

Construction Industry Council

Committee on Procurement

The Meeting No. 001/09 of the Committee on Procurement was held on Thursday, 5 February 2009 at 2:30 pm at Room 1201, Murray Building, Garden Road, Central.

Present : Russell BLACK (RB) Chairman
Andrew CHAN (AC)
CHEUNG Tat-tong (TTC)
Conrad WONG (CW)
James CHIU (JC)
LAM Wo-hei (WHL)
LEE Shing-see (SSL)
Thomas HO (TH)
Ada FUNG (AF) For Permanent Secretary for
Transport and Housing
(Housing)
MOK Wah-hoi (WHM) Government Representative -
ICAC
CHAN Nap-ming (NMC) Housing Department
CHEUNG Lung-hing (LHC) Construction Site Workers
General Union
Colin JESSE (CJ) Evans and Pecks (HK) Ltd
Hugh WU (HW)
Ian COCKING (IC) Minter Ellison Lawyers
James BLAKE (JB) Kowloon-Canton Railway
Corporation
LAU Chun-kay (CKL) Hong Kong Federation of
Electrical and Mechanical
Contractors
Margaret COATES (MC) CLP Power Hong Kong Ltd.
Mohan KUMARASWAMY (MK) University of Hong Kong
Charles CHOW (CC) Architectural Services
Department
Edward LEE (EL) Civil Engineering and
Development Department
In Attendance : Christopher TO (CL) Executive Director
Alex LEUNG (AL) Senior Manager (Council
Services) 1

	Claudia AU	(CA)	Manager (Council Services) 1
	Alan AU	(AA)	Principal Assistant Secretary for Development (Works) 1
	Kei-hung TAO	(KHT)	Chief Assistant Secretary for Development (Works) 1
	Rico CHEUNG	(RC)	Development Bureau
	Lawrence CHUNG (for agenda item 1.3)	(LC)	Housing Department
	YEUNG Ka-man (for agenda item 1.3)	(KMY)	Housing Department
	Martin DUNN (for agenda item 1.3)	(MD)	MTRCL
	Steve GRIFFIN (for agenda item 1.3)	(SG)	MTRCL
Apologies	: Francis BONG	(FB)	
	Teresa CHENG	(TC)	
	Billy WONG	(BW)	
	David TONG	(DT)	Government Representative - Development Bureau

PROGRESS REPORT

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1.1 Confirmation of the Progress Report of the 6th Committee Meeting

Members took note of Paper CIC/PCM/R/006/08 and approved the progress report of the last meeting held on Monday, 13 October 2008 at Murray Building.

1.2 Matters Arising from the Previous Meeting

- (i) Agenda item 6.2.1:
Deliberations made at the informal meeting for ICAC's proposal on the formulation of a consultants' list and cost database would be discussed under agenda item 1.5.
- (ii) Agenda item 6.3:
The way forward for the possible development of the

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guidelines on Contract Price Fluctuation System (CPFS) in private sector construction contracts would be discussed under agenda item 1.3.

1.3 Contract Price Fluctuation System (CPFS) for Private Sector Construction Contracts

Members took note of Paper CIC/PCM/P/001/09 which updated Members on the development and experience of the subject from MTRCL, Housing Department and DEVB gathered subsequent to the last Committee meeting.

Upon invitation by the Chairman, LC from the Housing Department and SG from the MTRCL conducted presentations on the experience of CPFS development and application in their respective organizations.

LC presented to Members an overview of the basic principles, application, mechanisms and worked examples of contract price fluctuation (CPF) in Housing Authority (HA) new works and maintenance works contracts with durations below or exceeding 12 months. (A copy of HA's paper on "Application of Contract Price Fluctuations in Housing Authority New Works and Maintenance Works Contracts" was tabled for Members' reference.)

SG conducted the presentation (*titled "MTR strategy for the inclusion of a Contract Price Adjustment Mechanism in Construction Contracts"*) highlighting to Members that Contract Price Adjustment (CPA) was only applicable to their new projects. The background, varieties of contracting methods including target cost, civil or building lump sum, multi-discipline lump sum and building services or systemwide E&M lump sum with worked examples were introduced to Members.

The Chairman indicated that in view of the complexity and specialty of the subject, the formation of a Task Force with leadership from an expert on CPFS would be desirable and it was supported by the Members. The CIC Secretariat would follow up with the establishment of the Task Force and

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interested Members were encouraged to volunteer in joining the Task Force for providing expertise and guidance on the subject. The Chairman would work with the CIC Secretariat in identifying a suitable Chair for the Task Force.

**All to note/
RB/
CIC
Secretariat**

1.4 Progress Report of the Task Force on Partnering

Members took note of the Paper CIC/PCM/P/002/09.

The Chairman extended his appreciation to the efforts contributed by the Chairman (CJ) and Members of the Task Force and the Working Group in the past few months for their invaluable hard work provided in drafting the preliminary version of the Guidelines on Partnering for implementation in the local construction industry.

CJ reported the salient points of the discussions made at the three Task Force Meetings and two Working Group Meetings held from October 2008 to February 2009 for the preparation of the Guidelines. In particular, the four major principles to abide by in the drafting process of the Guidelines, namely uniqueness, practicality, achievable but challenging, and illustrative. CJ thanked all the Leaders and Members of the Working Group who had spent tremendous efforts in researching and preparing the respective five sections of the draft Guidelines. Further Task Force Meetings would be convened for fine-tuning the draft. The final editing of the English version was planned to be completed in August 2009, after which both the final draft of the English and Chinese versions would be submitted to the Committee for approval in October 2009 and further endorsement by the CIC in December 2009.

Members reviewed the “First Draft of the Guidelines on Partnering” in Annex A of the paper and supported the contents in general. It has been agreed that the main contents of the Guidelines should be precise and concise for ease of comprehension by industry personnel. In this connection, the details of NEC application as well as relevant samples of contracts, projects, case studies of respective topics would be appended to the main contents of the

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Guidelines.

Members were requested to provide any of the aforementioned information, in particular relevant sample projects, to the Task Force Chairman for compilation once available. Furthermore, Members were requested to provide their comments, if any, on the “First Draft” by e-mailing to CJ and the CIC Secretariat on or before 12 February 2009.

All to note

[NMC left the meeting at 3:50pm.]

Members further deliberated that involvement of and endorsement by developers / clients in the development of the Guidelines would be imperative for successful implementation of partnering in the local construction industry. Following on this, Members were requested to consider whether the implementation would be more appropriate by way of producing (a) a set of Guidelines recommending the practicable means of adopting partnering on a voluntary basis; or (b) a Code of Practice / Best Practice stating the CIC’s standpoint in endorsing partnering and that the industry should adopt partnering by complying with the requirements stated therein. The aforementioned issues would be further deliberated in the next scheduled Committee Meeting.

All to note

1.5 **Summary Notes of Informal Meeting for ICAC Proposal on the Formulation of a Consultants’ List and Cost Database**

Members took note of Paper CIC/PCM/P/003/09 which summarized the discussions made by participants of the aforementioned informal meeting held on 17 December 2008.

ICAC opined that whilst the Registered Inspectors (R.I.) List to be established by Buildings Department under the proposed Mandatory Building Inspection Scheme could be considered as a basis for developing the Consultants’ List, it would take at least another 18 months for the R.I. List to be developed. With regard to the cost database, Members noted that although the Hong Kong Institute of Surveyors

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(HKIS) was working closely with the Housing Society (HS) and the City University of Hong Kong on an academic research project in identifying a model to interpret meaningfully the raw data on R&M items provided by the HS, HKIS has yet to consider the appropriateness of maintaining the cost database concerned. HKIS would update the CIC Secretariat regarding their decision in due course.

TTC

It was suggested that the consultants / contractors should form respective associations on R&M works and then the ethical issue be instilled into the members. Furthermore, it was suggested that representatives from the Hong Kong Construction Association and the Home Affairs Department should be invited to participate in the informal meetings to enrich the input to the discussions.

CIC Secretariat

Further informal meetings would be convened to deliberate on the way forward for the ICAC proposal.

**WHL/
TTC/AC**

[JC and CKL left the meeting at 4:15pm; and JB left the meeting at 4:30pm.]

1.6 Any Other Business

Nil.

1.7 Next Meeting

30 April 2009 (Thursday) at 2:30pm at Room 1201 of Murray Building. **All to note**

There being no further business, the meeting adjourned at 4:40pm.

Remarks: The mentioned papers discussed in the meeting of the Committee on Procurement can be made available to the Council Members from the CIC Secretariat upon request.

CIC Secretariat
February 2009