

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 2014 prices to money-of-the-day (MOD) prices.

LATEST FORECAST

2. Price adjustment factors used in funding applications regarding capital works projects are updated regularly.

3. During the last updating exercise in March 2014, the prices of public sector building and construction output were assumed to increase by 6% per annum from 2014 to 2018, 5% per annum from 2019 to 2021 and 4.5% per annum from 2022 to 2024. The assumptions on the public sector building and construction output prices for the latest set of price adjustment factors remain the same, i.e. increases of 6% per annum from 2014 to 2018, 5% per annum from 2019 to 2021 and 4.5% per annum from 2022 to 2024.

4. We will apply the latest assumptions and corresponding price adjustment factors from October 2014 onwards for the purpose of deriving MOD estimates for capital works projects.