

M.1

SEN, (Agt) Supported. *day 5/8/10*

via PS(Env)

DD2 *disposal / m/h*

We do not have expertise in the operation of these waste treatment facilities in the HK SAR. Therefore all waste treatment facilities are developed/operated under the DBO mode. The proposal to

PWP Item No. 172 DR
Organic Waste Treatment Facilities (OWTF), Phase I
Approval for Initiating Tendering before Funding is Secured

In the meeting with PS(Env) on 23 June 2010, it was agreed that the captioned project will adopt parallel tendering approach, f(1) refers. It is because the project is the first of its kind in Hong Kong so there is a relatively higher degree of uncertainty with its cost estimate. Further to the meeting, I write to seek your authorization for the initiation of tendering, prequalification included, for the captioned project before funding is secured in accordance with Financial Circular No. 2/2009.

adopt parallel tendering approach to enable the Administration to have a realistic (or reliable) cost estimate before going to LegCo for funding approval. The proposal in this C/M is supported.

Background

2. Biodegradable organic waste constitutes the largest portion of Municipal Solid Waste (MSW) disposed of in Hong Kong. "A Policy Framework for the management of Municipal Solid Waste in Hong Kong (2005-2014)" published in December 2005 suggested, amongst other, the implementation of biological treatment facilities to turn source-separated biodegradable organic waste from the commercial and industrial (C&I) establishment into useful products and to reduce landfill disposal.

3. The captioned OWTF Phase I development is to construct and operate a biological treatment facility with a capacity of 200 tonnes per day that recycle source-separated organic waste from the C&I sectors into compost and biogas through Anaerobic Digestion and composting technologies.

4. We propose to build the OWTF Phase I at Siu Ho Wan, North Lantau. In August 2008, we commissioned a consultant to carry out the Engineering

1/3/8

Feasibility and Environmental Impact Assessment (EIA) Studies for this OWTF, Phase I development under the Agreement No. CE7/2008(EP). We consulted the Islands and Tsuen Wan District Councils (DCs) about the project and the EIA findings during 2009 to 2010. Both DCs had expressed support to the project. The Advisory Council of the Environment (ACE) approved the EIA report at its meeting on 8 February 2010. The EIA for the project was approved by the EIAO authority on 24 February 2010.

5. The Engineering Feasibility Study of the project is substantially completed. The prequalification documents were completed with Development Bureau's comments incorporated.

Design-Build-and Operate (DBO) Contract and Prequalification

6. In line with other EPD waste facility projects, we propose to adopt the DBO contract for the OWTF Phase I development so that the future contractor would have the unity of responsibility in ensuring effective operation of the facility. This is particularly important in view of the fact that the project would be complex with adoption of advanced technologies and it would cover a long duration (15 years operation).

7. Given that there is no relevant approved list of tenderers for the project and the cost of tendering for a DBO contract would be very high, with reference to ETWB TC(W) No. 35/2004, f(2), we propose to prequalify suitable tenderers so as to facilitate subsequent tendering process.

8. We plan to seek the Central Tender Board's approval for the prequalification in August 2010. However, as item 172DR for the OWTF project is now only in the Category B+ of the PWP, in accordance with Financial Circular No. 2/2009 requirement, marked up copy attached at f(3), we need to seek your authority to initiate the prequalification before funding is secured, with a view to commissioning the OWTF phase 1 on time by 2013.

Exercise of Delegated Authority in Financial Circular No. 2/2009

9. Paragraph 6 of the Financial Circular No. 2/2009 stipulates the

conditions and obligations to be satisfied before granting the approval. I confirm the conditions and obligations are satisfied and is summarized at f(4) together with the justifications (in green) for your consideration.

Approval Sought

10. Your authorization is sought to proceed with the tendering exercise for the captioned project before funding is secured.



(P H LUI)

P (IP)

27.7.2010

Summary to Para 6 of FC No. 2/2009

In exercising the above delegated authorities, the relevant Directors of Bureaux (or their Permanent Secretaries) and Controlling Officers shall be accountable for their decisions in each case. They should satisfy themselves, before granting the requisite approvals, that the following conditions and obligations are met –

*(a) for consultants selection procedures, the **scope** of the assignment has been finalised and agreed by all relevant parties within the Government. For tendering to be initiated, the **detailed design** of the works project has also been finalised and agreed within the Government;*

This is a tendering exercise and the OWTF adopts DBO contract. Like all our DBO contracts, the detailed design will be furnished by the contractor. The tender documents which guide the contractor's detailed design will be circulated to all relevant parties for comment and agreement before issuing.

*(b) the approving authority has assessed the **risks** involved in initiating a procurement exercise before funding is secured. The risks to the Government of having to abort the procurement exercise due to lack of funding or substantive last-minute changes to the scope of the consultancy brief or proposed works have been assessed as low. Alternatively, despite the perceived risks, the possibility of abortive costs and inconvenience to bidders and tenderers, the merits of fast tracking have been assessed as outweighing the potential demerits; and*

This PWP item is now in Category B plus. Submission to PWSC for upgrading to Category A is targeted for November 2010. The key activity of the OWTF is well defined in the aforesaid consultancy study (para 4). The OWTF is being highlighted in CE's 2009 Policy Address. It is therefore imperative to take a fast-track approach to start the prequalification exercise, with a view to commissioning the facilities by 2013.

*(c) the procuring department reflects correctly in the tender documents or the consultancy briefs the funding status of the project and reminds all bidders that **Government is not responsible for their costs of preparing the bids.***

The Prequalification documents was completed and cleared by LAD. There is clause explicitly indicating that the Government are not responsible for the costs of preparing the prequalification submissions by the tenderers. We intend to put similar clause in the tender documents.