

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 Third Quarter of 2009)

On 21 April 2004, the Director of Audit published a report¹ on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the Director of 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. In response to the PAC recommendation, 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”². 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 September 2009, ten capital works contracts meet the stipulated reporting criterion. Relevant details of the contract are set out at **Annex**.

Development Bureau
28 December 2009

¹ See Director of Audit’s Report No. 42, Chapter 3

² See 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 Third Quarter of 2009)**

(1) Department: Architectural Services Department

Project Code	Project Title	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
Contract No.	Contract Title/ Award Date	\$ million (in MOD prices)			
3057RE	Conversion of Yau Ma Tei Theatre and Red Brick Building into a Xiqu Activity Centre	186.700			
AL T331	Conversion of Yau Ma Tei Theatre and Red Brick Building into a Xiqu Activity Centre / 6 July 2009		167.000	112.665	54.355
		Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are - (a) Basement works (\$28.072 million); (b) Demolition works (\$4.071 million); and (c) Conversion works (\$22.192 million).			
3013NB	Re-provisioning of Wo Hop Shek Crematorium	686.300			
SS T326	Re-provisioning of Wo Hop Shek Crematorium at Kiu Tau Road, Wo Hop Shek, Fanling, New Territories / 16 July 2009		617.900	530.000	87.900
		Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are - (a) Cremators (\$45.000 million); (b) Building works (\$15.600 million); (c) External works (\$20.100 million); and (d) Building services works (\$7.200 million).			

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)					
3299EP	A 24-classroom primary school in Area 55, Tuen Mun	163.500			
3300EP	A 30-classroom primary school in Area 55, Tuen Mun	219.800			
SS T318	Construction of two primary schools in So Kwun Wat, Area 55, Tuen Mun / 4 August 2009		364.370	288.000	76.370
<p>Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p>(a) Site formation and retaining wall works (\$12.550 million);</p> <p>(b) Piled foundations (\$15.920 million); and</p> <p>(c) Superstructure works (\$47.900 million).</p>					

(2) Department: Civil Engineering and Development 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)					
7739CL KL/2008/09	<p data-bbox="326 611 788 712">Kai Tak development – stage 1 infrastructure works at north apron area of Kai Tak airport</p> <p data-bbox="396 745 796 1014">Kai Tak development – stage 1 infrastructure works at north apron area of Kai Tak Airport for public housing and government office developments / 22 July 2009</p>	566.500	490.500	354.000	136.500
<p data-bbox="820 757 1423 1025">Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p data-bbox="820 1081 1423 1507">(a) Contract preliminaries (\$3.500 million); (b) Roadworks and associated landscaping works (\$54.700 million); (c) Footbridges (\$9.100 million); (d) Drainages, sewerage and water mains (\$44.800 million); (e) Box culverts (\$18.100 million); and (f) Subway improvement works (\$6.300 million).</p>					

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)					
5046CG CV/2009/06	Greening master plans for Kowloon West, Kowloon East and Hong Kong Island – works for remaining urban areas Greening Works in Kwun Tong/ 10 September 2009	466.000	95.900	77.280	18.620
<p>Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p>(a) Greening works (\$12.940 million); and</p> <p>(b) Contract preliminaries (\$5.680 million).</p>					
7715CL TK/2009/01	Tseung Kwan O further development – infrastructure works at Town Centre South and Tiu Keng Leng, Tseung Kwan O Infrastructure works at Town Centre South and Tiu Keng Leng, Tseung Kwan O / 18 September 2009	546.700	493.700	334.953	158.747
<p>Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p>(a) Contract preliminaries (\$37.623 million);</p> <p>(b) Earthworks (\$38.229 million);</p> <p>(c) Drainage and sewerage (\$20.115 million);</p> <p>(d) Roadworks (\$36.615 million);</p> <p>(e) Landscaping works (\$1.280 million);</p> <p>(f) Marine works (\$18.334 million); and</p> <p>(g) Waterworks (\$6.551 million).</p>					

(3) 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)					
4370DS DC/2009/02	Village sewerage at Wang Chau of Yuen Long Village sewerage at Wang Chau of Yuen Long/ 27 July 2009	219.200		114.950	55.750
<p>Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p>(a) Contract preliminaries (\$11.500 million);</p> <p>(b) Sewerage and associated works (\$40.680 million); and</p> <p>(c) Other works (\$3.570 million).</p>					

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)					
4369DS DC/2008/09	<p data-bbox="337 638 807 840">Harbour Area Treatment Scheme, stage 2A – construction of the sewage conveyance system and advance works for upgrading of Stonecutters Island sewage treatment works</p> <p data-bbox="337 884 807 1052">Harbour Area Treatment Scheme stage 2A – construction of sewage conveyance system from Ap Lei Chau to Aberdeen/ 4 August 2009</p>	9,286.500			
			280.000	236.500	43.500
<p data-bbox="831 795 1434 1075">Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are-</p> <ul style="list-style-type: none"> <li data-bbox="831 1120 1395 1164">(a) Drilling of pilot holes (\$29.100 million); <li data-bbox="831 1198 1340 1243">(b) Tunnelling works (\$10.100 million); <li data-bbox="831 1276 1419 1321">(c) Pipe laying in tunnel (\$3.000 million); and <li data-bbox="831 1355 1262 1400">(d) Other works (\$1.300 million). 					

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\$ million (in MOD prices)					
4369DS DC/2009/05	<p data-bbox="326 640 801 846">Harbour Area Treatment Scheme, stage 2A – construction of the sewage conveyance system and advance works for upgrading of Stonecutters Island sewage treatment works</p> <p data-bbox="404 887 801 1126">Harbour Area Treatment Scheme stage 2A – construction of interconnection tunnel and diaphragm wall for main pumping station at Stonecutters Island sewage treatment works/ 3 September 2009</p>	9,286.500	610.000	533.814	76.186
<p data-bbox="820 797 1430 1077">Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p data-bbox="835 1126 1404 1160">(a) Contract preliminaries (\$16.180 million);</p> <p data-bbox="835 1205 1397 1238">(b) Tunnelling works (\$42.650 million); and</p> <p data-bbox="835 1283 1279 1317">(c) Piling works (\$17.356 million).</p>					

(4) Department: Water Supplies Department

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)			
9186WC 8/WSD/08	<p>Replacement and rehabilitation of water mains, stage 3</p> <p>Replacement and rehabilitation of water mains, stage 3 – mains in East Kowloon (package B) / 23 September 2009</p>	5,500.000		204.500	45.500
		<p>Difference between the accepted tender price and the original estimate (shown in brackets below) is attributed to lower rates apparently caused by keen competition under prevailing market conditions, especially in view of the sharp fall in some material prices since the third quarter in 2008. Items with significant savings are -</p> <p>(a) Water main replacement (\$6.553 million);</p> <p>(b) Water main structural rehabilitation (\$28.753 million);</p> <p>(c) Water main non-structural rehabilitation (\$3.051 million); and</p> <p>(d) Water main rehabilitation associated Works (\$7.143 million).</p>			