

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 2011)**

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 March 2011, two capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

Development Bureau
Works Branch
June 2011

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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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)					
3059RE SS X302	<p>Construction of an Annex Building at the Ko Shan Theatre</p> <p>Construction of an Annex Building at the Ko Shan Theatre / 3 January 2011</p>	683.200	641.200	547.383	93.817
<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) Rock excavation, and excavation and lateral supporting works (\$31.23 million);</p> <p>(b) Contract preliminaries (\$28.71 million);</p> <p>(c) High efficiency chiller plants and general electrical works (\$22.93 million); and</p> <p>(d) General superstructure works and drainage works (\$10.947 million).</p>					

(2) 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)					
4348DS DE/2010/01	<p data-bbox="309 663 786 797">North District and Tolo Harbour sewerage, sewage treatment and disposal—regional sewerage works, part 1—sewerage upgrade</p> <p data-bbox="365 831 794 965">Supply and installation of electrical and mechanical equipment for Sha Tin main sewage pumping station /</p> <p data-bbox="365 999 539 1032">4 March 2011</p>	793.200		91.305	70.787 20.518
<p data-bbox="826 898 1425 1099">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 data-bbox="826 1133 1425 1301">(a) Supply and installation of pumps (\$10.928 million); (b) Electrical and control works (\$8.531 million); and (c) Ancillary works (\$1.059 million).</p>					