

財經事務及庫務局



FINANCIAL SERVICES AND THE  
TREASURY BUREAU

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8 December 2020

Clerk to Panel on Development  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road, Central  
Hong Kong  
(Attn: Ms Doris Lo)

Dear Ms Lo,

**Joint Meeting of the Panel on Development  
And the Panel on Information Technology and Broadcasting  
Follow-up Actions to Meeting on 24 November 2020**

At the joint meeting of the Panel on Development and the Panel on Information Technology and Broadcasting on 24 November 2020, Members requested supplementary information in relation to the agenda item “Capital Works Reserve Fund (CWRF) Block Allocations for 2021-22, and proposals to increase the financial ceilings of the delegated authority for Category D items in the Capital Works Programme and Block Allocation Subhead on Computerisation”. In consultation with relevant bureaux, the Government’s response is at **Enclosure**.

Yours sincerely,

(Original signed)

( Margaret Hsia )  
for Secretary for Financial Services  
and the Treasury

**1. Data on the Building Works Tender Price Index, cost of labour index and cost of materials index in relation to public sector construction projects since 2012.**

Upon member's request, the Building Works Tender Price Index as well as the cost indices in relation to the construction industry are detailed in Annex 1 for reference.

In view of the increase in construction cost in the past eight years as well as making reference to the methodology in estimating the project cost for Category A projects, we suggest adopting the Price Adjustment Factors (PAF) formulated based on the data from the Office of the Government Economist for this adjustment with a view to maintaining the usefulness of the delegated authority.

The PAF have taken into account a basket of factors, including annual and quarterly data of the price deflator for public sector building and construction output, overall labour market situation, the latest movements in construction wages and building material prices, as well as the trends of the global and local economic performance, etc. We consider the adjustment made based on PAF is more comprehensive and consistent with the cost estimation using money-of-the-day approach in the proposals for upgrading projects to Category A submitted to Public Works Subcommittee. The PAF from year 2012 to 2019 as well as the forecast PAF from 2020 to 2030 are detailed in Annex 2 for reference.

**2. The progress of rezoning more than 210 suitable sites with potential for housing development as identified in land use reviews, including the number of sites that had been rezoned, and the time required for the rezoning of each of these sites.**

As part of the multi-pronged strategy to increase land supply, the Government has identified, through on-going land use reviews in the last few years, over 210 sites with housing development potential in the short to medium term, capable of providing over 310 000 flats in total (over 70% for public housing). As at November 2020, 139 sites have been rezoned or allocated for housing development, while another 12 sites are undergoing rezoning procedures.

Rezoning proposals are subject to the statutory process under the Town Planning Ordinance (Cap. 131) and agreement of the Town Planning Board (TPB) to the proposed amendments to the Outline Zoning Plan (OZP). The rezoning process would involve public inspection of the OZP for two months; hearings and deliberations on the public representations and comments received during the public exhibition period; and submission of the amended OZP to the Chief Executive in Council for approval within nine months after the expiry of the plan exhibition period, subject to an extension of up to six months depending on individual circumstances. Thus, the exact time taken to complete the statutory planning process varies from case to case.

**Building Works Tender Price Index<sup>1</sup>**

| <b>Year</b>                                   | <b>Quarter</b> | <b>Building Works Tender Price Index</b> |
|---|----------------|--|
| 2012  | Quarter 1      | 1 414                                    |
|   | Quarter 2      | 1 438                                    |
|   | Quarter 3      | 1 467                                    |
|   | Quarter 4      | 1 496                                    |
| 2020  | Quarter 1      | 1 641                                    |
|   | Quarter 2      | 1 623                                    |
| Average of year 2012                          |                | 1 454                                    |
| Average of year 2020<br>(Quarter 1 to 2)      |                | 1 632                                    |
| Percentage Change<br>(From year 2012 to 2020) |                | +12%                                     |

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<sup>1</sup> Information extracted from Architectural Services Department website.

## Cost Indices in Relation to Construction<sup>2</sup>

| Year  | Month | Highways Department<br>Construction Cost<br>Index | Civil Engineering<br>Works Index |
|---|-------|---|----------------------------------|
| 2012  | Jan   | 1 051.6   | 540.6                            |
|   | Feb   | 1 058.7   | 543.5                            |
|   | Mar   | 1 064.4   | 545.3                            |
|   | Apr   | 1 071.8   | 549.2                            |
|   | May   | 1 072.3   | 550.5                            |
|   | Jun   | 1 056.6   | 544.6                            |
|   | Jul   | 1 054.6   | 544.5                            |
|   | Aug   | 1 061.0   | 547.5                            |
|   | Sep   | 1 068.9   | 551.4                            |
|   | Oct   | 1 074.8   | 555.6                            |
|   | Nov   | 1 076.8   | 557.6                            |
|   | Dec   | 1 087.8   | 564.8                            |
| 2020  | Jan   | 1 377.5   | 722.5                            |
|   | Feb   | 1 366.7   | 718.6                            |
|   | Mar   | 1 364.5   | 719.8                            |
|   | Apr   | 1 345.8   | 712.7                            |
|   | May   | 1 337.6   | 709.5                            |
|   | Jun   | 1 338.2   | 708.8                            |
|   | Jul   | 1 347.2   | 713.6                            |
|   | Aug   | 1 345.3   | 711.7                            |
| Average of year 2012                          |       | 1 066.6   | 549.6                            |
| Average of year 2020<br>(Jan to Aug)          |       | 1 352.9   | 714.7                            |
| Percentage Change<br>(From year 2012 to 2020) |       | +27%  | +30%                             |

<sup>2</sup> Information extracted from Civil Engineering and Development Department website. Both Highways Department Construction Cost Index and Civil Engineering Works Index are compiled from the respective materials and labour indices from Census and Statistics Department.

**Basis of Price Adjustment Factors**

| <b>Year</b> | <b>Basis of Price Adjustment Factors<sup>3</sup></b> |
|-------------|--|
| 2012        | 6.8%   |
| 2013        | 5.1%   |
| 2014        | 4.8%   |
| 2015        | 4.5%   |
| 2016        | 3.0%   |
| 2017        | 5.7%   |
| 2018        | 4.4%   |
| 2019        | 3.4%   |
| 2020        | 3.0%   |
| 2021        | 5.0%   |
| 2022        | 5.0%   |
| 2023        | 5.0%   |
| 2024        | 5.0%   |
| 2025        | 5.0%   |
| 2026        | 4.5%   |
| 2027        | 4.5%   |
| 2028        | 4.5%   |
| 2029        | 4.0%   |
| 2030        | 4.0%   |

\* Basis of Price Adjustment Factors for year 2020 to 2030 are forecast figures.

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<sup>3</sup> Price Adjustment Factors are formulated based on the data from the Office of the Government Economist.