

**For Discussion
on 23 September 2009**

Legislative Council Panel on Transport

**Contracts for Management, Operation and Maintenance of
Government Tunnels**

Purpose

This paper briefs members on the tendering arrangements for procurement of the management, operation and maintenance (MOM) services for Government tunnels.

**Existing Management, Operation and Maintenance Arrangement for
Government Tunnels**

2. The Transport Department (TD) has engaged private sector contractors to provide day-to-day MOM services for six Government tunnels, namely Aberdeen Tunnel (ABT), Cross-Harbour Tunnel (CHT), Kai Tak Tunnel (KTT), Lion Rock Tunnel (LRT), Shing Mun Tunnels (SMT) and Tseung Kwan O Tunnel (TKOT). Under this arrangement, the MOM contractors are required to manage, operate and maintain the tunnels for their safe and efficient operation in accordance with the terms and conditions in the contracts which specify, among others, the service and maintenance standards as well as staff requirements. TD, in conjunction with the concerned works departments, monitors the contractors' performance to ensure that their contractual obligations are fully met. The existing MOM contractors as well as the contract periods are at the Annex.

Tendering Arrangements for MOM Services for Government Tunnels

3. Procurement of goods and services by Government departments is guided by the twin policy objectives of achieving best value for money and maintaining open and fair competition.

4. A three-stage assessment in tender evaluation has been adopted for the MOM contracts of Government tunnels. A tenderer has to meet all the mandatory requirements (such as service standards, manning level requirement, staff experience and qualification requirements) in order to pass Stage 1 of the evaluation. Otherwise, the tender submission will not be considered further. Tenders which have passed Stage 1 are then evaluated as follows:

- (a) in Stage 2 of the evaluation, the quality proposals (such as bidder's experience in managing and operating tunnels, experience of bidder's proposed key personnel and proposed procedures for operation and management of the tunnel etc.) of conforming tenders are assessed. To ensure that bidders will not compromise service quality by submitting a low financial bid, a tender would be disqualified in the event that it fails to obtain a minimum passing score set for the quality assessment; and
- (b) in Stage 3 of the evaluation, the fee proposals of bidders which have passed the minimum score set for quality proposals are assessed.

Weightings of 30%-40% and 60%-70%, which are the normal weightings for quality and price assessments respectively as stipulated in the Stores and Procurement Regulations, have been adopted in the MOM contracts for Government tunnels. This arrangement ensures that only bidders providing suitable level of services will be selected, and that tender evaluation will not be solely based on bidders' fee proposals.

Arrangements on Employment of Staff in the Last CHT MOM Contract Tender

5. The current MOM contract of the CHT was awarded after an open tender conducted in 2006. Tenderers were required under the tender to comply in all respects with the Employment Ordinance (Cap. 57), the Employees' Compensation Ordinance (Cap. 282), the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and other relevant legislative provisions in the employment of its staff for performance of the MOM services. In addition, to enhance staff morale and ensure smooth transition on contract expiry, the successful tenderer was required to make a first offer of employment to the

frontline staff of the then existing contractor whose work was directly related to the operation, management and maintenance of the tunnel (the “existing frontline staff”). The employment terms and conditions for the existing frontline staff for the first contract year were required to be commensurate with those prevailing in the tunnel industry in Hong Kong.

Tender of Next MOM Contract for CHT

6. The current MOM contract for CHT will expire on 31 October 2010. TD is making preparations for a new round of tendering exercise for the contract in the second quarter of 2010.

7. TD met with a staff union of CHT in June 2009 and listened to its members’ views about the tendering exercise. The union raised concerns on staff members’ job security and remuneration upon changing over to a new contract. TD will take into account the relevant terms adopted in recent tendering of tunnel MOM services in drawing up the tender terms of the new CHT MOM contract, including the following :

- (a) more safeguard of existing frontline staff’s remuneration for the first year under the new MOM contract in addition to the requirements mentioned in paragraph 5;
- (b) employment benefits (including overtime allowance, annual leave and medical benefits); and
- (c) a longer MOM contract term.

8. TD is working closely with relevant Government departments in drawing up the terms and conditions for the tender documents. We will take into account all relevant factors, including the operational needs and requirements of CHT and the interests of incumbent staff of CHT, before finalizing the tender document. We will continue to ensure that CHT is safely and efficiently managed, operated and maintained.

9. Members are invited to note the content of this paper.

Transport and Housing Bureau
Transport Department
September 2009

Current MOM Contracts for Government Tunnels

Government Tunnels	Contractor	Contract Period
Aberdeen Tunnel	Serco Group (HK) Limited	29.9.2008 – 28.9.2014
Cross-Harbour Tunnel	Hong Kong Transport, Logistics and Management Company Limited	1.9.2006 – 31.10.2010
Kai Tak Tunnel Lion Rock Tunnel	Serco Group (HK) Limited	26.5.2006 – 31.3.2012
Shing Mun Tunnels Tseung Kwan O Tunnel	Greater Lucky (HK) Company Limited	1.6.2006 – 31.5.2012