



**HIGHWAYS DEPARTMENT
MAJOR WORKS PROJECT MANAGEMENT OFFICE**

3 & 6/F, HO MAN TIN GOVERNMENT OFFICES
88 CHUNG HAU STREET, HOMANTIN, KOWLOON, HONG KONG
Web site: <http://www.hyd.gov.hk>

路政署
主要工程管理處
香港九龍何文田忠孝街八十八號
何文田政府合署三及六樓
網址: <http://www.hyd.gov.hk>

本署檔案 Our Ref. : () in HyD MWO (1)4-35/1 (C)
來函檔號 Your Ref. : CB4/PAC/R81
電話 Tel. : 2762 3600
圖文傳真 Fax : 2714 5222

9 January 2024

Ms Shirley CHAN
Clerk
Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms CHAN,

Public Accounts Committee

Consideration of Chapter 4 of the Director of Audit's Report No. 81

Provision of barrier-free facilities in public rental housing estates

Thank you for your letter of 20 December 2023 regarding the subject matter.

As per the written questions set out in the Appendix to your letter, I attach our written reply in both Chinese and English for your processing please.

Yours faithfully,

(Patrick W H NG)
for Director of Highways

Encl.

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ISO 9001 : 2015
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ISO 14001 : 2015
Certificate No.: CC 2634

c.c. Secretary for Housing / Chairman of the Hong Kong Housing Authority (email: shoffice@hb.gov.hk)
Secretary for Transport and Logistics (email: stloffice@tlb.gov.hk)
Director of Housing (email: psh@housingauthority.gov.hk)
Secretary for Financial Services and the Treasury (email: sfst@fstb.gov.hk)
Director of Audit (email: ncylam@aud.gov.hk)

**Report of the Public Accounts Committee on
Consideration of Chapter 4 of the Report No. 81 of the Director of Audit**

“Provision of barrier-free facilities in public rental housing estates”

Questions and Requests for Information

Part 4 : Retrofitting Lifts at Walkways Relating to Housing Estates under Universal Accessibility Programme

12) As mentioned in paragraph 4.3 of the Report No. 81 of the Director of Audit (“the Audit Report”), according to the Audit Commission’s review, the Highways Department (“HyD”) took an average of 17.5 months to report to the relevant District Councils on the situation of the 3 items after receiving the replies of not granting agreement from the relevant parties. According to the information in Table 6 of the Audit Report, HyD had obtained the final replies for Items A and B in May 2021. HyD was requested to explain:

- (a) why did HyD wait until the end of 2022 when the status of agreement and/or objection of all items was relatively clear before reporting the final replies for Items A and B to the relevant District Councils in January 2023; and**
 - (b) since the final replies for Items A and B were objections, why did HyD not report to the relevant District Councils and initiate a new round of consultation on item replacement at an earlier stage?**
- (a) Under the Special Scheme of the Universal Accessibility Programme (“UAP”), HyD will retrofit lifts at walkways in or connecting to the common areas of three types of housing estates (i.e. housing estates under the Tenants Purchase Scheme, the Buy or Rent Option Scheme, and public rental housing estates with non-residential properties divested). HyD is required to first seek the consent of the relevant Owners’ Committees, Deed of Mutual Covenant (DMC) managers (authorized by the relevant Owners’ Committees), and parties responsible for managing and maintaining the walkways. Only with their authorization to HyD for the lift retrofitting works within their properties, estates, or management areas, and their indication of willingness to cooperate with the Government in the subsequent management and maintenance of the lifts would the walkways be eligible for inclusion in the Special Scheme.

As of May 2021, among the 35 items nominated by the District Councils, HyD received replies from the relevant parties for only 18 items (including Items A and B mentioned in the Audit Report) while that for the remaining 17 items had yet to be received. It was not until the end of 2022 when HyD received most of the replies and generally confirmed the total number of items to be

implemented. Taking into account the available resources, the Government considered that it should first ascertain the number of items to be replaced in each district before reporting the overall situation to the District Councils for consideration and consulting the District Councils to identify the replacement items.

- (b) For Items A and B, it was confirmed in May 2021 that they did not have the agreement from the relevant parties and it was necessary to return to the District Councils for the selection of replacement items. As mentioned above, the Government considered that it should first ascertain the number of items to be replaced in each district before reporting the overall situation to the District Councils for consideration and consulting the District Councils to identify the replacement items. In addition, taking into account the available resources, HyD would take forward the items in batches under different contracts. Since these 2 items required replacement, according to the planning timetable at that time, they had been scheduled for works commencement in 2024 under the same batch along with other remaining items. Therefore, even if the District Councils could identify replacement items at an earlier stage, it would not affect the timing of works commencement for the items.

In future, in accordance with the recommendation in the Audit Report, HyD will report in a more timely manner to the District Councils lift retrofitting items with agreement not granted by relevant parties for their consideration and proposal of replacement items.

13) As mentioned in paragraph 4.10 of the Audit Report, HyD entered into agreements with two consultants for the retrofitting of 14 lifts at 10 walkways in four districts (at a sum of about \$9.7 million) and 33 lifts at 21 walkways in nine districts (at a sum of about \$17.2 million) respectively. Among the two agreements, the project scale and contract sum of the latter one were approximately twice that of the former. As mentioned in paragraph 4.11 of the Audit Report, in order to enhance the overall effectiveness of contract management, HyD and the two consultants agreed to adjust the services under the agreements by transferring the services to be provided at the construction phase (except for issues related to design) for 5 walkways from one agreement to another. HyD was requested to explain:

- (a) why were the initial two agreements twice as different in project scale and contract sum, having regard to the overall effectiveness of contract management;**
- (b) whether the variations to the two agreements could have been avoided if the overall effectiveness of contract management had been taken into account at the contract drafting stage; and**

- (c) **whether any review has been conducted on the drafting of consultancy agreements, and appropriate measures have been taken to with a view to minimizing the occurrence of similar situations in future where variations are negotiated after works commencement? If so, please provide the details. If not, what were the reasons?**
- (a) There is no fixed number of items that must be included in the consultancy agreements under the UAP. In taking forward the items in batches under different contracts, HyD will consider a number of factors, including the geographical location of the items, the readiness of items to proceed to construction stage, and the construction complexity, etc. In addition, HyD will consider whether the scale of the consultancy agreements will allow the participation of consultants of different scales in the market in the tender exercises. According to the Engineering and Associated Consultants Selection Board Handbook, there are three groups under the “Roads and Associated Structures” category. Group 1 consultants can only bid for agreements with a lump sum fee not exceeding HK\$5 million; Group 2 can only bid for agreements ranging from above HK\$5 million to HK\$10 million; and Group 3 can only bid for agreements exceeding HK\$10 million. Therefore, HyD divided the 10 items in the urban area (14 lifts) and 21 items in the New Territories (33 lifts) into two consultancy agreements, allowing both Group 2 and Group 3 consultants to have the opportunity to participate in the bidding process respectively.
- (b) Consultancy agreements generally cover works on investigation, design, and construction supervision, etc. The implementation progress of lift retrofitting works at walkways under the consultancy agreements would generally be affected by factors such as site investigation results, design complexity, public consultation results, etc. Therefore, at the time of drafting and awarding of the consultancy agreements, HyD could not fully ascertain the construction priority of the lift retrofitting works at each walkway. To expedite the commencement of construction works, when HyD is aware that the design of certain items is at a mature stage and these items are ready for construction, HyD would consider inviting tenders for the construction of lifts at these walkways in batches, so as to expedite the provision of lift services to the public.

Regarding the aforementioned consultancy agreement for the items in the New Territories, during the investigation and design stage, the consultant confirmed that 5 items were ready to proceed to the construction stage earlier than expected, while the remaining items would require much more time before proceeding to the construction stage. Meanwhile, HyD noted that the consultant of the consultancy agreement for items in the urban area was preparing to invite tenders for a batch of lift retrofitting items. To expedite the construction progress of those 5 items, HyD has proposed to transfer the construction supervision for those 5 items to the consultancy agreement for items in the urban area. Such arrangement enabled the construction for those

5 items to commence earlier than the original plan, from September 2023 to February 2023. This not only enhanced the overall effectiveness of contract management but also allowed the public to enjoy the lift facilities earlier.

- (c) HyD had reviewed the drafting of consultancy agreements and would include relevant terms in future agreements to clearly stipulate the rules for variations in consultancy fee arrangements under similar situations as mentioned above. For example, the method of calculating the service fees to be deducted or increased will be clearly set out in the consultancy agreements, thereby minimizing the need to negotiate variations to the agreements after works commencement in future and to shorten the time taken for variations to be made to the agreements.

14) Paragraph 4.13 of the Audit Report mentioned that HyD took approximately 17 months to negotiate with the two consultants on the variations to the two consultancy agreements. Had HyD taken appropriate measures to expedite the negotiation process in case of similar situations in the future so that the approval on contract variations could be obtained as soon as possible?

During the period from June 2022 to October 2023, HyD had been negotiating with the two relevant consultants in finalizing the amount of additional fee for the agreement of the items in urban area and amount of fee reduction for the agreement of the items in the New Territories. In early October 2023, HyD concluded the discussions with the two consultants, and HyD staff subsequently obtained approval for the variations to the two consultancy agreements in accordance with the requirements of the Stores and Procurement Regulations.

Considering the aforementioned situation and as mentioned above, HyD would include relevant terms in future agreements to clearly stipulate the rules for variations in consultancy fee arrangements under similar situations. For example, the method of calculating the service fees to be deducted or increased will be clearly set out in the consultancy agreements, thereby shortening the time required for negotiation of the relevant fees with the consultants.

15) Paragraph 4.20(a) of the Audit Report mentioned that discrepancies were found between the as-built records of underground utilities and the actual underground utilities condition on-site in the works for both Lifts A and B. Had HyD taken appropriate measures to improve the accuracy and reliability of the as-built records of underground utilities? If yes, please provide the details. If not, what were the reasons?

In taking forward works projects under the UAP, HyD would collect records of relevant underground utilities during the investigation and design stage so as to identify suitable locations for lift retrofitting works. To shorten the time required for handling underground utilities during the construction stage, HyD has taken

measures such as carrying out site investigation through pre-construction contracts to gain an early understanding of the actual conditions of underground utilities on-site. Their locations could be identified more accurately which could facilitate the determination of the diversion plan of underground utilities in future. Meanwhile, HyD has piloted the Early Contractor Involvement in works contracts, which enable the contractors to actively participate in formulating solutions to address the underground utilities issues at an earlier stage of the works.

Separately, the Lands Department is collaborating with the relevant government departments and major public utilities undertakings to progressively establish a three-dimensional digital underground pipelines database and an underground utilities information system. They aim at facilitating the construction industry to plan and carry out underground works more effectively, with a view to minimizing delay in road excavation works due to obstruction of underground utilities.

- 16) Paragraph 4.22(a) of the Audit Report mentioned that the consultant of HyD had issued 41 warning letters to the relevant contractor due to the slow progress and site idling issues regarding the construction of 3 lifts. In paragraph 4.22(b) of the Audit Report, it was stated that in the 8 quarterly reports issued by HyD to the contractor, their performance in “adherence to programme” was graded as “poor” or “very poor”. In paragraph 4.22(c)(iii) of the Audit Report, it was mentioned that HyD issued an Adverse Report to the contractor. Had HyD taken any disciplinary actions against the contractor? If yes, please provide the details. If not, what were the reasons?**

Apart from issuing warning letters and Adverse Report to the contractor, HyD had requested the contractor to suspend tendering for road and drainage public works contracts in accordance with the mechanism of the Contractor Management Handbook. In response to HyD’s request, the contractor had voluntarily suspended their tendering qualifications for relevant public works contracts since 25 August 2023. Furthermore, as the contractor failed to complete the works within the contractual timeframe, HyD would strictly follow the contract to recover from the contractor the delay damages arising from the delay of parts of the works.

- 17) Paragraph 4.23(a) of the Audit Report mentioned that HyD was very concerned about the delay in the construction works of the above 3 lifts and had taken further measures to urge the contractor to expedite the completion of the remaining works. These measures included convening weekly meetings for the senior staff of the contractor, consultants and HyD to discuss the progress of the works and to promptly resolve any issues encountered on site. HyD was requested to explain:**

- (a) the problems encountered by the contractor on site; and**
- (b) the latest progress of the remaining works.**

- (a) The problems encountered by the contractors at the sites of the 3 lifts mainly included:
- the locations of the proposed lift foundations were found to be occupied by uncharted underground utilities¹ which required diversion;
 - retaining walls had to be built because the geology at the crest of the slope adjacent to the proposed lift location was not rocky; and
 - insufficient liquidity of the contractor affecting the procurement of construction materials and failure to engage sufficient sub-contractors, etc.
- (b) The contractor completed two more lifts which were opened for public use in the fourth quarter of 2023. One of these lifts was among the 3 lifts mentioned in the Audit Report. As for the remaining lift retrofitting works under the contract, HyD would continue to urge the contractor to deploy resources and complete the remaining works as soon as possible. HyD would strictly follow the contract to recover from the contractor the delay damages arising from the delay of parts of the works. If the situation deteriorates further, HyD would not rule out the possibility of changing the contractor.

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¹ Although HyD had conducted site investigation through pre-construction contracts, during excavation, the contractor identified other underground utilities in the shallower part of the relevant locations. As a result, they were unable to carry out further excavation to uncover the batch of uncharted underground utilities which were deeper underneath the ground. In addition, HyD had not piloted the Early Contractor Involvement for UAP when the relevant works contract came into effect.