, there were ten capital works contracts which satisfy the stipulated criteria. The relevant details of the contract are set out at **Annex**.

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Development Bureau  
18 August 2009

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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  
and Estimated Provisions in the Approved Project Estimates  
(for Capital Works Contracts Awarded in the First Quarter of 2009)**

Department: Architectural Services Department

| Project Code<br><br>Contract No.  | Project Title<br><br>Contract Title/<br>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)  |   |                                 |   |                           |                      |
| 3048RG<br><br>SS T316   | <b>Tin Shui Wai public library cum indoor recreation centre</b><br><br>Construction of Tin Shui Wai public library cum indoor recreation centre/<br>17 March 2009 | 625.400                         | 445.500                                 | 508.000                   | (62.500)             |
| Difference between the accepted tender price and original estimate (shown in brackets) is attributed to the increase in prices of major construction materials and the volatile market conditions in the period from the date of funding application approval in July 2007 to tender return date in December 2008 -<br><br>(a) Building works (\$53.460 million);<br><br>(b) Building services works (\$6.790 million); and<br><br>(c) External works & drainage works (\$2.250 million). |   |                                 |   |                           |                      |

**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 2009)**

Department: Civil Engineering and Development Department

| Project Code<br><br>Contract No.   | Project Title<br><br>Contract Title/<br>Award Date  | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) – (B) Difference |
|--|---|---------------------------------|---|---------------------------|----------------------|
| <b>\$ million (in MOD prices)</b>  |   |                                 |   |                           |                      |
| 7717CL<br><br>TK/2008/01   | <p><b>Tseung Kwan O further development – site formation and infrastructure works at Pak Shing Kok</b></p> <p>Tseung Kwan O further development – site formation and infrastructure works at Pak Shing Kok/<br/>20 March 2009</p> | 250.000                         | 189.359                                 | 148.258                   | 41.101               |
| <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 for works in the concerned areas for -</p> <p>(a) Contract preliminaries (\$12.600 million);</p> <p>(b) Earthworks (\$12.230 million);</p> <p>(c) Drainage and sewerage (\$5.660 million); and</p> <p>(d) Roadworks (\$10.611 million).</p>                           |   |                                 |   |                           |                      |
| 7811TH<br><br>CV/2008/03   | <p><b>Ping Ha Road improvement – remaining works (Ha Tsuen section)</b></p> <p>Ping Ha Road improvement works (Ha Tsuen section) – remaining section/<br/>24 March 2009</p>   | 137.000                         | 118.600                                 | 99.930                    | 18.670               |
| <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 for works in the concerned area for -</p> <p>(a) Vehicular bridge widening (\$5.200 million);</p> <p>(b) Noise barrier (\$11.300 million);</p> <p>(c) Retaining walls and dwarf walls (\$0.200 million); and</p> <p>(d) Contract preliminaries (\$1.970 million).</p> |   |                                 |   |                           |                      |

**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 2009)**

Department: Highways Department

| Project Code<br><br>Contract No.   | Project Title<br><br>Contract Title/<br>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)   |   |                                 |   |                           |                      |
| 6746TH<br><br>HY/2007/10   | <b>Reconstruction and improvement of Tuen Mun Road</b><br><br>Reconstruction and improvement of Tuen Mun Road – Tai Lam section / 5 February 2009 | 4,620.500                       | 1,063.100                               | 1,328.000                 | (264.900)            |
| <p>The construction sites comprise the widening of vehicular viaducts including the elevated structures at Tai Lam Bridge and Brother's Bridge of Tuen Mun Road (TMR) from Tsing Lung Tau to Tai Lam and slope works along the live TMR corridor. The contractor will be required to form lengthy and detoured construction accesses to the work site to minimise inconvenience and nuisance to public associated with direct site access from the existing road network. Extensive and complicated temporary arrangements will be required to maintain existing traffic at the high speed road sections together with stringent measures such as temporary safety fence and rock fall fence for the slope protection and stabilisation works to the existing slopes as required near the works sites. For works sites with close proximity to residences, stringent environmental mitigation measures are required to mitigate the construction impacts. Difference between the accepted tender price and original estimate (shown in brackets) is attributed to greater allowances for the construction difficulties and associated risks mentioned above -</p> <p>(a) Road and drains (\$33.300 million);<br/>           (b) Earthworks (\$13.800 million);<br/>           (c) Highway structures (\$20.000 million);<br/>           (d) Slope works (\$34.600 million);<br/>           (e) Noise barriers (\$128.900 million); and<br/>           (f) Contract preliminaries (\$34.300 million).</p> |   |                                 |   |                           |                      |

**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 2009)**

Department: Water Supplies Department

| Project Code<br><br>Contract No.   | Project Title<br><br>Contract Title/<br>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)   |   |                                 |   |                           |                      |
| 9186WC<br><br>14/WSD/08  | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Tuen Mun and Yuen Long/<br>29 January 2009       | 5,500.000                       | 380.000                                 | 275.000                   | 105.000              |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the lower rates likely to be caused by tenderer's optimisation of resources and well-established mainlaying skill from recently completed similar contracts in the areas concerned for -<br><br>(a) Contract preliminaries (\$10.000 million); and<br><br>(b) Mainlaying works (\$95.000 million).                   |   |                                 |   |                           |                      |
| 9186WC<br><br>10/WSD/08  | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Central and Western District/<br>5 February 2009 | 5,500.000                       | 401.000                                 | 473.857                   | (72.857)             |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the higher rates likely to be caused by contractor's concern on the growing expectations from local community, interfacing problem with neighbouring projects, as well as site constraints in urban area -<br><br>(a) Contract preliminaries (\$22.474 million); and<br><br>(b) Mainlaying works (\$50.383 million). |   |                                 |   |                           |                      |

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Department: Water Supplies Department

| Project Code<br><br>Contract No.  | Project Title<br><br>Contract Title/<br>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)  |   |                                 |   |                           |                      |
| 9186WC<br><br>15/WSD/08   | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Tai Po and Sha Tin/<br>26 February 2009                      | 5,500.000                       | 362.000                                 | 317.000                   | 45.000               |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the lower rates likely to be caused by tenderer's optimisation of resources and well-established mainlaying skill from recently completed similar contracts in the areas concerned for -<br><br>(a) Contract preliminaries (\$7.000 million); and<br><br>(b) Mainlaying works (\$38.000 million). |   |                                 |   |                           |                      |
| 9186WC<br><br>18/WSD/08   | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Hong Kong Island South and Outlying Islands/<br>9 March 2009 | 5,500.000                       | 309.000                                 | 359.800                   | (50.800)             |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the higher rates likely to be caused by extra cost due to the transportation of pipe materials to the remote and scattered works sites on outlying islands -<br><br>(a) Contract preliminaries (\$18.865 million); and<br><br>(b) Mainlaying works (\$31.935 million).                            |   |                                 |   |                           |                      |

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|--|--|---------------------------------|---|---------------------------|----------------------|
| \$ million (in MOD prices)   |  |                                 |   |                           |                      |
| 9186WC<br><br>19/WSD/08  | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Wan Chai District/<br>18 March 2009     | 5,500.000                       | 304.000                                 | 347.989                   | (43.989)             |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the higher rates likely to be caused by contractor's concern on the growing expectations from local community, interfacing problem with neighbouring projects, as well as site constraints in urban area -<br><br>(a) Contract preliminaries (\$25.994 million); and<br><br>(b) Mainlaying works (\$17.995 million). |  |                                 |   |                           |                      |
| 9186WC<br><br>20/WSD/08  | <b>Replacement and rehabilitation of water mains, stage 3</b><br><br>Replacement and rehabilitation of water mains, stage 3 – mains in Hong Kong Island East/<br>23 March 2009 | 5,500.000                       | 305.000                                 | 362.250                   | (57.250)             |
| Difference between the accepted tender price and the original estimate (shown in brackets) is attributed to the higher rates likely to be caused by contractor's concern on the growing expectations from local community, interfacing problem with neighbouring projects, as well as site constraints in urban area -<br><br>(a) Contract preliminaries (\$36.093 million); and<br><br>(b) Mainlaying works (\$21.157 million). |  |                                 |   |                           |                      |

**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 2009)**

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 2009, there were six capital works contracts which satisfy the stipulated criteria. The relevant details of the contract are set out at **Annex**.

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Development Bureau  
20 August 2009

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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



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Department: Architectural Services Department

| Project Code<br><br>Contract No.  | Project Title<br><br>Contract Title/<br>Award Date  | Approved Project Estimate (APE) | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) – (B) Difference |
|---|---|---------------------------------|---|---------------------------|----------------------|
| <b>\$ million (in MOD prices)</b>   |   |                                 |   |                           |                      |
| 3055RE<br><br>AL T315   | <p><b>A permanent planning and infrastructure exhibition gallery at City Hall Annex</b></p> <p>Provision of a permanent planning and infrastructure exhibition gallery at the existing City Hall Annex, Edinburgh Place / 15 April 2009</p> | 253.700                         | 201.300                                 | 164.800                   | 36.500               |
| <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 for building works -</p> <p>(a) Building works (\$27.500 million); and<br/>(b) Building services works (\$9.000 million).</p>  |   |                                 |   |                           |                      |
| 3264RS<br><br>SS T325   | <p><b>Swimming pool complex in Area 1 (San Wai Court), Tuen Mun</b></p> <p>Construction of swimming pool complex in Area 1 (San Wai Court), Tuen Mun / 21 May 2009</p>  | 791.400                         | 737.300                                 | 517.000                   | 220.300              |
| <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 for building works -</p> <p>(a) Contract preliminaries (\$36.200 million);<br/>(b) Piling works (\$2.550 million);<br/>(c) Building works (\$125.280 million);<br/>(d) Mechanical and electrical works (\$44.190 million); and<br/>(e) External works and drainage works (\$12.080 million).</p> |   |                                 |   |                           |                      |

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| Project Code | Project Title  | Approved Project Estimate (APE)   | (A) Sum Allowed in APE for the Contract | (B) Accepted Tender Price | (A) – (B) Difference |
|--------------|--|---|---|---------------------------|----------------------|
|              |  | \$ million (in MOD prices)  |   |                           |                      |
| 8066MM       | <b>Provision of a general out-patient clinic, an integrated community mental health support services centre and a long stay care home in Tin Shui Wai Area 109</b>                             | 430.200   | 404.200                                 | 319.695                   | 84.505               |
| SS S330      | Design and construction of a general out-patient clinic and an integrated community mental health support services centre and a long stay care home in Tin Shui Wai Area 109 /<br>12 June 2009 | <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 for building works -</p> <p>(a) Piling (\$50.884 million);</p> <p>(b) Building services (\$25.135 million);</p> <p>(c) External works (\$6.070 million); and</p> <p>(d) Other works (\$2.416 million).</p> |   |                           |                      |

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Department: Civil Engineering and Development Department

| Project Code<br><br>Contract No.   | Project Title<br><br>Contract Title/<br>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)   |   |                                 |   |                           |                      |
| 7718CL<br><br>ST/2008/02   | <p><b>Ma On Shan development – roads, drainage and sewerage works at Whitehead and Lok Wo Sha phase 1</b></p> <p>Ma On Shan development – roads, drainage and sewerage works at Whitehead and Lok Wo Sha phase 1/<br/>8 June 2009</p> | 219.700                         | 197.800                                 | 114.430                   | 83.370               |
| <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) Contract preliminaries (\$9.920 million);</p> <p>(b) Site formation (\$18.700 million);</p> <p>(c) Drainage and sewerage (\$41.500 million);</p> <p>(d) Sewage pumping station (\$2.500 million)</p> <p>(e) Roadworks (\$4.000 million);</p> <p>(f) Landscape works (\$2.300 million); and</p> <p>(g) Waterworks (\$4.450 million).</p> |   |                                 |   |                           |                      |

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Department: Highways Department

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|--|--|---------------------------------|---|---------------------------|----------------------|
| \$ million (in MOD prices)   |  |                                 |   |                           |                      |
| 6746TH<br><br>HY/2008/11   | <b>Reconstruction and improvement of Tuen Mun Road</b><br><br>Reconstruction and improvement of Tuen Mun Road – Sam Shing Hui section / 22 June 2009 | 6,804.300                       | 1,690.200                               | 1,366.000                 | 324.200              |
| 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 -<br><br>(a) Roadworks (\$156.000 million);<br>(b) Highway structures (\$92.000 million)<br>(c) Civil works and fire fighting system (\$44.000 million);<br>(d) Noise enclosures (\$21.000 million); and<br>(e) Other works (\$11.200 million). |  |                                 |   |                           |                      |

**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 2009)**

**Department:** Water Supplies Department

| Project Code<br><br>Contract No.  | Project Title<br><br>Contract Title/<br>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)  |   |                                 |   |                           |                      |
| 9186WC<br><br>11/WSD/08   | <p><b>Replacement and rehabilitation of water mains, stage 3</b></p> <p>Replacement and rehabilitation of water mains, stage 3 – mains in Hong Kong Zoological and Botanical Gardens and Mid-Areas District / 21 April 2009</p> | 5,500.000                       | 161.600                                 | 130.407                   | 31.193               |
| <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) Equipment establishment (\$27.712 million); and</p> <p>(b) Mainlaying works (\$3.481 million).</p> |   |                                 |   |                           |                      |