

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 2012)**

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 2012, 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
May 2012

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 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 2.221 GE/2011/12	Landslip prevention and mitigation programme, 2008, package M, landslip prevention and mitigation works in Wong Tai Sin Landslip prevention and mitigation programme, 2008, package M, landslip prevention and mitigation works in Wong Tai Sin/ 2 February 2012	225.610		168.829	40.381
<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 (\$32.959 million); and (b) Ancillary works (\$7.422 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)			
3012GB	Construction of a secondary boundary fence and new sections of primary boundary fence and boundary patrol road—phase 2	285.000			
4151CD	Drainage improvement works in Lung Yeuk Tau, Kwan Tei South and Leng Tsai, Fanling	134.600 ^[1]			
4153CD	Drainage improvement works in Tai Po Tin and Ping Che of Ta Kwu Ling, and Man Uk Pin and Lin Ma Hang of Sha Tau Kok	161.800			
5018GB	Liantang/Heung Yuen Wai Boundary Control Point and associated works—reprovisioning of boundary patrol road and associated security facilities	393.500			
	Total:	974.900			
DC/2011/06	Reprovisioning of boundary patrol road and associated security facilities between Ping Yuen River and Pak Fu Shan and drainage works in North District/ 30 March 2012		370.600	312.221	58.379
			<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) Construction of primary and secondary boundary fence (\$21.168 million);</p> <p>(b) Reprovisioning of boundary patrol road (\$16.565 million);</p> <p>(c) Landscaping and ancillary works (\$14.784 million); and</p> <p>(d) Contract preliminaries (\$5.862 million).</p>		

Note: [1] The Administration increased the approved project estimate by \$14.3 million from \$120.3 million to \$134.6 million under delegated authority.

(3) Department: Highways 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)					
6746TH HY/2008/13	Reconstruction and improvement of Tuen Mun Road Reconstruction and improvement of Tuen Mun Road—traffic control and surveillance system/ 27 March 2012	6,804.300	81.700	36.200	45.500
<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) Communication system (\$15.253 million); (b) Closed circuit television system (\$13.573 million); (c) Fully variable message sign system (\$12.784 million); and (d) Contract preliminaries (\$3.890 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)			
9189WC 13/WSD/11	Replacement and rehabilitation of water mains, stage 4 phase 2 Replacement and rehabilitation of water mains, stage 4 phase 2—mains in East Kowloon/ 13 January 2012	4,510.300			
			665.900	588.988	76.912
		<p>The accepted tender price is 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 replacement works (\$34.483 million);</p> <p>(b) Water main rehabilitation works (\$24.074 million); and</p> <p>(c) Contract preliminaries (\$18.355 million).</p>			
11/WSD/11	Replacement and rehabilitation of water mains, stage 4 phase 2—mains in Tsuen Wan and Kwai Tsing/ 10 February 2012		995.000	739.931	255.069
		<p>The accepted tender price is 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 (\$120.111 million);</p> <p>(b) Water main replacement works by open cut (\$118.921 million);</p> <p>(c) Contract preliminaries (\$8.818 million); and</p> <p>(d) Water main replacement works by trenchless method (\$7.219 million).</p>			