

**LEGISLATIVE COUNCIL
ESTABLISHMENT SUBCOMMITTEE**

Follow-up Actions to Meeting on 31 May 2016

Item EC(2016-17)4

Supplementary information as required by the Establishment Subcommittee on 31 May 2016 regarding the estimated reduction in the costs of over 300 capital works projects still at the planning and design stage after the Project Cost Management Office (PCMO) has completed its review is provided below:

The PCMO aims to achieve cost control mainly through system re-engineering and multi-disciplinary design optimisation, and will pursue cost management through a 3-prong approach, namely by comprehensively reviewing the existing works policies and requirements; closely scrutinising project estimates; and enhancing project management of public works projects.

In scrutinising the estimates of individual projects, the PCMO will, in conjunction with the works departments, investigate and formulate practicable alternative proposals to reduce costs. Generally speaking, the effectiveness of these measures will be directly reflected in the revised estimates and is, therefore, more easily measurable.

Other cost control measures include conducting a comprehensive review of the guidelines on public works, reducing unnecessary design and contractual requirements, adopting and promoting the guiding principle of “design for buildability”, establishing realistic target unit costs for new government buildings projects, and enhancing works departments’ skills and knowledge of project management and cost estimation etc. Some of these measures, being strategic in nature, will bring about structural changes to the overall capital works programme and are expected to further reduce project costs, but they are difficult to be fully measurable.

With the total cost estimates of about \$350 billion (in September 2015 prices) for projects now at the planning stage, we expect that the PCMO to be able to reduce the project estimates by 1-3% with total savings of several to tens of billions of dollars. The additional expenditure arising from the establishment of the PCMO is about \$10 million annually, accounting for just a small portion of the estimated total amount to be saved.