

# LCQ11: Statistics on public works projects

Following is a question by the Hon Au Nok-hin and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (December 12):

Question:

In recent years, quite a number of public works projects experienced cost overruns, arousing public concern. Regarding the statistics on public works projects, will the Government inform this Council:

(1) of the details of the projects to which approval for increasing the approved project estimates ("APE") was given by the Finance Committee of this Council in each of the past five years, including (i) the names of the projects, (ii) the amounts of APE increased, (iii) the amounts of the revised APE, and (iv) the rates of increase in APE (set out in a table);

(2) of a breakdown of the number of the projects mentioned in (1) by the following reasons for the needs to increase APE (set out in a table): (i) increase in the provision for price adjustment due to escalation in labour and material costs, (ii) increase in the project contingency to account for unforeseen circumstances when the works were in progress, and (iii) other reasons (please specify);

(3) among the projects mentioned in (1), of the number of those for which the awarded prices of the main contracts were lower than the relevant estimates under the original APE; and

(4) of the names of the respective top three companies which were awarded (a) the highest number of public works contracts and (b) the highest total value of consultancy study contracts for public works, in each of the past four years, as well as (i) the total value of the contracts awarded and (ii) the number of contracts awarded to each company (set out in a table)?

Reply:

President,

The Government has been implementing public works projects in an appropriate and orderly manner with a view to improving people's quality of living, enhancing the long-term competitiveness and promoting the economic development of Hong Kong. Notwithstanding that there have been instances of cost overruns in the delivering of certain mega projects in recent years due to unforeseeable circumstances that arose in the course of project implementation, we have maintained good performance (Note 1) for projects under the Capital Works Programme as a whole.

My reply to the four parts of the Hon Au's question is as follows:

(1) The details of the total provision and increases in Approved Project Estimate (APE) approved by the Finance Committee (FC) of the Legislative Council in the past five years (i.e. from 2013/14 to 2017/18) are provided in Appendix 1.

(2) Generally speaking, the major reasons for increasing the APE can be categorised as follows:

(a) increased provision for price adjustments to cover higher-than-expected escalation in labour and material costs;

(b) higher-than-expected returned tender prices;

(c) increased project contingencies to account for circumstances during construction stage of the project. For example, they include worse-than-expected ground conditions and extra works carried out to meet local concerns.

Among the projects listed in Part (1) above, the breakdown of the above reasons (a), (b) and (c) accounting for the increases in APE is shown below:

Number of projects	Reasons for Increase in APE (there may be more than one reason for each project)			
	(a) increased provision for price adjustments	(b) higher-than-expected returned tender prices	(c) increased project contingencies	Other (Note 2)
11	9	5	6	2

(3) Out of the 11 projects listed in Part (1) above, the returned tender prices of six projects were lower than the respective sums allowed in the original APE.

(4) The tendering process of public works contracts and the selection of consultants are carried out in accordance with the Stores and Procurement Regulations. The top three contractors and consultants with the highest total values of public works contracts and consultancies awarded in the past four years (i.e. from 2015 to 2018) are listed in Appendix 2 and 3 respectively.

Note 1: In retrospect, the FC approved a total of about 580 Category A works projects in the past 10 years. Among them, about 70 projects required application to FC for additional funding. In other words, additional funding was required in approximately 10 per cent of the projects. In addition, although there were projects that required additional funding owing to individual circumstances, we generally managed to complete the projects under the Capital Works Programme within the original APE and even with surplus.

Note 2: To meet the project expenditures of the new phases of Kai Tak Development