

## Index Page

### Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2015-16

Director of Bureau : Secretary for Development

Session No. : 14

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<b>Reply Serial No.</b>	<b>Question Serial No.</b>	<b>Name of Member</b>	<b>Head</b>	<b>Programme</b>
<a href="#">S-DEVB(W)01</a>	SV020	CHAN Yuen-han	159	
<a href="#">S-DEVB(W)02</a>	SV019	MAK Mei-kuen, Alice	159	
<a href="#">S-DEVB(W)03</a>	SV018	MO Claudia	194	(1) Water Supply: Planning and Distribution
<a href="#">S-DEVB(W)04</a>	S0072	WONG Kwok-hing	194	(1) Water Supply: Planning and Distribution

**CONTROLLING OFFICER'S REPLY**

**S-DEVB(W)01**

**(Question Serial No. SV020)**

Head: (159) Government Secretariat: Development Bureau  
(Works Branch)

Subhead (No. & title): Not specified

Programme: Not specified

Controlling Officer: Permanent Secretary for Development (Works) (C K HON)

Director of Bureau: Secretary for Development

Question:

The Administration is requested to provide details of the factors affecting project cost, and how labour shortage and labour cost affect project cost.

Asked by: Hon CHAN Yuen-han

Reply:

The construction cost in Hong Kong has been on a general rising trend since 2009. As reflected by ArchSD's building works tender price index, tender price for public building works has increased by 21% in the last three years (2011 fourth quarter to 2014 fourth quarter). Building works in the private sector also recorded similar increase<sup>1</sup>.

We have engaged a consultant to study the escalation in construction cost in the past few years<sup>2</sup>. According to the study findings, labour cost and material cost were the major factors contributing to construction cost increase. Since construction worker's wages and material price had increased by 34% and 7% in the last three years, with a share of 35% and 50% in construction cost generally, they contributed to around 12% and 4% increase in the overall construction cost.

While shortage in manpower supply may give rise to higher wages, the wages of construction workers will also be affected by the general wage level of other occupations

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<sup>1</sup> Based on the tender price indices published by private quantity surveying firms.

<sup>2</sup> The report of the study is being finalised.

and hence cannot be considered on its own. It should be pointed out that construction worker's wages had experienced a fairly long period of negative growth during the period 2003-2008 with an accumulated decrease of 10%. According to the Census and Statistics Department's figures<sup>3</sup>, the percentage increase in the Index of Composite Labour Wages in the last ten years is about 15%, which is lower than the corresponding escalation of Composite Consumer Price Index of 25% for the same period. It is however noted that there is a faster-rising trend for the Index of Composite Labour Wages in the recent few years.

The consultant also observed that there has been significant increase in manpower input as well as materials input per unit of construction work in the past few years. The increase in manpower and materials input has in turn escalated total labour cost and material cost in construction works. At this moment, the consultant is still consolidating the study findings and finalising the report.

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<sup>3</sup> The Census and Statistics Department's household survey.

**CONTROLLING OFFICER'S REPLY**

**S-DEVB(W)02**

**(Question Serial No. SV019)**

Head: (159) Government Secretariat: Development Bureau  
(Works Branch)

Subhead (No. & title): Not specified

Programme: Not specified

Controlling Officer: Permanent Secretary for Development (Works) (C K HON)

Director of Bureau: Secretary for Development

Question:

The Administration is requested to provide details of the survey it conducted which shows the factors that contractors will take into account when preparing tenders for public works projects (including risk factors due to the shortage of labour).

Asked by: Hon MAK Mei-kuen, Alice

Reply:

In the three-year period from the 4<sup>th</sup> quarter of 2011 to the 4<sup>th</sup> quarter of 2014, ArchSD's building works tender price index has indicated an increase of 21%. Similar trend is also observed for the private building works<sup>1</sup>

In order to find out contractors' tendering considerations, with the assistance of the Census and Statistics Department, we conducted a survey during the period from November 2013 to November 2014. A total of 414 contractors were successfully enumerated in the survey.

According to the survey results, more than 80% of the respondents considered "tight construction schedule", "complexity, buildability, nature and size of project", and "fluctuation in costs of labour, technicians and supervisors" the three most important considerations in determining tender price of construction projects.

In the same survey, over 80% of the respondents also considered "costs of construction labour", "supply of construction labour (in particular bar benders/fixers, carpenter (formwork) and concretors)", and "ageing work force of the construction industry" the three major factors contributing to the escalation of construction costs for the three-year period prior to the survey.

<sup>1</sup> Based on the tender price indices published by private quantity surveying firms.

The report of the survey is being finalised at the moment.

- End -

**CONTROLLING OFFICER'S REPLY TO  
ORAL QUESTION**

**(Question Serial No. SV018)**

Head: (194) Water Supplies Department

Subhead (No. & title): Not specified

Programme: (1) Water Supply: Planning and Distribution

Controlling Officer: Director of Water Supplies (Enoch T.S. LAM)

Director of Bureau: Secretary for Development

Question:

Pursuant to reply no. DEVB(W)122, the Administration is requested to provide follow-up information on the agreement with the Mainland authorities regarding the supply of fresh water and the management of fresh water overflow from reservoirs.

Asked by: Hon Claudia MO

Reply:

Since 2006, the Dongjiang (DJ) water supply agreements made with the Guangdong authority have adopted a flexible supply arrangement with provision for adjusting the daily supply rate according to our need to facilitate better control on the storage level of our large reservoirs. Overflow since then has been greatly reduced as compared to the period before 2006. The average overflow quantity over the past five years (2010 to 2014) is about 21 million cubic metres per annum, equivalent to about 2% of total fresh water supply. During this period, no DJ water was overflowed from reservoirs. Comparing with the average overflow of 94 million cubic metres per annum for the 10-year period before 2006 (1996 to 2005), the reduction is about 78%.

Cases of recent overflow have mostly occurred in the reservoirs with small and medium capacities during heavy rainstorms. To reduce the overflow from Tai Tam Group of Reservoirs in wet season, Tai Tam Upper Reservoir has supplied raw water to augment the salt water supply system for Wan Chai area since June 2014. We have also considered different options including expanding the reservoir storages with a view to reducing overflow from these small and medium reservoirs. However, these options are found not cost-effective and will have severe ecological impact and in some cases heritage impact on the downstream areas.

Nevertheless, we will continue to review the situation with a view to further reducing the quantity of overflow from reservoirs.

- End -

**CONTROLLING OFFICER'S REPLY**

**S-DEVB(W)04**

**(Question Serial No. S0072)**

Head: (194) Water Supplies Department  
Subhead (No. & title): Not specified  
Programme: (1) Water Supply: Planning and Distribution  
Controlling Officer: Director of Water Supplies (Enoch T.S. LAM)  
Director of Bureau: Secretary for Development

Question:

According to DEVB(W)130, what are the estimated number and percentage of households to be provided with flow controllers for water taps in Hong Kong this year? What is the estimated time for extending such project to non-domestic units? Also, when will the project be fully extended to cover all public housing tenants in the territory?

Asked by: Hon WONG Kwok-hing

Reply:

As at end February 2015, flow controllers have been distributed to over 135 000 households under the "Let's Save 10L Water" campaign, which is equivalent to about 5% of the total number of domestic consumers. In the meantime, the Water Supplies Department (WSD) will evaluate the campaign's effectiveness to determine the way forward, including the possible arrangement for non-domestic consumers.

While the pilot project to install flow controllers at the 16 selected public housing estates is coming to an end, analysis of the corresponding water consumption data is underway in order to evaluate the effectiveness of the project for considering its any further extension.

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