

Construction Industry Council

Committee on Construction Procurement

Meeting No. 003/19 of the Committee on Construction Procurement was held on 19 September 2019 (Thursday) at 2:30pm at Board Room, 29/F, Tower 2, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay.

Present	:	Stephen LAI Yuk-fai (SLI)	Chairperson
		HO Ying-kit (HYK)	Prin AS (Works) 4
		WONG Mung-wan (MWW)	Assistant Director (Development & Procurement)
		Dick KWOK (DkK)	Chairperson of Committee on RMAA Procurement
		Robert LAM (PHL)	Chairperson of Task Force on Selection of Contractors
		Ricky LEUNG (RyL)	Chairperson of Committee on Reasonable Construction Period
		Raymond AU (RA)	
		CHAN Chi-chiu (CCC)	
		CHAN Kim-kwong (KKCN)	
		CHOW Ping-wai (CPW)	
		Rita CHUNG Fung-hing (RC)	
		Rocky POON Lock-kee (LKP)	
	In attendance	:	Albert CHENG (CTN)
		CHAN Lok Fai (ECN)	AS (Works Policies 4) 2
		Stephen HO (SnH)	Assistant Director – Industry Development
		Rocky CHO (RYC)	Senior Manager – Construction Procurement
		Parco LAU (PLU)	Manager – Construction Procurement
		Christopher CHEUNG (PHC)	Senior Officer–Construction Procurement
		Karen NG (KN)	Senior Officer–Construction Procurement
		Alex Katsanos	Arcadis (for item 3.3 only)
		Steven Beesley	Arcadis (for item 3.3 only)
		Madelene Li	Arcadis (for item 3.3 only)
Apologies	:	Ivan FU Chin-shing (FI)	Chairperson of Working Group on Flat Inspection
		HUNG Cheung-shew (CSH)	

Simon WONG Hin- (SWHW)
wing
Eliza WONG Yeuk- (EWYL)
lan

MINUTES

Action

3.1 Confirmation of the Minutes of Meeting No. 002/19

Members took note of the paper CIC/CPT/M/002/19 with no further comments, and confirmed the Minutes of Meeting No. 002/19.

3.2 Matters Arising from the Previous Meeting

In regard to the discussion on item 2.4 the Tender Evaluation Method of Public Works Contract, RYC reported to members that the Secretariat had previously conducted a meeting with the representative of the Development Bureau for further discussion on the subject matter. The Development Bureau had shared the preliminary analysis on past tender records at the meeting, and would consider every improvement suggestion, even though no biased evaluation had been identified. ECN supplemented that the analysis included tender prices and the relationship between the performances of contractors and successful bidders, and would continue communicating with the Secretariat for reviewing the suggestions on improving the tender assessment method and making corresponding adjustments.

3.3 Report of Preliminary Results of Study on RMAA Market

The representatives of Arcadis Consultancy Hong Kong Limited reported the preliminary results of the research, which revealed that the major factors affecting consultancies and constructors' participation in the Repair, Maintenance, Alteration and Addition (RMAA) market are the capital problems of owners, low market transparency, and competency of consultancies and contractors.

DkK opined that the suggestions on the report were rather generic, and advised that Arcadis should devise a more specific and concrete solution. For example, contractors generally were unwilling to adopt lump sum contracts, and they considered re-measurement contracts might better fit the nature of RMAA works. This reflected the necessity for the industry to explore a contract mechanism more concordant with the expectations from various parties.

PHL reflected that the underpaid consultancy fee in the RMAA market had resulted in the insufficient preparation of tender

documents that easily gave rise to more addition and alteration procedures, which increased the overall construction cost.

The RMAA market research would be concluded on schedule, and the final report of the research was expected to be completed at the end of October this year.

3.4 Issuance of “Procurement Alert – Anti-Competitive Practice”

RYC reported the paper CIC/CPT/P/008/19 to Members, and invited Members to discuss and provide advice.

**CIC
Secretariat**

CCC opined that the procurement alert to be delivered to various Registered Subcontractors (SRS), as mentioned in the paper, should be separately distributed to the Registered Specialist Trade Contractors (RSTC) and SRS; and suggested that the alert should be widespread to the public. CPW suggested that, in addition to promoting to the public that the alert would be uploaded to the CIC website, the alert should be sent to the Hong Kong Construction Industry Employees General Union for further distribution to members of all trade unions, such that more industry practitioners might know about the information.

ECN stated that the phrase “the lowest tender price (最優惠價格)” in the procurement alert should be replaced by “the most economical (最符合經濟效益)”, and reminded the Secretariat to obtain legal advice for the procurement alert.

PHL and DkK spoke respectively, commenting that the industry was rather unaware of the Competition Ordinance, and that the Competition Commission’s publicity targeting the construction industry was insufficient. With reference to the practice of the Commission Against Corruption, it was considered that lectures and seminars should be organised at construction companies or relevant institutions on a regular basis. SLI agreed and advised the Secretariat to liaise with the Competition Commission and coordinate the organisation of publicity events targeting the industry practitioners.

After discussion, Members approved revising the wording and issuing the procurement alert upon obtaining legal advice.

3.5 Views from the Committee on Construction Safety on the Effect of Construction Period on Construction Safety

RYC reported to Members the paper CIC/CPT/P/009/19 and a correspondence from Ir Dr. Derrick PANG Yat-bond, Chairperson of the Committee on Construction Safety, in relation to the comments and suggestions on the safety issues resulted from the handling of extension of time (EOT) by owners.

**CIC
Secretariat**

It was mentioned in the correspondence that improper handling of EOT would affect construction safety, and hoped that the comments on the handling of EOT would be assigned to the Committee on Reasonable Construction Period for follow-up and discussion.

LKP stated that one of the major purposes of the proposed Security of Payment Legislation was to solve the untimely handling of claims on EOT, as well as other subsequent construction problems. He opined that such problems would be relieved after the proposed legislation had come into force.

RyL stated that the first priority of the Committee on Reasonable Construction Period is to establish a set of reasonable construction period indicators for the industry to benchmark the reasonability of construction works contracts. It was hoped that with the use of the indicators, the construction period performance of various superstructure projects would be objectively determined. In-depth inspection of the individual factors of construction period performance is not the main purpose of the study.

After discussion, Members unanimously agreed that there was no obvious causal relationship between the handling of EOT and construction safety. In addition, the construction safety matters were not fully under the current scope of work of the Committee on Reasonable Construction Period. It was suggested that the subject matter to be closely monitored and further review after the Security of Payment Legislation had been enacted and the index of reasonable construction period had been established. The Secretariat would divert the comments from the Committee on Construction Procurement to Ir Dr. Derrick PANG Yat-bond, Chairperson of the Committee of Construction Safety.

3.6 Reference Material – Selection of Contractors

PHL reported the paper CIC/CPT/P/010/19 to Members. After relevant associations having reviewed the reference material prepared by the consultancy in July 2018, it was considered that there was room for the improvement in the content. CIC therefore engaged LESK Solutions (LESK) as consultancy, responsible for editing and refining the reference material.

**CIC
Secretariat**

The revised reference material was submitted to Task Force Members and relevant professional associations by circulation of papers in September for further review. The comments from members on the reference material were contained in the attachment of the paper CIC/CPT/P/010/19, and recently received comments from the Hong Kong Institute of Surveyors were also presented in the meeting.

SLI concluded that comments from all committee members and members of the Hong Kong Institute of Surveyors were mainly suggestions on the wording, and therefore suggested assigning the revision work to LESK after having consolidated views from various parties. It was hoped that the final version would be circulated to Members for approval in November and officially published to the public by the end of this year. Members in principle approved the release of the reference material after revision had been made.

3.7 Establishment of Joint Task Force with the Committee on BIM for Preparation of BIM Contract Clauses and Technical Specification

RYC briefed Members on the purpose, member composition and division of duties of the Task Force jointly established by the Committee on Building Information Modelling (BIM). Such arrangement had been approved by the Committee on BIM, and pending for the review by Members.

The CIC Secretariat had begun collecting and referencing the BIM contract clauses adopted by the government and the private market, with a view to outlining suitable standard contract clauses and technical specification. The work was expected to be completed this year, and would be published to the industry next year. After discussion, Members raised no objection to the establishment of the Joint Task Force or relevant arrangement.

PHL mentioned that because of the high procurement cost of BIM related applications and system equipment, special consideration and handling should be dealt with the contract clauses. For example, such cost should be borne by the owners on a cost reimbursement basis, which was considered more reasonable to consultancies and contractors.

RyL suggested the Joint Task Force provide the industry with comprehensive BIM contract clauses and technical specification by various modules, from which the industry could choose according to different construction needs, so as to avoid setting the clauses and technical requirements too high and overly homogenous. RyL also advised that the standard technical specification should comply with the approval standard of BIM plans defined by the Buildings Department (BD), and that the BD should be represented on the Joint Task Force.

RYC responded that as the adoption of BIM on building plans was approved by the BD on a voluntary basis, and relevant technical details were being drafted, the preparation of BIM standard contract clauses and technical specification may not fully comply with the future requirement of the BD. The Task Force might launch an updated version in accordance with the future market development and needs. SLI supplemented that as the Development Bureau had already been represented on the Committee on BIM, and that the Development Bureau would coordinate various works departments, including the BD, based on topics discussed, there would be no need to delegate its representative to join the Joint Task Force.

Members approved the establishment of Joint Task Force, together with the Committee on BIM. The Secretariat would draft the terms of reference of the Joint Task Force, which would be circulated to Members for review.

3.8 Report of Overseas Study Visit – Committee on Construction Procurement Visit to Beijing and Xiong'an

RYC briefed Members on the paper CIC/CPT/P/011/19 and the Committee's visit to Beijing and Xiong'an early this year. Members noted the report concerned.

3.9 Task Force on Reasonable Construction Period

RyL reported the latest progress to Members.

The tender invitation on consultancy service on the research of reasonable construction period had been sent out and the tender closing date was 23 September. The tender assessment panel would interview the bidding consultancies in October. It was expected that the inception report would be received within one and a half month after the tender contract had been awarded.

Members noted the work progress of the Task Force.

3.10 Working Group on Flat Inspection

RYC reported the latest progress to Members on behalf of FI.

The production house had shot two videos, with the themes of marble/plastering and paint, respectively. The first cut had been submitted to members of the working group for preliminary review, and, in order to gauge views, the Working Group would arrange a meeting with representatives of subcontractors in October, and the media production house would revise and edit the videos based on the integrated views. Upon the approval of the Working Group on the revised videos, the Secretariat would arrange another meeting to display the videos and consult with Members. SLI hoped that the videos would be provided to Members in time for review.

Members noted the progress of the Working Group.

3.11 Any Other Business

DkK commented on the study tour to the United Kingdom organised by the Secretariat this year. He opined that the study tour promoted individual insight and growth for members, contributing to the return of knowledge and experience to the local industry. However, the allowances granted to members of the Committee were relatively low. For example, some members had to participate in the UK visit at their own expense, as the air ticket and accommodation expenses alone had exceeded the rates of allowances. He suggested the rates of allowances for overseas duty should be adjusted based on the location of duty, the number of serving committees of members and other factors. He also

suggested that CIC Members and non-CIC members should be granted the same rates of allowances in recognition of the contribution of all Committee members.

CTN responded that the policy of overseas duty visits, including levels of allowances, should be approved by the CIC. Comments on the execution of the policy could be reflected and discussed on the CIC meeting upon the approval of the Chairperson of the Committee.

3.12 Next Meeting

The next meeting was scheduled for 5 December 2019 (Thursday) **All to note** at 2:30pm at Board Room, 29/F, Tower 2, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay.

There being no other business, the meeting was adjourned at 4:35 pm.

CIC Secretariat
September 2019