

Construction Industry Council

Committee on Procurement

Meeting No. 001/10 of the Committee on Procurement was held on Monday, 12 April 2010 at 2:30 pm at Board Room, 23/F, MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon

Present	:	Tai-chong CHEW	(TCC)	Chairman
		Andrew CHAN	(AC)	
		Siu-hung CHAN	(SHC)	
		Thomas HO	(TH)	
		Wai-wah HO	(WWH)	
		Peter LAM	(OKL)	
		Wo-hei LAM	(WHL)	
		Steve GRIFFIN	(SGN)	MTR Corporation Limited
		Ming-wai LAU	(MWL)	Chinese Estates Holdings Limited
		Wah-hoi MOK	(WHM)	Independent Commission Against Corruption
	Kevin POOLE	(KP)	Airport Authority Hong Kong	
	David TONG	(DT)	Development Bureau	
In Attendance	:	Edward LEE	(ELE)	Civil Engineering and Development Department
		Sheron LI	(SNL)	Architectural Services Department
		Mung-wan WONG	(MWW)	Housing Department
		James LAW	(JsL)	[representing Kam-hung YU as an observer]
		Christopher TO	(CT)	Executive Director
		Alex LEUNG	(AL)	Senior Manager (Council Services) 1
	Summer LEE	(SrL)	Manager (Council Services) 1	
Apologies	:	Thomas CHAN	(ThCN)	
		Kam-hung YU	(KHY)	
		Ada FUNG	(AF)	
		Irene CHENG	(ICG)	Housing Department
		Alex KWAN	(AKN)	The Association of Consulting Engineers of Hong Kong

PROGRESS REPORT

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1.0 Opening of Meeting

The Chairman welcomed all Members in attending the meeting.

1.1 Confirmation of the Progress Report of the Committee Meeting No. 004/09

Members took note of the Progress Report CIC/PCM/R/004/09 and approved the Progress Report of the last meeting held on 21 October 2009.

1.2 Matters Arising from the Previous Meeting

Item 4.3 – The Guidelines were reviewed and approved by the Construction Industry Council (CIC) at its 6th meeting in 2009 on 9 December 2009. The Guidelines would be ready for publication upon completion of the copy-editing process and the finalization of the disclaimer and preface which were under reviewed by CIC's legal adviser and commented by the Labour Department. It was targeted that the Guidelines would be issued by middle of the year 2010, i.e. 30 June 2010. Members concurred that the Task Force on Partnering had completed the assigned tasks and thanked for the Members of the Task Force's contribution.

Item 4.5 –A reply slip was received from the Real Estate Developers Association of Hong Kong (REDA) on 23 October 2009 confirming that there was no nomination from their organization to join the Task Force on the Selection of Consultants and Contractors (SCC).

Item 4.6 – For tasks in the coming years, they would be discussed under agenda item 1.6.

1.3 Committee Membership, Terms of Reference and Meeting Rules

AL briefed Members on the Paper CIC/PCM/P/001/10.

Members deliberated and endorsed the proposed list of Co-opted Members as shown at Annex A for approval by the CIC. It was mentioned that the term of office for Co-opted Members of the Committee would not exceed 2 years (this

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term of office would expire on 31 January 2012) and would be eligible for reappointment. In addition, Co-opted Members would not have voting right.

Regarding those nominations received from the Hong Kong Institute of Surveyors and the Hong Kong Federation of Electrical and Mechanical Contractors, reply letters would be sent to the respective organizations informing them the Committee's decision and acknowledging their support.

**CIC
Secretariat**

Some Members suggested that participation from private sector, e.g. the Real Estate Developers Association of Hong Kong (REDA), would be important to the Committee. The CIC Secretariat would prepare an invitation letter for the Com-PCM Chairman's issuance to REDA.

**TCC/CIC
Secretariat**

The Chairman invited Members to express their interest to join the task forces set up under the Committee and reminded interested Members to complete the reply slip and return it to the Secretariat by 30 April 2010.

All to note

Members were also reminded to comply with the Code of Conduct issued to them and follow the Guidelines on Declaration of Interests to make disclosure as necessary. An acknowledgement form on the same would be sent to Members for completion.

1.4 **Progress Report of Meeting No. 001/10 of the Task Force on Contract Price Fluctuation System (CPFS) for Private Sector Construction Contracts**

SGN briefed Members on the Paper CIC/PCM/P/002/10 regarding the progress of the Task Force on CPFS for Private Sector Construction Contracts. The first meeting of the Task Force (TF) in 2010 was held on 30 March 2010.

The TF had deliberated a number of options and proposals on CPFS, including the risk sharing options, effective dates of the adjustment, one-off / progressive adjustment, etc. Members of the TF were requested to consult their respective organizations and to revert back their comments by end of April 2010 for consideration in the preparation of the proposed guidelines.

SGN highlighted that REDA was positive in issuing guidelines on CPFS.

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It was reported that a Member of the TF had questioned the appropriateness on the use of the word ‘Guidelines’ which direction of the Committee or Council would have to be sought. CT would clarify the use of the different names, including guidelines/ code of practice / code of conduct, etc. after consultation with the Council for the Committee’s consideration. CT was asked to provide the Chairman with a list of Guidelines issued for his reference. Regarding setting up of key performance indicators (KPI) in measuring effectiveness of the guidelines, Members raised the concerns on the level / extent of adoption in the industry if the guidelines were not made mandatory and enforceable.

CT

Regarding the IPS/Milestone Payment, SGN reported that Members of the TF had expressed their views of its adoption and would deliberate the necessity of issuing guidelines on this topic in the next TF meeting. It was observed that both the developers and the contractors were not keen on its adoption and their concerns were mostly on how it would be administered. Members opined that good practices should be prepared for the industry’s reference and adoption.

1.5 Progress Report of Meeting No. 002/09 and 001/10 of the Task Force on the Selection of Consultants and Contractors (SCC)

KP presented the Papers CIC/PCM/P/003/10 and CIC/PCM/P/004/10 regarding the progress of the second and third meetings of the TF held on 12 November 2009 and 21 January 2010 respectively and verbally reported the key issues discussed in last TF meeting held on 8 April 2010.

In the second and third TF meetings, it continued to take stock of experience from the industry, including the University of Hong Kong, Hospital Authority, Urban Renewal Authority, etc and started to review the key issues and concerns on the selection of consultants and contractors towards the existing local practices consolidated by the representatives from the Association of Consulting Engineers of Hong Kong (ACEHK) and the Hong Kong Construction Association (HKCA) respectively. The current practices were summarized and it was observed that they followed some general good practices while

major issues were mostly related to the implementation details.

In the last TF meeting held on 8 April 2010, representatives from CLP Power delivered a presentation about its system on the selection of consultants and contractors. The chairmanship and membership of the Task Group on the Selection of Consultants and Task Group on the Selection of Contractors were also discussed and agreed. Since there was no representative from REDA, Members of the TF had suggested and volunteered to invite more representatives from the private sector in order to widen the coverage of the client representation in the groups.

In view of the sensitivity of the issues, it was agreed in the TF Meeting that critical/controversial issues would be reported for further discussion in the Committee and/or Council.

The first meeting of the Task Groups would be arranged by the end of April 2010 to review the programmes of the Task Groups and draw up the action plans.

[WHL left the meeting at 16:15pm.]

1.6 Year Plan 2010/2011

AL introduced the paper CIC/PCM/P/005/10 regarding the proposed Year Plan 2010/2011 for the Committee on Procurement.

The proposed programmes under the TF on CPFS and TF on SCC had been discussed in the last respective TF meetings and would be reviewed and updated for the Committee's endorsement regularly.

Members endorsed the Year Plan and the associated programmes for the Committee as attached in Annex B.

The Chairman invited Members to provide suggestions to the CIC Secretariat on any other tasks that they considered critical to the industry and relevant to this Committee.

All

1.7 Tentative Meeting Schedule for 2010

Members took note of Paper CIC/PCM/P/006/10.

1.8 Any Other Business

1.8.1 Guidelines on Partnering

Members deliberated on the means of promotion of the

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guidelines, including incorporation of the material into university degree programme syllabus, etc. In view of the Terms of Reference of the Committee, Members concurred that the guidelines promulgation plan should be decided by the Council. CT would refine the CIC Communications Plan for the Council's discussion accordingly. The Chairman opined that the CIC Communications Plan should be discussed at the Council but not in this Committee.

With respect to the KPI for implementation of the guidelines in the industry, CT would liaise with Colin Jesse, the Chairman of the Task Force on Partnering, to develop the procedures in measuring the effectiveness of the guidelines. **CT/
Colin Jesse**

1.9 Next Meeting

22 June 2010, Board Room, 23/F, MTR Headquarters Building, Telford Plaza, Kowloon Bay, Kowloon **All to note**

There being no further business, the meeting adjourned at 16:25 pm.

CIC Secretariat
April 2010