

## **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 2010 prices to money-of-the-day (MOD) prices.

#### **REVISED FORECAST**

2. Price adjustment factors used in funding applications regarding capital works projects to the Public Works Subcommittee and Finance Committee are updated regularly.

3. During the last updating exercise in March 2010, the prices of public sector building and construction output were projected to increase by 3% in 2010 over a year earlier, followed by an increase of 4% per annum from 2011 to 2020. According to the latest set of assumptions, the prices of public sector building and construction output are expected to increase by 2% in 2010 over a year earlier, followed by an increase of 5% per annum from 2011 to 2014 and 5.5% per annum from 2015 to 2020.

4. We will apply the latest projections and corresponding price adjustment factors from October 2010 onwards for the purpose of deriving MOD estimates for capital works projects.

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