

LCQ20: Project Strategy and Governance Office

Following is a question by the Hon Lai Tung-kwok and a written reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (June 14):

Question:

In 2019, the Development Bureau upgraded the Project Cost Management Office (PCMO) and renamed it the Project Strategy and Governance Office (PSGO) to holistically strengthen the governance of public works projects. PSGO starts the vetting process immediately upon the inception of a project, so as to seize all opportunities to optimise the project design to reduce costs. In this connection, will the Government inform this Council:

- (1) of the specific details of the strategies and measures implemented respectively by PCMO and PSGO for reducing the costs of public works projects;
- (2) of the total number of public works projects examined by PSGO in the past three years and the total cost savings achieved, and set out in a table the amounts of cost savings by public works project;
- (3) apart from signing Memoranda of Understanding on cooperation with the Centre for Public Project Management of Singapore and the Infrastructure and Projects Authority of the United Kingdom respectively to foster mutual collaboration and enhance the delivery capability and performance of public works projects, whether PSGO has plans at present to strengthen cooperation with the relevant authorities of the Mainland or other places; if so, of the details; if not, the reasons for that; and
- (4) as there are views that in recent years, the Government has been actively taking forward projects to relocate to or provide in caverns suitable government facilities, but the costs of cavern development projects are on the high side and such projects may not be cost-effective, of the specific work carried out by PSGO in the past three years to optimise the design of cavern development projects for reducing costs?

Reply:

President,

The Government has been continuously investing in capital works to improve people's quality of life, enhance Hong Kong's long-term competitiveness and promote its economic development. With long-term planning, relevant projects are implemented in a timely and orderly manner. The annual capital works expenditure was maintained at the level of about \$80

billion over the past few years and is expected to grow continuously to exceed \$100 billion in the coming years. Taking into account construction works in the private sector, the annual total construction output was maintained at the level of about \$250 billion over the past few years and is forecast to reach about \$300 billion annually.

In view of the challenges of high construction cost and the ageing construction labour force faced by Hong Kong in recent years, the Development Bureau (DEVB) established the Project Cost Management Office (PCMO) in June 2016 and upgraded it to become the Project Strategy and Governance Office (PSGO) in April 2019 for implementing strategic initiatives and enhancing capabilities in cost surveillance and project governance.

My reply to the four parts of the Hon Lai's question is as follows:

(1) The main task of the PSGO is to vigorously scrutinise cost estimates of major projects under planning and design stage. While not compromising the functionality, quality and safety of works, the PSGO scrutinises project cost estimates in accordance with the principle of "fitness-for-purpose and no frills" through the implementation of various initiatives under the following four areas, for enhancing the performance of infrastructure projects:

(i) Strengthening cost management

The PSGO follows up on project development and design optimisation from inception stage and continuously monitors the performance of the projects during construction stage, and implement suitable measures for cost saving;

(ii) Implementing strategic initiatives

The PSGO uplifts productivity and efficiency in order to reduce project costs through taking forward various strategic initiatives, including the implementation of "Construction 2.0" and promotion for wider adoption of high productivity construction methods such as Modular Integrated Construction and Multi-trade Integrated Mechanical, Electrical and Plumbing, as well as digital technology and new construction materials;

(iii) Enhancing collaboration with industry stakeholders

The PSGO conducts exchanges and collaborates with local industry (including the Construction Industry Council, professional institutions, universities and trade unions etc.) as well as the Mainland and international stakeholders with a view to learning from and drawing on the experience of different places in tackling challenges such as declining productivity of labour force and rising costs, and formulating proposals to resolve the problems faced by the construction industry in Hong Kong; and

(iv) Enhancing project delivery capability

The PSGO is committed to enhancing the mindset and capability of project officers in order to implement relevant strategic initiatives. In this connection, the Centre of Excellence for Major Project Leaders (CoE) was

established in 2019, and the Major Projects Leadership Programme and the Project Delivery Capability Programme, launched under the CoE, provide training for major project leaders and mid-tier managers respectively and enable them to deliver projects with an innovative mindset and better leadership skills, thereby enhancing project performance.

(2) Over the past three financial years, the PSGO examined a total of about 180 capital works projects which were subject to funding approval by the Finance Committee of the Legislative Council and successfully saved more than \$67 billion of construction cost out of the total original estimate of about \$440 billion, details of which are tabulated below. As the data involves internal financial information, we thus provided the relevant figures according to the financial year:

Financial Year	Number of projects examined	Original estimate	Saving in construction cost
2022-23	52	about \$95 billion	about \$13 billion
2021-22	78	about \$180 billion	about \$29 billion
2020-21	54	about \$165 billion	about \$25 billion

(3) The DEVB signed a Memorandum of Understanding with the Ministry of Finance of Singapore and the Infrastructure and Projects Authority, part of the Cabinet Office and HM Treasury of the United Kingdom in December 2022 and February 2023 respectively to enhance expertise and experience exchanges in infrastructure project management and delivery. Besides, we have all along maintained communication and active exchanges with relevant Mainland counterparts, including the Department of Housing and Urban-Rural Development of Guangdong Province, the Guangzhou Municipal Housing and Urban-Rural Development Bureau and the Bureau of Public Works of Shenzhen Municipality, to have discussions on a range of issues such as innovation and technology, manpower demand and construction standards. On another front, the PSGO has been liaising and communicating with international organisations that promote infrastructure development, such as the World Economic Forum and the Global Infrastructure Hub, to learn from and draw on their experience with a view to consolidating Hong Kong's leading position in implementing infrastructure projects.

(4) To support the need for sustainable development of Hong Kong, it is the established policy of the Government to adopt a multi-pronged approach to explore land resources. The hilly and hard rock terrain of Hong Kong makes it highly suitable for development of caverns under appropriate geological conditions. The Government is proactively taking forward a number of cavern projects for relocating/accommodating suitable government facilities with a view to releasing land for housing and other uses. These facilities include sewage treatment works, fresh water/salt water service reservoirs, warehouses, material testing laboratories, archives centres, etc. The relocation of suitable government facilities to caverns can release existing

valuable sites for housing or other uses to meet society's needs on the one hand, and relocate facilities that are incompatible with the environment nearby and land uses on the other, for improvement of urban layout and environmental quality of the district.

Accommodating new government facilities in caverns in a cost-effective manner can also save the use of surface land, thereby achieving a more valuable and effective land arrangement. Besides, the unique features of caverns are suitable for facilities which require a secure and stable operating environment. When assessing the effectiveness of cavern development projects, we will take into consideration the environmental and social benefits, development cost and other factors in a holistic manner.

To lower the construction cost of cavern developments, the PSGO coordinates with the Geotechnical Engineering Office, cavern project teams, consultant firms and international experts to optimise the design in accordance with the principle of "fitness-for-purpose and no frills". For example, the team has introduced a globally leading cavern design approach adopted from Nordic countries to optimise cavern design and reduce the cavern excavation volume and thus the construction cost. Innovative technologies and advanced construction methods are also adopted to expedite the progress of works. We also collaborate with the Nano and Advanced Materials Institute to develop brand new vibration-resistant materials to further reduce the construction cost and raise the works efficiency, with a view to shortening the construction time. We will continue to study different measures to further reduce the construction cost and fast-track the construction process of cavern works.