

**CONTROLLING OFFICER'S REPLY**

**SV-TLB002**

**(Question Serial No. SV032)**

Head: (60) Highways Department

Subhead (No. & title): (-) Not Specified

Programme: (1) Capital Projects

Controlling Officer: Director of Highways (YAU Kwok-ting)

Director of Bureau: Secretary for Transport and Logistics

Question:

Regarding the delay in projects under the “Universal Accessibility” (UA) Programme resulted from unsatisfactory performance of individual contractor, will the Government consider increasing the retention money, which would be released to the contractor upon completion of the contract as stipulated in the works contract currently, from 1.25% to 10% of the costs of works so as to reduce delay in projects?

Asked by: Hon YANG Wing-kit

Reply:

According to the current procurement policy of public works, the Government would specify in the works contract that 1% to 2.5% of the costs of works payable to the contractor would be deducted as retention money (depending on the amount of works contract) to protect the rights and interests of the Government. The retention money would be released to the contractor upon completion of the contract. If the contractor fails to complete the works according to the schedule stipulated in the contract, the Government would deduct an appropriate amount from the retention money to cover the loss according to the contract mechanism. The Government would recover the difference from the contractor if the amount is insufficient.

To reduce delay in projects, there are provisions in public works contracts to protect the rights and interests of the Government. If the delay is caused by the contractor, the contractor would be liable to pay the liquidated damages to the Government. Besides, the relevant performance of the contractor would be reflected in the contractor's quarterly performance report. This assessment system facilitates the Government in taking appropriate regulatory actions, including suspending the contractor from tendering or removing the contractor's name from the relevant list of contractors, when necessary. Besides, the future opportunity of being awarded a tender would be affected by the performance score of the contractor. These measures are more effective in reducing delay in projects than increasing the retention money of works contracts. As a matter of fact, the financial burden of the contractor would be aggravated by increasing the retention money of works contracts, which may result in a

rise in contract price ultimately. We consider that the current amount of retention money ensures effective protection of the Government's rights and interests.

Furthermore, the Highways Department would adopt different measures proactively to strictly monitor the progress of projects. For example, if the works progress is affected by the unsatisfactory performance of the contractor, we would issue a warning letter to the contractor and urge the contractor to immediately allocate resources. Besides, we would explore to re-sequencing works and other delay recovery measures with the contractor etc. This is to ensure that the contractor complies with all contract obligations for timely completion of the works.

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