

政府總部
發展局
工務科
香港添馬添美道 2 號
政府總部西翼



**Works Branch
Development Bureau
Government Secretariat**

West Wing, Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong

本局網址 Our Website: <http://www.devb.gov.hk>

本局檔號 Our Ref.: DEVB(PSGO)35/01

來函檔號 Your Ref.:

電話 Tel No.: 3509 8673

傳真 Fax No.: 2521 9682

Legislative Council Secretariat
Subcommittee to Study the Effectiveness, Costs
and Management of Public Works Projects
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Connie Ho)

9 June 2025

Dear Ms Ho,

**Subcommittee to Study the Effectiveness, Costs and
Management of Public Works Projects
Follow-up action to meeting on 13 May 2025**

During the meeting of the Subcommittee to Study the Effectiveness, Costs and Management of Public Works Projects held on 13 May 2025, the Government was requested to provide relevant information on (a) the provenance of the study by Prof Bent FLYVBJERG of the University of Oxford and its comparative results concerning Hong Kong and other countries' public works projects in different areas such as project cost, construction duration and project management; and (b) the performance of the "New Engineering Contract" (NEC) form, as compared to the conventional contract form in enhancing the effectiveness of public works projects (e.g. in areas such as cost control, project management and account settlement). Our response is given as follows:

As regards item (a), the Development Bureau commissioned a world-renowned expert in construction project management, Prof Bent FLYVBJERG of the University of Oxford to analyze performance in cost control for public works projects in Hong Kong, and compare the ratio of actual expenditure to original project estimates for

major public works projects across different places. The report indicated that the above-mentioned ratio for Hong Kong's public works projects is around 0.9, meaning that the actual expenditure is 10% lower than the original project estimate. This compares favorably with Canada and the Netherlands (1.0), Sweden and the UK (1.2), and Denmark (1.3). The findings indicate that Hong Kong's mechanism for delivering public works projects and cost-control measures are better than those of other places, and thus the probability of Hong Kong's public works projects experiencing cost overruns is far lower than that of other places.

As regards item (b), the conventional form of the contract previously adopted in public works, focusing more on the obligations and responsibilities, often put the two contracting parties in adversarial positions. Once problems or foreseeable risks occurred during the construction period, both parties tended to focus on identifying the responsible party, and hence more disputes would arise in the process. As a result, the problem was not dealt with promptly and it might take more time or even cost to complete the works, which was not conducive to the smooth implementation of the project. In contrast, the NEC embraces a collaborative culture, through mutual trust and collaboration contract terms, as well as mechanisms such as early warning and compensation events, etc. specified in the contract, thereby fostering the building of a mutual cooperation/trust partnering relationship between the contracting parties. Together with managing risk jointly by the contracting parties, the project management performance and its cost-effectiveness will be enhanced as a result. Based on statistical analysis of the study of the University of Hong Kong in 2020 on the performance of using NEC contract form in public works contracts, commissioned by the Development Bureau, the actual construction period of NEC contracts is on average about 10% shorter than conventional contracts. There is also a time saving of over 30% on average for finalising the NEC contract accounts as compared with conventional contracts. As the construction period is shortened, the relevant expenditure of the works projects, including contract preliminaries, remuneration of resident site staff, administrative expenditure for contract surveillance, etc., will also be reduced accordingly. With more public works projects adopting NEC contract form, the Development Bureau will assess further its effectiveness in enhancing project performance at an appropriate time.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Frankie Y M FUNG', written in a cursive style.

(Frankie Y M FUNG)
for Secretary for Development