

Speech by FS at Project Cost Management Forum: Cultivating Cost-Consciousness (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Project Cost Management Forum: Cultivating Cost-Consciousness today (June 23):

Michael (Secretary for Development, Mr Michael Wong), Sai Hung (Permanent Secretary for Development (Works), Mr Lam Sai-hung), Francis (Growth Director for Greater China of Arcadis, Mr Francis Au), colleagues, ladies and gentlemen,

Good morning.

It is a great pleasure to join you for today's Project Cost Management Forum. And my thanks to the Development Bureau and its Project Strategy and Governance Office for organising this important event. For bringing us together this morning.

When it comes to public works, the Forum's theme – "cultivating cost-consciousness" – is Hong Kong's theme: today and tomorrow. And for good reason.

Infrastructure and the construction industry have long played critical roles in the economic development of Hong Kong. And I can tell you they will also be essential to our post-pandemic economic revival.

Up to last week, the Public Works Subcommittee endorsed around HK\$200 billion for some 80 new capital works projects. Subject to the approval from the Finance Committee, that, ladies and gentlemen, amounts to record-high funding for new public projects within a single LegCo (Legislative Council) session. A fine start, I would say.

In the next few years, our annual capital works expenditure will exceed HK\$100 billion.

Coupled with private development projects, Hong Kong's overall construction volume will increase to some HK\$300 billion a year. That, I believe, makes a clear and compelling statement about this Government's commitment to infrastructure, to the construction industry and to the people of Hong Kong.

Commitment at that level calls for responsible, and innovative, management of resources.

With that in mind, I was pleased to hear Francis, just a few minutes

ago, speaking about the Arcadis 2021 International Construction Cost Index. Even more pleased to hear that Hong Kong had dropped from third all the way to eighth in the annual ranking of 100 of the world's major cities and their construction costs.

This isn't the Premier League table. The lower the better, as long as we maintain our high level of public works funding. And we are, and we will. So my thanks to the industry. I can only hope that Hong Kong will continue to tumble down the Arcadis table.

Since its creation in 2019, the Project Strategy and Governance Office has played a valuable role in the cost management of projects prior to their funding application stage.

Indeed, the Office, guided by "fitness for purpose" and "no frills" principles, has helped achieve savings of HK\$70 billion to date, that from more than 340 projects and a total estimated cost of HK\$640 billion .

The "no frills" and "fitness for purpose" guidelines work hand-in-hand with cost benchmarking during the planning and design stage of a project. Before significant resources have been committed.

They allow us to consider whether the project is value for money or whether, in fact, it should be reconsidered.

Building a supply chain conducive to cost-effective public projects is no less important.

That means strengthening project governance and employing such innovative construction strategies as Modular Integrated Construction and digitalisation. It also means working to ensure better productivity, sustainability and safety in our public projects.

These guiding principles emanate from "Construction 2.0", the Development Bureau's comprehensive analysis of the industry. Construction 2.0 spotlights innovation, professionalisation and revitalisation as vital to ensuring the construction industry's success through this 21st century of unbounded opportunity.

Underlying it all is the critical importance of building a cost-conscious culture. Ensuring that Hong Kong's resources and public funds are used smartly, effectively and efficiently – for the good of the industry and our economy, and for the well-being of our community.

I wish you a rewarding Project Cost Management Forum, and the best of business, and health, in the coming year.

Thank you.