

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 2011 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 2011, the prices of public sector building and construction output were assumed to increase by 5% in 2011, followed by an increase of 5.5% per annum from 2012 to 2021. According to the latest set of assumptions, the prices of public sector building and construction output are expected to increase by 5.5% per annum from 2012 to 2022.

4. We will apply the latest assumptions and corresponding price adjustment factors from March 2012 onwards for the purpose of deriving MOD estimates for capital works projects.