

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Estimates of Consultants' Costs for Capital Works Projects and Works-related Studies

INTRODUCTION

At the meeting of the Public Works Subcommittee held on 25 October, the Administration undertook to provide background information on how consultancy costs for works projects are estimated and when the existing methodology was last reviewed.

THE ADMINISTRATION'S RESPONSE

2. In April 1996, we standardized the methodology used by departments to estimate the costs of consultancy services for capital works projects. This involves the estimation of the **cost of the professional and technical staff** to be provided by the consultants as well as **overhead costs**, including the provision of office accommodation, clerical and supporting staff and related benefits, etc and any reimbursable items paid for by the consultants as **out of pocket expenses**.

3. For the purpose of estimating the consultant's project-based **staffing costs**, departments assess the number of professional and technical staff needed to carry out the project as if it were to be done in house. This involves calculating the level of professional and technical expertise required in each case to deliver the services to the required standards, and the time taken by each person to complete his or her individual tasks. The estimated consultant input is then translated into estimated staffing costs using the Government's Master Pay Scale as a benchmark.

4. The total estimated consultancy cost (including **overheads** but excluding **out of pocket expenses**) is calculated by multiplying the estimated staffing costs by standard multiplier factors which are determined from time to time

on the basis of actual fee bids for consultancies awarded. These multipliers reflect actual market conditions and therefore bring the cost estimates more in line with actual fee bids. The standard multipliers currently in use are as follows –

- 2.4 for staff employed in the consultant's offices;
- 2.0 for staff seconded to work in government offices;
and
- 1.7 for site staff supplied by the consultant.

5. These multipliers were last adjusted in January 1999 (downwards by 20%) after consultation with the Financial Affairs and Planning, Lands and Works Panels of the Legislative Council. The relevant information note for the Panel is attached. We have also informed the Finance Committee vide FCRI(98-99)20. The latter is largely modelled on the Panel submission and is therefore not enclosed.

6. Over and above the consultant's contractual fees, departments may need to pay for the cost of ancillary services necessary for the completion of the assignment. These **out-of-pocket expenses** include expenditure on special surveys and detailed site investigation work, etc. Such expenses are paid to the consultant on a straight reimbursement basis and are not subject to adjustment using the standard multipliers mentioned above.

WAY FORWARD

7. The consultancy market has been extremely competitive over the past two years. We will review the current methodology for estimating consultancy costs, including the standard multiplier factors to establish whether these are still valid in the light of market trends. We will consult the relevant Legislative Council Panel(s), if necessary.

8. Members are asked to note that the methodology for preparing estimates on consultancy assignments is relevant only for **estimation and resource allocation purposes**. The actual fees for providing consultancy services are determined by an open and competitive consultant selection process which reflects prevailing market forces.

Finance Bureau
Works Bureau
November 2000

Enclosure to PWSC(98-99)35**711TH-Route 9 between Tsing Yi and Cheung Sha Wan****Breakdown of estimates for consultants' fees and site investigation costs (at December 1997 prices)**

Consultants' staff costs			Estimated man-months	Average MPS* salary point	Multiplier factor	Estimated fee (\$ million)
(a)	Review (including review of EIA & TIA findings)	Professional	140	40	3.0	24.9
		Technical	140	16	3.0	8.3
(b)	Detailed design	Professional	550	40	3.0	97.7
		Technical	1070	16	3.0	63.7
(c)	Preparation of tender documents	Professional	140	40	3.0	24.9
		Technical	160	16	3.0	9.5
(d)	Supervision of site investigations/wind tunnel tests	Professional	45	40	2.1	5.6
		Technical	81	16	2.1	3.4
(e)	Charges by EMSTF					20.0
Total consultants' staff costs						258.0
Out-of-pocket expenses						
(a)	Site investigations					80.0
(b)	Wind tunnel tests					10.0
Total out-of-pocket expenses						90.0

*MPS = Master Pay Scale

Enclosure to PWSC (98-99)35

Notes

1. A multiplier factor of 3 is applied to the average Master Pay Scale (MPS) point to arrive at the full staff costs including the consultants' overheads and profit, as the staff will be employed in the consultants' offices. (As at 1.4.97, MPS pt. 40 = \$59,210 p.m., and MPS pt. 16 = \$19,860 p.m.) A multiplier factor of 2.1 is applied in the case of site staff supplied by the consultants.
2. Out-of-pocket expenses are the actual costs incurred. The consultants are not entitled to any additional payment for overheads or profits in respect of these items.
3. The figures given above are based on estimates prepared by the Director of Highways. We will only know the actual man months and fees when we have selected the consultant through the usual competitive fee bidding system.
4. Since the establishment of the EMSTF on 1 August 1996 under the Trading Fund Ordinance, government departments are charged for design and technical consultancy services for electrical and mechanical (E&M) installations provided by Electrical and Mechanical Services Department (EMSD). The services rendered for this project include checking consultants' submissions on all E&M installations and providing technical advice to Government on all E&M works and their impacts on the project.