

Construction Industry Council

Committee on Procurement

Meeting No. 004/10 of the Committee on Procurement was held on Tuesday, 30 November 2010 at 2:30 pm at Room 1201, Murray Building, Garden Road, Central, Hong Kong

Present	: Tai-chong CHEW	(TCC)	Chairman	
	Andrew CHAN	(AC)		
	Wai-wah HO	(WWH)		
	Kam-hung YU	(KHY)		
	Wo-hei LAM	(WHL)		
	Steve GRIFFIN	(SGN)	MTR Corporation Limited	
	Kevin POOLE	(KP)	Airport Authority Hong Kong	
	Ming-wai LAU	(MWL)	Chinese Estates Holdings Limited	
	David TONG	(DT)	Development Bureau	
	Wah-hoi MOK	(WHM)	Independent Commission Against Corruption	
In Attendance	: Kwok-hung LI	(KkHL)	Civil Engineering and Development Department	
	Sheron LI	(SNL)	Architectural Services Department	
	Lawrence CHUNG	(LWCh)	Housing Department	
	Damon SO	(DSO)	Hogan Lovells (presenter for agenda item 4.3)	
	Henry WHEARE	(HWh)	Hogan Lovells (presenter for agenda item 4.3)	
	Sing-mo HO	(SMH)	CLP Power (presenter for agenda item 4.4)	
	Keith TAM	(KT)	Drainage Services Department (presenter for agenda item 4.4)	
	Christopher TO	(CT)	Executive Director	
	Guiyi LI	(GYL)	Senior Manager (Research)	
	Alex LEUNG	(AL)	Senior Manager (Council Services) 1	
	Summer LEE	(SrL)	Manager (Council Services) 1	
	Apologies	: Siu-hung CHAN	(SHC)	
		Thomas HO	(TH)	
Oi-ki Peter LAM		(OKL)		
Duncan PESCOD		(DWP)		
Ada FUNG		(AF)		
Irene CHENG		(ICG)	Housing Authority	
Alex KWAN		(AKN)	The Association of Consulting Engineers of Hong Kong	

PROGRESS REPORT

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4.1 Confirmation of the Progress Report of the Committee Meeting No. 003/10

Members took note of the Paper CIC/PCM/R/003/10 and approved the progress report of the last meeting held on Monday, 22 June 2010 at Board Room, MTR Headquarters Building subject to one amendment to the list of attendees that the name of Mr MW WONG should be removed as he did not attend the last meeting.

4.2 Matters Arising from the Previous Meeting

Agenda item 3.4:

CIC colleagues responsible for secretarial support to the Committee on Subcontracting would be kept informed of the works of the TF on SCC.

Agenda item 3.6.1:

The Technical Seminar on Collaborating Contacting Approach would be held on 12 Jan 2011 at Theatre, Level 2, Fo Tan Railway House. CIC Secretariat thanked the Chairman for his assistance and MTRC for sponsoring the seminar venue. Registration was opened from the date of the meeting until 20 December 2010. Members were encouraged to participate and assist to promote the event to their organisations, if appropriate. The target number of participants was 150. Twelve organisations were contacted as supporting organisations of the event. Confirmations were received from eleven of them. It was anticipated that confirmation from the last one would be received after their Council meeting in mid-December 2010.

Agenda item 3.6.2:

This item would be discussed under agenda item 4.6.

4.3 Competition Bill

Representatives of Hogan Lovells, Mr Henry WHEARE and Mr Damon SO, were invited to deliver a presentation at the meeting on the background and possible impacts of the Competition Bill to the industry.

Members raised questions on whether the existing procurement practices might contravene the Bill, e.g. selective tendering, joint venture arrangement, contract award based on other factors and not solely on price, etc.

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In the interest of time, Members were requested to review and provide feedback to the CIC Secretariat before next Committee meeting on the need for setting up a task force to review the issues and take up the follow up actions, e.g. drafting of a set of guidance notes similar to the one adopted in the United Kingdom, i.e. Construction Industry Competition Law Code of Conduct.

Members were also requested to suggest membership of the possible Task Force as well as provide input on its terms of reference, as if appropriate, for consideration.

All

4.4 Collaborative Contract – NEC3

Representative of CLP Power, Mr Sing-mo HO and representative of Drainage Service Department, Mr Keith TAM, were invited to deliver presentations at the meeting on their experience in the adoption of NEC3 form of contracts in maintenance contract and capital works project.

Members deliberated the behavioural change of project team members, how benefit of partnering could be cascaded down the supply chains to sub-contractor level, differences in the adoption of target cost approach using traditional form of contract and the NEC3 form of contract, etc.

DT supplemented that there were more projects along the pipelines in government which would be put under trial of NEC3 form of contracts using option C, ie. Target Contract with activity schedule. Some of them were Design and Build Contracts in which consultants would be involved. In addition, NEC consultant would be appointed to advise the implementation details, including the open book accounting approach.

Members were requested to review and provide feedback to the CIC Secretariat on the necessity of setting up a task force to review the benefits and provide guidance to the industry, membership and terms of reference, before the next Committee meeting for further deliberation.

All

4.5 Key Performance Indicators (KPIs) for Construction Industry

Members received a presentation from Dr Li, Senior Manager (Research) of CIC Secretariat on the proposed initial key performance indicators for construction industry, and made the following comments and suggestions:

- The total number of proposed KPIs seemed to be too

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- many, i.e. 17 numbers, and should be streamlined;
- The core elements and key issues should be highlighted in the design of KPIs in order to create impact for improvement;
 - The implications and how the proposed KPIs relate to the development of the industry should be defined, e.g. GDP contribution might be replaced by the construction output and the type of output such that the industry could understand and properly planned for training and the provision of labour and manpower required;
 - Professional services, i.e. architects, engineers, etc, were increasingly exported to meet the need in other countries / areas. The skills required and the types of need in those countries and areas could provide an indication to the type of trainings and number of graduates required to be provided by local educational and / or training institutes;
 - The indicators on efficiency and productivity as well as quality performance should be developed;
 - A new KPI, construction output in terms of construction floor area, was suggested which could help to gauge the construction worker's productivity when it was compared to the number of workers;
 - Total number of workers as indicated in Table 6 was one quarter of the employees in construction industry as indicated in table 10 which led to possible confusion. Explanation of the types of employees counted in the indicator(s) would be required for clarification;
 - Data from the private sector should be collected in order to reflect the comprehensive picture of the whole construction industry, e.g. the data source of KPI 14 from Census and Statistics Department reflected only the information collected in public works projects;
 - Indicator(s) on Research and Development / Innovation should be added to benchmark Hong Kong's performance in other countries / areas; &
 - The principles of the compilation of any 'average' figures in the KPIs should be clearly defined and stated in order to avoid possible confusion.

DT supplemented that the 3-stage system as suggested in para.5.2 of the paper was stopped after completion of the works in stage 1 as PCICB did not agreed with the model proposed at that time.

The Chairman shared with Members that in an environmental study conducted internally by MTRC on railway projects, it was

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concluded that in order to effectively reduce carbon footprint, MTRC should look at the issue from the civil design of the infrastructure on how the concrete and rebar were used which constituted 85% of the emission while the electricity and energy used for the operation and maintenance constituted only to the remaining 15%. The Chairman remarked that KPI(s) should be designed in a way such that it could drive improvement to address root causes of the issues.

4.6 Repair, Maintenance, Alternations and Additions Works (RMAA)

AL briefed Members on the paper CIC/PCM/P/018/10 which provided a brief background of the procurement of RMAA works and a summary of observations on RMAA works under the OBB Scheme.

Members expressed that the building owners were often the elderly who might not have knowledge on how to execute RMAA works, thus provision of assistance to them was considered necessary. In addition, small contractors might not have the same level of capital as giant contractors in carrying out comprehensive site safety management measures. Nevertheless, construction safety issues should be addressed properly.

Members were requested to review and provide feedback to the CIC Secretariat before the next Committee meeting for further deliberation

All

4.7 Draft Guidelines on Contract Price Fluctuation System for Private Sector Construction Contracts

SGN briefed Members the content of the draft guidelines. Members were requested to provide comments to SGN and the CIC Secretariat in two-week time. Comments would be incorporated and the final draft would be submitted to the Committee at its next meeting for endorsement and then approval by the Council for issuance.

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The Chairman thanked for the contribution and efforts of the Task Force and suggested that the final draft guidelines should be sent for legal vetting in parallel, if necessary, such that they could be issued for the benefits of the industry as soon as practicable.

4.8 Progress Report of Meeting No. 003/10 of the Task Force on the Selection of Consultants and Contractors

Members took note of the paper no. CIC/PCM/P/020/10 which

was reported by Mr Kevin Poole verbally in the last Committee meeting.

4.9 Situation Report of TF on SCC

Mr Kevin Poole briefed Members on the works of the Task Force, the recommended actions together with the associated revised programme of the Task Force.

It was also reported there were possible solutions suggested in the Task Groups to resolve the issues but they were immature to be presented to the Committee as more time would be needed for deliberation in order to reach consensus.

4.10 Year Plan 2010/2011

AL introduced the paper CIC/PCM/P/022/10 regarding the proposed revised Year Plan 2010/2011 for the Committee on Procurement in which the programme of the TF-SCC was updated to cope with the recommendations of the Situation Report.

Members concurred with the proposed adjustments and endorsed the revised Year Plan 2010/2011.

4.11 Meeting Schedule for 2011

Members took note of the meeting schedule for 2011.

4.12 Any Other Business

4.12.1 Nomination of Co-opted Member

AL reported that HKIS's had requested the Committee to re-consider their proposed nomination of Mr Thomas KK Ho, who was the Honorary Secretary of the Quantity Surveying Division of HKIS, as a co-opted member of the Committee. Members had no objection to the nomination and CIC Secretariat would notify the Council regarding the aforementioned via the Summary Notes of this meeting to be submitted for the Council Meeting in December 2010.

**CIC
Secretariat**

4.12.2 Technical Seminar

The Chairman reminded Members of the technical seminar to be held in Jan 2011 on the concept of partnering and collaborative contracting. Members were encouraged to participate and register for the Seminar as soon as possible, as seats were limited.

4.13 Next Meeting

29 March 2010 (Tuesday) at 2:30 pm at Room 1201, Murray **All to note**
Building, Garden Road, Hong Kong

There being no further business, the meeting adjourned at 17:00.

CIC Secretariat
March 2011