

財經事務及庫務局

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**FINANCIAL SERVICES AND THE
TREASURY BUREAU**

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12 July 2019

Hon CHU Hoi-dick
Room 903
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Hon CHU,

Presentation of Breakdowns of Estimates for Public Works Projects

I refer to your earlier suggestions regarding information provided by the Administration in Public Works Subcommittee (PWSC) papers. You suggested that, in addition to presenting project estimates “in money-of-the-day (MOD) prices” according to the current standard format for PWSC papers, the Administration should also provide information on the corresponding “constant price estimates” and “price adjustment factors”, and state whether the works contracts to be tendered will include the “provision for price adjustment”.

2. The construction period of a project and the expenditure involved generally span several years. For past PWSC papers, we used to provide breakdowns of estimates in constant prices and set out the overall provision for price adjustment separately. However, as breakdowns of project estimates in constant prices do not reflect future price adjustments and actual expenditures and are likely to cause confusion, we have, after taking into account Members’ views, provided breakdowns of estimates in MOD prices since the 2017-18 legislative session, so that the specific estimated cost breakdowns can be made clear at a glance.

3. We understand that Members would like to have more information to facilitate comparison of estimates between different projects. However, there are limitations to comparing estimates in constant prices. For example, the estimates of similar projects in 2017 and 2018, if calculated in 2017 and 2018 constant prices respectively, are not directly comparable. Even if they are calculated in the constant price of the same year, depending on the specific circumstances of the projects concerned, it may not be appropriate to compare the projects estimates directly. Therefore, instead of setting out multiple sets of figures in the paper mechanically, it is better for the Administration to provide supplementary information with relevant analysis when Members wish to compare the estimates between individual projects and similar projects. In fact, when dealing with projects of greater concern, PWSC members have requested comparative analyses of the estimates between the projects concerned and similar projects.

4. Lastly, it has been a practice for the Administration to state clearly in its PWSC submissions whether the works contracts to be tendered will include the provision for price adjustment.

[Chinese version signed]

Yours sincerely,
(Ms Margaret HSIA)
for Secretary for Financial Services and the Treasury

cc. Ir Dr Hon LO Wai-kwok, Chairman of the Public Works Subcommittee of the Legislative Council
Secretary for Development (Attn.: Mr FUNG Yiu-man Frankie)