

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 2006 prices to money-of-the-day (MOD) prices.

REVISED FORECAST

2. On a half-yearly basis, we update the Government's forecast of inflation for construction works and adjust the price adjustment factors used in funding requests to the Public Works Subcommittee and Finance Committee.

3. At the last update undertaken in October 2006, the prices of public sector building and construction output were forecast to increase by 0.5% in 2006 and 1.5% per annum over the period 2007 to 2010. PWSCI(2005-06)12 refers. According to the latest forecast, the prices of public sector building and construction output are envisaged to show no change in 2007 and to increase by 1.0% per annum over the period 2008 to 2011.

4. We will apply the latest forecasts and corresponding price adjustment factors as from April 2007 for the purpose of deriving MOD estimates for capital works projects.
