

**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 2012)**

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 June 2012, four 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  
August 2012

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<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)					
3012GB  SS Y307	<p><b>Construction of a secondary boundary fence and new sections of primary boundary fence and boundary patrol road—phase 2</b></p> <p>Construction of a secondary boundary fence and new sections of primary boundary fence and boundary patrol road—phase 2/ 21 June 2012</p>	285.000	176.052	128.300	47.752
<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) Security fencing (\$24.9 million);            (b) External services including builder works (\$9.4 million);            (c) Demolition works (\$8 million); and            (d) Site works and road works (\$5.452 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)					
3181GK  SS Y308	<p data-bbox="296 551 794 651"><b>Construction of a station for the new Terminal Doppler Weather Radar</b></p> <p data-bbox="357 696 802 835">Construction of a station for the new Terminal Doppler Weather Radar at Tai Lam Chung/ 15 May 2012</p>	175.700	143.000	112.700	30.300
<p data-bbox="839 786 1465 999">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="847 1043 1461 1182">(a) Contract preliminaries (\$15 million); (b) Substructure and superstructure (\$10.3 million); and (c) Site formation works (\$5 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 2.227  GE/2012/09	<p data-bbox="296 645 798 819"><b>Landslip prevention and mitigation programme, 2011, package L, landslip prevention and mitigation works, Tai Hang Road and Mount Davis Road</b></p> <p data-bbox="357 860 798 1079">Landslip prevention and mitigation programme, 2011, package L, landslip prevention and mitigation works, Tai Hang Road and Mount Davis Road/ 10 April 2012</p>	95.790	83.090	63.400	19.690
<p data-bbox="836 936 1465 1155">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="836 1196 1407 1303">(a) Geotechnical works (\$15.833 million); (b) Ancillary works (\$2.183 million); and (c) Contract preliminaries (\$1.674 million).</p>					

(3) 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  12/WSD/11	<b>Replacement and rehabilitation of water mains, stage 4 phase 2</b>  Replacement and rehabilitation of water mains, stage 4 phase 2—Dongjiang mains and mains along Fan Kam Road/ 12 June 2012	4,510.300	650.000	475.716	174.284
		<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"> <li>(a) Water main replacement works by open cut (\$123.858 million);</li> <li>(b) Water main rehabilitation works (\$28.612 million);</li> <li>(c) Contract preliminaries (\$18.369 million); and</li> <li>(d) Water main replacement works by trenchless method (\$3.445 million).</li> </ul>			