

LCQ10: Taking forward public works projects

Following is a question by Dr the Hon Lo Wai-kwok and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (January 6):

Question:

The Chief Executive (CE) stated in the 2020 Policy Address that "the Government will continue to invest in infrastructure with an estimated annual expenditure of over \$100 billion on average in the next few years". In this connection, will the Government inform this Council:

(1) as CE has indicated that in consideration of the current high unemployment rate in the construction sector and the fact that investments in the construction sector will spur economic activities in other sectors, the Government will initiate the tendering procedures in parallel with the submission of funding applications of public works projects to the Finance Committee of this Council, of the details of the relevant arrangements, and the estimated time by which the commencement dates of the works projects may thereby be advanced;

(2) whether it will improve the existing criteria for evaluating tenders for public works projects, so as to avoid placing undue emphasis on the "lowest bid wins" principle, thus resulting in malpractices; if so, of the details; if not, the reasons for that; and

(3) as CE has indicated that the works departments have repackaged large-scale works contracts into manageable scales so as to enable more small and medium enterprises to participate for riding out the crisis together, of the details of the relevant arrangements?

Reply:

President,

The Government has been continuously investing in capital works to improve people's quality of life, enhance Hong Kong's long-term competitiveness and promote its economic development. The annual capital works expenditure has been maintained at a level of \$70 billion since 2017. We expect the annual capital works expenditure will continue to grow from 2021-22 onwards and exceed \$100 billion in coming years. Under the principle of "stimulate the economy, safeguard jobs", we believe that the increasing investment in capital works can effectively support the economy, accelerate social revival and create significant number of job opportunities, so as to benefit different sectors of society.

My reply to the three parts of the question raised by Dr the Hon Lo Wai-
kwok is as follows:

(1) To facilitate timely delivery of capital works projects and reduce the risk of cost overrun or unnecessary lock-up of public resources, the Government has issued internal guidelines in September 2020 requesting Controlling Officers to adopt parallel tendering for the procurement of all works contracts and works-related consultancies funded under the Capital Works Reserve Fund unless they have sought exemption from the relevant authority, i.e. to commence tender invitation or consultancy selection exercises prior to or in parallel to securing funding. The works contract or consultancy will only commence after obtaining funding approval from the Legislative Council.

The objective of parallel tendering is for early commencement of works contract/works-related consultancy after obtaining funding approval from the Legislative Council Finance Committee, and to reflect the returned tender price in the Approved Project Estimate as far as practicable. In general, the adoption of parallel tendering can advance the commencement of works contract or consultancy by one to two quarters.

(2) For tender evaluation of public works contract, the Government does not solely take the lowest price approach as the procurement principle. Apart from tender price, the two tender evaluation methods applicable to general public works projects will also take into account the technical capability and past performance of a tenderer.

Generally, a "two-envelope two-stage" approach is adopted in tendering for public works projects. Tenderers are required to submit technical proposals and price proposals separately to the Tender Assessment Panel of the works departments. Depending on the complexity of the project, the weightings of a tender's scores on technical and price aspects against the overall score are 40 per cent to 60 per cent and 60 per cent to 40 per cent respectively. The Tender Assessment Panel will evaluate the tenders in two stages, first the technical proposal and then the price proposal. Afterwards, the overall score will be calculated based on the weightings stipulated in the tender documents and only the tenderer with the highest overall score will be awarded the contract.

For those works projects of simple nature, the Tender Assessment Panel will consider both the tender price and past performance of a tenderer in evaluating the tender.

(3) We have issued guidelines to the works departments to take into account measures to facilitate the participation of small and medium-sized enterprises (SMEs) when arranging public works contracts and consultancy agreements. These include splitting mega public works projects into contracts of manageable scales and avoid grouping different projects into a single contract. Furthermore, tenders for specialist works are invited separately where possible and small and medium-sized contractors are allowed to participate in tendering for contracts that are of value higher than their

group tender limits but are relatively simple in nature. This allows companies of different sizes (such as SMEs) to participate. We will also raise the group tender limits for small and medium-sized contractors to provide them with more opportunities to participate in capital works projects.