

**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 2011)**

On 21 April 2004, the Director of Audit published a report<sup>1</sup> 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”<sup>2</sup>. 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 2011, seven capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

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Development Bureau  
Works Branch  
December 2011

<sup>1</sup> See Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> 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)					
3431RO  SS Y306	Tuen Mun River beautification—Tin Hau Temple Plaza  Construction of open space at Tin Hau Temple Plaza, Tuen Mun/ 9 September 2011	134.500	118.900	79.770	39.130
<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 (\$14.900 million);            (b) External works (\$11.818 million);            (c) Demolition, drainage diversion and slope stabilization works (\$9.545 million); and            (d) Electrical installation (\$2.867 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)					
5001BX (block allocation) Item 2.212  GE/2011/05	Landslip prevention and mitigation programme 2008, package J, landslip prevention and mitigation works in Kowloon, New Territories and Outlying Islands  Landslip prevention and mitigation programme, 2008, package J, landslip prevention and mitigation works in Kowloon, New Territories and Outlying Islands / 24 August 2011	111.120	89.874	58.556	31.318
<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) Geotechnical works (\$22.604 million);  (b) Contract preliminaries (\$6.240 million); and  (c) Ancillary works (\$2.474 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)					
5432RO  CV/2011/02	Aberdeen tourism project  Uplifting works to promenades of Aberdeen Harbour and Ap Lei Chau Main Street area/ 30 September 2011	288.100			
			271.100	185.000	86.100
		<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) Hard landscaping works (\$58.3 million);  (b) Steelworks (\$16.9 million); and  (c) Contract preliminaries (\$10.9 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
4371DS	Sewerage in western Tuen Mun	1,340.400			
4374DS	Tuen Mun sewerage, stage 1—village sewerage in Tsing Chuen Wai and Tuen Tsz Wai	21.700			
4100DX (block allocation) Item no. DZX0522	Drainage improvements at Tuen Mun San Tsuen, Tuen Mun	4.420			
	Total:	1,366.120			
DC/2010/01	Tuen Mun village sewerage and trunk sewers at Pillar Point/ 1 September 2011		346.000	300.000	46.000
<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) Trunk sewers by trenchless method (\$39.000 million);</p> <p>(b) Manholes construction (\$4.000 million); and</p> <p>(c) Ancillary works (\$3.000 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
Contract No.	Contract Title/ Award Date	\$ million (in MOD prices)			
9191WC	Replacement and rehabilitation of water mains, stage 4 phase 1	6,262.400			
12/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1—mains in Eastern and Southern Districts / 5 July 2011		650.400	543.443	106.957
		<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 works (\$39.696 million);</p> <p>(b) Water main replacement associated works (\$34.714 million);</p> <p>(c) Water main rehabilitation associated works (\$17.590 million); and</p> <p>(d) Water main replacement works (\$14.957 million).</p>			
9/WSD/10	Replacement and rehabilitation of water mains, stage 4 phase 1—major mains in western New Territories / 15 July 2011		587.600	431.235	156.365
		<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) Semi-structural and non-structural water main rehabilitation works (\$75.158 million);</p> <p>(b) Ancillary works (44.797 million);</p> <p>(c) Structural water main rehabilitation (\$21.858 million); and</p> <p>(d) Water main replacement works (\$14.552 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)					
10/WSD/10	Replacement and rehabilitation of water mains stage 4 phase 1—mains in Sha Tin and Sai Kung/ 10 August 2011		586.900	425.927	160.973
		<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> <ul style="list-style-type: none"> <li>(a) Structural water main rehabilitation works (\$77.224 million);</li> <li>(b) Ancillary works (\$42.700 million);</li> <li>(c) Contract preliminaries (\$22.616 million);</li> <li>(d) Water main replacement works (\$10.433 million); and</li> <li>(e) Semi-structural and non-structural water main rehabilitation works (\$8.000 million).</li> </ul>			