

財經事務及庫務局

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**FINANCIAL SERVICES AND THE  
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8 November 2019

Clerk to the Public Works Subcommittee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Ms Doris LO)

Dear Ms LO,

Legislative Council Public Works Subcommittee  
Follow-up Actions to Meeting on 30 October 2019

At the Public Works Subcommittee meeting on 30 October 2019, Members requested for supplementary information related to the provision of information on project costs. Having consulted relevant department, our responses are set out at **Annex** for reference.

Yours sincerely,

[Chinese version signed]

(Mr Denny HO)  
for Secretary for Financial Services and the Treasury

cc Secretary for Development (Attn.: Mr FUNG Yiu-man Frankie)  
Head of Energizing Kowloon East Office (Attn.: Mr WONG Kuo-yang  
Edwin)

**ANNEX**

**Reply to Point 7 of follow-up actions to  
Legislative Council Public Works Subcommittee meeting on 30 October 2019**

**Would the Government please consider the suggestions made by Hon CHU Hoi-dick and Hon Alvin YEUNG and respond to whether more information on project costs, such as constant price estimates and price adjustment factors, as well as information on costs of similar projects in recent years with respect to funding proposals for public works projects could be provided for Members' reference?**

With regard to some Members' suggestions that the Government should consider whether more information on project costs, such as constant price estimates and price adjustment factors, as well as information on costs of similar projects in recent years with respect to funding proposals for public works projects could be provided, having consulted relevant department, our reply is set out below.

The construction period of a project and the expenditure involved generally span several years. Constant price estimates mainly reflect project costs calculated based on the price level in a particular year and do not reflect future price adjustments and actual expenditures. Even if project estimates are worked out based on a constant price level in the same year, it may not be appropriate to compare them directly as circumstances vary from project to project. As such, in the construction sector in Hong Kong and even overseas, it is a normal practice to present project costs in "money-of-the-day (MOD) prices" to reflect the estimates of actual expenditures. Project costs are also shown in "MOD prices" in the funding proposals submitted to the Legislative Council so as to avoid confusion.

Furthermore, given the uniqueness of each works project and the differences among projects in terms of the year of implementation, site location, geographical conditions, traffic conditions, scale, design adopted and materials used etc., direct comparison of the costs of similar projects is likely to cause ambiguity and is of limited referential value. In recent years, many institutions including the Infrastructure and Projects Authority under the government of the United Kingdom and the Royal Institution of Chartered Surveyors have coincidentally established a benchmarking system for different types of works projects to provide cost

references. In this connection, the Development Bureau (DEVB) is studying the development of a benchmarking system to assess performance for major types of works. The DEVB is collaborating with various institutions and drawing on their experiences with a view to completing the relevant study as soon as possible.

From time to time, Members would like to obtain more costs information for comparison of estimates among different projects. Considering that setting out multiple sets of figures in the paper mechanically would likely cause ambiguity or confusion arising from different basis of calculation, it is more appropriate for the Government to duly provide, at Members' requests during deliberation of specific works projects, relevant supplementary information with adequate analysis for their reference.