

Construction Industry Council

Committee on Subcontracting

Meeting No. 001/13 of the Committee on Subcontracting for 2013 was held on 8 January 2013 (Tuesday) at 2:30pm at Meeting Room 1, CIC Headquarters, 15/F Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.

Summary Notes of the Committee on Subcontracting Meeting No. 001/13.

Agenda Item	Paper	Major Resolutions/ Progress Highlights
1.1	CIC/SBC/R/005/12	<u>Confirmation of the Progress Report of the Previous Meeting</u> - Members confirmed the progress report of the previous meeting held on Tuesday, 9 October 2012 at Meeting Room 1, CIC Headquarters, 15/F Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.
1.2		<u>Matters Arising from the Last Meeting for 2012</u> Item 1.2.1 - The Reference Material for Application of Dispute Resolution in Construction Contracts was approved by the Council on 26 October 2012 and would be published by uploading on CIC web site for public access in January 2013. A new task force would be set up in 2013 to review the implementation of the dispute resolution mechanisms proposed in the reference material.
1.3	CIC/SBC/P/001/13 (for discussion)	<u>Report of the Hong Kong Construction Association – Hong Kong’s Construction Industry Vision 2020</u> - Members received a brief introduction by Mr. Russell Jones on the essence of the Construction Industry 2020 Vision published by HKCA in June 2012.

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		<p>The Vision 2020 was prepared considering the need to set long-term goals for Hong Kong's construction industry to cope with the fast-paced and ever-changing business environment over the coming years. Five strategic areas of focus (on page C19) that are essential to the successful growth and prosperity of Hong Kong's construction industry were identified by HKCA.</p> <p>In response to multi-layer subcontracting, a Member pointed out that each layer in effect created value in different ways. There was always value in subcontracting practice. Yet, the subcontractors in each layer should have the obligation to take a fair share of risk and profit. Defined in many literatures as one of the most complicated industries engaging a variety of industries and processes to complete the building projects, another Member highlighted that it was necessary for construction industry to engage lots of participants to share the risk. Hence, it was difficult to remove or eliminate the layering arrangement of subcontracting. To maintain sustainable development of the industry, there was a need to foster behavioral and cultural change across the industry. More industry supports should however be given to help subcontractors develop and enhance the quality of their delivery.</p> <p>Chairman summarised that the ultimate goal of the industry was to create a level playing field for all industry players. The task forces established by the Committee also strived to create a fair and just environment through security of payment legislation, standard contract provisions for domestic subcontract and dispute resolution documentation where people at all levels of stakeholders could continuously develop and improve their practice.</p> <p>After a long discussion, Chairman concluded this session by requesting Members to send further comments or recommendations to the Secretariat in writing on any forward looking initiatives in relation to subcontracting that should be taken forward by the council.</p>

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1.4	CIC/SBC/P/002/13 (for endorsement)	<p><u>Informal Working Group on Review of Specification of Variable Remuneration in Specimen Employment Contract</u> - In response to all the comments of Members, Chairman suggested not going into great detail about specific items or wording of the contract. As a matter of urgency, Members were urged to endorse the revised specimen employment contract without further delay to avoid unscrupulous employers to take advantage of the loopholes to demand workers to sign contracts at a much lower pay than they were actually earned. To encourage wider adoption of the revised employment contract, a Member suggested studying the feasibility of imposing a requirement in SRS's rules and procedures to encourage registered subcontractors to sign written employment contract with their employees, particularly in private works projects.</p> <p>After a long discussion, Members endorsed the revised specimen employment contract set out in Annex A of the paper.</p>
1.5	CIC/SBC/P/003/13 (for discussion)	<p><u>Formation of the Task Force on Adoption of Dispute Resolution System to Subcontract</u> - A Member suggested that some recommendations should be made to the committee after deliberating and reviewing the feasibility of introducing DRA system in the subcontract level. The key point would be added in the proposed terms of reference for task force's consideration and deliberation.</p> <p>With extensive knowledge and hands-on experience in DRA system, Mr. John Battersby was proposed as a suitable person who could provide expert insights into the feasibility of introducing DRA system in subcontract level.</p> <p>Proposed by a Member, the documents to be prepared should be fine-tuned to avoid giving the wrong impression that the DRA appointed by the client/employer was believed to be the same</p>

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		person as the DRA appointed in subcontract level. Members endorsed Sr Bay Wong to chair the task force.
1.6	CIC/SBC/P/004/13 (for information)	<u>Update on SRS Operations</u> - The regulatory actions of the SRS, which came into effect from 1 January 2013, had been strengthened by extending the coverage, including late payment of workers' wages and/or MPF contributions over 10 days by solid proof (without conviction) from Housing Department. The report on various promotional activities for the launch of SRS was also shown in Annex A for Members' reference.
1.7		<u>Any Other Business</u> - With the implementation of SRS, some minor amendments would be made to points i and ii of the terms of reference of the committee: i. To operate and develop the Voluntary Subcontractor Registration Scheme (VSRS). ii. To raise the professional standard of subcontractors through providing training courses and other value-added services under the VSRS and coordinating the training organised by other organisations.