

## **NOTE FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE**

### **Price Adjustment Factors**

#### **PURPOSE**

This note announces the adoption of the latest set of price adjustment factors for converting the cost estimate of capital works projects funded by the Capital Works Reserve Fund from constant September 2012 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 October 2012, the prices of public sector building and construction output were assumed to increase by 7% in 2012, 6% per annum from 2013 to 2017 and 5% per annum from 2018 to 2022. For this latest update on the price adjustment factors, the prices of public sector building and construction output are assumed to increase by 6% per annum from 2013 to 2017 and 5% per annum from 2018 to 2023.

4. We will apply the latest assumptions and corresponding price adjustment factors from March 2013 onwards for the purpose of deriving MOD estimates for capital works projects.