

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

Development Bureau
Works Branch
November 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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(1) Department: Civil Engineering and Development Department

Project Code	Project Title	Approved Project Estimate (APE)	(A)	(B)	(A) – (B)
			Sum Allowed in APE for the Contract	Accepted Tender Price	Difference
Contract No.	Contract Title/ Award Date	\$ million (in MOD prices)			
7745CL	Kai Tak development—Kai Tak approach channel and Kwun Tong typhoon shelter improvement works (Phase 1)	717.700			
KL/2010/02	Kai Tak development—Kai Tak approach channel and Kwun Tong typhoon shelter improvement works (Phase 1)/ 30 June 2011		562.900	417.000	145.900
		<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) Dredging (\$49.848 million); (b) Bioremediation treatment of contaminated sediments (\$47.309 million); (c) Ancillary works (\$29.239 million); and (d) Contract preliminaries (\$19.504 million).</p>			

(2) Department: Drainage 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)					
4109CD	Drainage improvement works in Shuen Wan, Tai Po	252.700			
4164CD	Drainage improvement in Northern New Territories—construction of a box culvert underneath Castle Peak Road at San Tin	26.800			
	Total:	279.500			
DC/2010/02	Drainage improvement works in Shuen Wan and Shek Wu Wai/ 18 April 2011		96.800	76.780	20.020
		<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) Ancillary works (\$8.820 million); (b) Civil works in Shuen Wan (\$4.800 million); (c) Contract preliminaries (\$3.200 million); and (d) Landscape works in Shuen Wan (\$3.200 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)					
4126CD	Drainage improvement in East Kowloon—package B phase 2	190.900			
4377DS	Upgrading of Central and East Kowloon sewerage—phase 2	503.000			
9186WC	Replacement and rehabilitation of water mains, stage 3	5,550.000			
	Total:	6,243.900			
DC/2010/06	Upgrading of Central and East Kowloon sewerage—phase 2/ 27 June 2011		370.500	302.987	67.513
<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) Sewer and drain laying works (\$39.947 million);</p> <p>(b) Ancillary works (\$10.723 million);</p> <p>(c) Manhole construction (\$9.777 million); and</p> <p>(d) Contract preliminaries (\$7.066 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)					
4341DS DC/2009/18	<p data-bbox="357 573 805 730">Harbour Area Treatment Scheme, stage 2A—upgrading of Stonecutters Island sewage treatment works and preliminary treatment works</p> <p data-bbox="411 763 805 954">Harbour Area Treatment Scheme stage 2A upgrading works at Stonecutters Island sewage treatment works—effluent tunnel and disinfection facilities/ 27 June 2011</p>	7,913.400			
			870.400	680.000	190.400
		<p data-bbox="839 831 1406 1021">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 data-bbox="839 1055 1406 1279" style="list-style-type: none"> (a) Excavation and disposal of tunneling works (\$78.500 million); (b) Contract preliminaries (\$44.000 million); (c) Construction of concrete tunnel lining (\$38.000 million); (d) Ancillary works (\$19.4 million); and (e) Construction of shafts (\$10.500 million). 			

(3) 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
Contract No.	Contract Title/ Award Date				
\$ million (in MOD prices)					
9191WC	Replacement and rehabilitation of water mains, stage 4 phase 1	6,262.400			
13/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1—mains in West Kowloon, Kwai Tsing and Tsuen Wan/ 6 April 2011		700.000	616.758	83.242
			<p>The accepted tender prices are lower than the sum allowed in APE for the contracts. 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) Water main rehabilitation and associated works (\$50.211 million); (b) Water main replacement and associated works (\$20.355 million); and (c) Contract preliminaries (\$12.676 million).</p>		
11/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1—mains in Central and Western and Wan Chai Districts/ 19 May 2011		740.300	569.294	171.006
			<p>The accepted tender prices are lower than the sum allowed in APE for the contracts. 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) Water main rehabilitation (\$59.298 million); (b) Ancillary works (\$46.324 million); (c) Water main replacement (\$31.537 million); (d) Contract preliminaries (\$28.103 million); and (e) Site investigation and condition survey of water mains (\$5.744 million).</p>		