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Millions 'lost' on overpaid engineers

Consulting engineers were overpaid by several million dollars because the Government had not secured the benefit of a discounted scale of fees, according to the Director of Audit, Mr G. E. Lyth.

His annual report was tabled in the Legislative Council yesterday.

Mr Lyth said the value of works dealt with by firms of consulting engineers in Category A of the Public Works Programme totalled about \$6.8 billion.

He said that the most common method of remunerating consulting engineers for commissions involving the design and construction of works was to compute the basic fee as a percentage of the cost of the works.

In the absence of a scale of fees designed specifically for use in Hongkong, it had been the practice locally to adopt the scale promulgated in the United Kingdom by the Association of Consulting Engineers.

The association published a new scale of fees in March 1971 which was received in Hongkong in May that year and was then applied to works commissioned by the Government.

Mr Lyth said that it was not apparently realised at the time that the UK Govern-

ment had found itself unable to accept the proposed new charges and with the agreement of the association, had appointed an independent inquiry to review them.

Pending the outcome of the inquiry, public sector clients in the UK continued to apply the former scale.

The inquiry found in August 1972 that the proposed new scale of fees would increase consulting engineers' earnings above a level which was considered justified and that fees based on that scale, computed as a percentage of the cost of the works, should be discounted by five per cent.

"The revision should have been applied in Hongkong," Mr Lyth said.

"This was not however done, with the result that since 1971 consulting engineers engaged on public sector work in Hongkong have enjoyed not only fee addition to take account of local considerations, but the advantage of fee scales higher than those pertaining in the UK for similar work.

He also said that he had suggested to the Director of Public Works that failure to have secured the benefit of the discounts had resulted in additional payments to consulting engineers of several million dollars.

The Legislative Council's

Audit report



Mr Lyth

Public Accounts Committee, whose job is to consider Mr Lyth's report, said that the Director of Public Works, Mr David McDonald, had maintained that the fees negotiated were the lowest at which the consulting engineers would have been prepared to carry out the work.

"But he did agree that negotiation was a far from ideal method of determining fees and that a local scale should be established," the committee said in its annual report.

It also said that a PWD working party was formed in 1975 to make recommendations on a local scale.

The party had reported in 1976 and since then discussions had been taking place with the local Association of Consulting Engineers.

But so far agreement had not been reached and the present position was that the PWD had requested a return of total expenses incurred by the consulting engineers.

"It was hoped that this would assist in early agreement."

Concluding, the committee said it had noted the difference of opinion between Mr McDonald and Mr Lyth on the extent to which consulting engineers' fees for public works projects could properly be compared with those which would have been paid for similar projects in the UK, and on the validity of any conclusions drawn from such a comparison.

It said that the situation was obviously one which calls for the urgent establishment of a scale of fees applicable to local conditions.

"We most strongly urge that negotiations with the Hongkong Association of Consulting Engineers should be expedited, in order that a local scale may be established without further delay.

"As in most cases consulting engineers receive a fee addition to meet local circumstances, we recommend that, pending the establishment of a local scale, the basic scale on which fees are calculated should be similar to that currently adopted in the United Kingdom."