

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 2010)**

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 provision in the APE.

2. In response to the recommendation of PAC, the Administration had agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated provision in the APE when these “equal/exceed \$15 million or 10% of the original estimated provisions in the APE, whichever is the greater”². We submitted the first report covering projects up to end 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 2010, five capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
December 2010

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

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(1) 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)					
3176SC SS W325	Joint-user complex at Bailey Street, To Kwa Wan Reclamation Construction of a joint-user complex at Bailey Street, To Kwa Wan Reclamation / 13 July 2010	476.400	452.800	393.900	58.900
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$17.700 million); (b) Piling works (\$17.500 million); (c) Building works (\$19.800 million); and (d) Building services works (\$3.900 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)					
7435RO IS/2010/01	Improvement works at Tai O, phase 1 Construction of riverwall at Yat Chung, Tai O and ancillary improvement works/ 6 August 2010	151.000	122.028	99.333	22.695
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Riverwall and landscaping works on the area formed behind (\$17.926 million);</p> <p>(b) Stormwater pumping station works (\$3.031 million); and</p> <p>(c) Contract preliminaries (\$1.738 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)					
4162CD DC/2010/03	Reconstruction and rehabilitation of Kai Tak Nullah from Po Kong Village Road to Tung Kwong Road – stage 1 Kai Tak Nullah improvement works at Prince Edward Road East/ 17 August 2010	159.400	136.860	100.179	36.681
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> (a) Contract preliminaries for maintenance of traffic flow (\$12.730 million); (b) Other contract preliminaries (\$11.640 million); (c) Drainage and associated works (\$10.790 million); and (d) Ancillary works (\$1.521 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)					
4341DS DC/2009/17	<p>Harbour Area Treatment Scheme, stage 2A – upgrading of Stonecutters Island sewage treatment works and preliminary treatment works</p> <p>Harbour Area Treatment Scheme stage 2A – upgrading works at Stonecutters Island sewage treatment works – sludge dewatering facilities/ 12 August 2010</p>	7,913.400	1,617.900	1,358.445	259.455
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower prices of some major equipment and lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Provision and installation of electrical and mechanical equipment for centrifuge which includes:</p> <ul style="list-style-type: none"> ● Sludge feed pumps, chemical dosing system and pipeworks (\$59.100 million); ● Sludge conveyor system (\$54.100 million); and ● Dewatering centrifuges (\$43.000 million); <p>(b) Provision and installation of deodourisation systems and associated works (\$64.000 million);</p> <p>(c) Provision and installation of electrical and mechanical equipment for sludge cake silos (\$33.255 million); and</p> <p>(d) Provision of synthetic timber cladding (\$6.000 million).</p>					

(4) 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)					
9043WS 1/WSD/10	Uprating of Wan Chai salt water supply system Construction of Bowen Drive salt water pumping station, Magazine Gap Road salt water service reservoir and associated works/ 9 August 2010	271.100	83.590	53.522	30.068
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$8.400 million); (b) Demolition works (\$7.300 million); (c) Service reservoir (\$5.000 million); (d) Pumping station (\$4.968 million); and (e) Measures for protection of existing waterworks installations (\$4.400 million).</p>					