

NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Price Adjustment Factors

PURPOSE

This note announces the adoption of a new set of price adjustment factors for converting the cost estimate of capital works projects funded by the Capital Works Reserve Fund from constant September 2008 prices to money-of-the-day (MOD) prices.

REVISED FORECAST

2. We regularly update the price adjustment factors used in funding requests to the Public Works Subcommittee and Finance Committee.

3. At the last update undertaken in October 2008, the prices of public sector building and construction output were projected to increase by 4.0% per annum over the period from 2008 to 2012. According to the latest set of assumptions, the prices of public sector building and construction output are expected to increase by 2.0% per annum over the period from 2009 to 2013.

4. We will apply the latest projections and corresponding price adjustment factors as from February 2009 for the purpose of deriving MOD estimates for capital works projects.