

Construction Industry Council

Committee on Construction Procurement

Meeting No. 002/18 of the Committee on Construction Procurement was held on Friday, 27 July 2018 at 2:30pm at the Boardroom, CIC Headquarters, 38/F, COS Centre, 58 Tsun Yip Street, Kwun Tong, Kowloon.

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| Present : | Stephen LAI (SLI) | Chairperson |
| | Francis Leung (FLG) | |
| | WONG Mung-wan (MWW) | |
| | Raymond AU (RA) | |
| | CHAN Chi-chiu (CCC) | |
| | CHAN Kim-kwong (KKCN) | |
| | CHOW Ping-wai (CPW) | |
| | Rita CHUNG (RC) | |
| | Danny HUNG (CSH) | |
| | Robert LAM (PHL) | Chairperson of Task Force on Selection of Contractors |
| | Ricky LEUNG (RL) | Chairperson of Task Force on Reasonable Construction Period |
| | Rocky POON (LKP) | |
| | Eliza WONG (EWYL) | |
| | Simon WONG (SWHW) | |
| | Dick KWOK (DkK) | Chairperson of Task Force on RMAA Procurement |
| | TSE Chun-yuen (CYT) | Chairperson of Task Force on Enhancements to Subcontractor Registration Scheme |
| In Attendance : | Albert CHENG (CTN) | Executive Director |
| | Richard PANG (RPg) | Director – Industry Development |
| | LEE Oi-yan (OYL) | Assistant Director – Registration Services |
| | Iris NG (IN) | Government Secondee - Construction Procurement |
| | Parco LAU (PLU) | Manager - Construction Procurement |

MINUTES

| | <u>Action</u> |
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| 2.1 Confirmation of the Minutes of Meeting No. 001/18 | |
| Members took note of the Paper CIC/CPT/R/001/18 and confirmed no further comment to the Minutes of Meeting No. 001/18. | |
| 2.2 Matter Arising from the Last Meeting | |
| IN updated Members on the following matters arising from the last meeting: | |
| <u>Item 1.2 – Updates on the status of research initiatives under CIC’s research fund</u> | |
| Members took note of the plan to revise the framework of the CIC’s research fund. Construction Productivity Department would present the revised framework to Members at the next Com-CPT meeting. | |
| <u>Item 1.7 – Proposed Establishment of a Task Force to Address the Issue of Unfair Contract Conditions in Construction Projects</u> | |
| The proposal to set up a Task Force to examine risk sharing issues would be discussed under agenda item 2.3. | |
| 2.3 Proposed Establishment of the Task Force on Reasonable Construction Period | |
| SLI welcomed Mr. Ricky LEUNG as the Chairperson of the Proposed Task Force on Reasonable Construction Period. | |
| IN gave a briefing on the proposed Terms of Reference and the proposed Membership Composition of the Task Force. | |
| The proposed Terms of Reference are: | |
| <ul style="list-style-type: none">● To review the current industry practices on contractual arrangements for construction period and time compensation in building construction projects (including foundation, basement and superstructure construction);● To establish benchmark(s) for reasonable construction period in building construction projects. Making reference to previous studies commissioned by the CIC on similar topics;● To establish best practices for optimum time risk allocation and fair and reasonable time compensation in contractual arrangements;● To engage appropriate consultant(s) to undertake studies and to present the findings and recommendations in reports and other | |

- appropriate form of publications for public dissemination; and
- To promulgate the findings and good practices for adoption in the industry.

The proposed Membership Composition of the Task Force is:

Government

Development Bureau

Architectural Services Department

Statutory Bodies

Hong Kong Housing Authority

Hong Kong Housing Society

Urban Renewal Authority

Employers

MTR Corporation

The Real Estate Developers Association of Hong Kong

Professional Bodies

Hong Kong Institute of Architects

Hong Kong Institute of Surveyors

Hong Kong Institution of Engineers

Main Contractors

Hong Kong Construction Association

Hong Kong General Building Contractors Association

IN also reported that the Secretariat would invite the relevant organizations for task force member nomination. It was proposed that Members would be appointed for an initial term of 18 months and the term may be extended subject to the progress of the tasks in progress.

The Secretariat had sent letters to various clients in the public and private sectors for their agreement on participating on the research study by sharing of project data related to this study to facilitate the preparation of the assignment brief.

CYT commented that representatives from the Subcontractor sector should be included in the Task Force to offer advice.

RL advised that the Task Force Members should make reference to the Study on “The Risk Sharing Pattern in the Construction Projects in HK” previously conducted by the HK Polytechnic University. The Secretariat will prepare a summary/abstract of the Study for Task Force Members’ reference.

CSH commented that the construction period could be highly compressed due to various reasons. The Task Force should

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examine the full spectrum of project data from both the Client and Contractor sectors in order to have a good understanding of the problems. The Study should focus on construction periods for major structural elements such as foundation, substructure and superstructure and make appropriate recommendation on individual elements, if possible, in respect of fair and reasonable construction period. The Task Force should also develop achievement strategies with the intermediate goals clearly spelt out.

RL replied that it may not be easy to identify/ draw up practical recommendations. The Task Force should focus on the critical issues that affect construction period and make appropriate recommendations.

SLI commented that the Study should take into consideration the multiple factors that affect the reasonableness of construction period and provide suitable benchmarks and guidelines for good practice.

FLG remarked that the Study would focus on building projects in both the public and private sectors. Establishment of optimal construction periods is a prime objective of the Study.

PHL remarked that the executive decision on making an appropriate construction period assessment during pre-tender stage would play an important role to ensure the reasonableness of the construction periods in the Contract. The Task Force should include such consideration during the formulation of assignment brief.

RL remarked that the Study was expected to establish a benchmark for reasonable construction periods for the stakeholders within the industry.

CTN supplemented that the Study is aimed to provide reference materials for use by the Clients to enhance the accuracy for optimal construction period estimation by means of elemental breakdown (e.g. days/ m²) in different types of buildings. Clients of building projects could benefit from the guidelines in respect of safety and quality with allowance of reasonable construction periods.

CSH commented that the Contractor might quantify the risk posed by the requirement of unreasonable construction periods, which would lead to a higher price in their tender. The Task Force was expected to promulgate reasonable time risk sharing and fair time compensation in construction contracts which would improve the current construction practices.

RPg supplemented that the Study would require provision of information from clients. The CIC Secretariat had issued letters to various clients in both the public and private sectors to gather the necessary data in respect of completed projects within the past 3 years without further contract actions in order to facilitate the commencement of the Study. Members were encouraged to

provide project information for the study.

CYT reiterated the necessity for subcontractor participation in the Task Force. Members concluded that representatives from Subcontractors and E&M contractors should be invited to join the Task Force.

After much deliberation, Members approved the setting up of the proposed Task Force on Reasonable Construction Period.

2.4 Proposed Transfer of the Working Group for Flat Inspection from the Committee on Productivity (Com-PRO) to the Committee on Construction Procurement (Com-CPT)

IN briefed Members on the Paper CIC/CPT/P/006/18 for the proposed transfer of the Working Group for Flat Inspection, including from Com-PRO to Com-CPT Working Group Members.

The Terms of Reference of the Working Group are:

- To draft industry guidelines/good practices on inspection for taking over newly completed flats;
- To submit the recommended industry guidelines/good practices to the CIC Council for approval and dissemination to the industry;
- To arrange training course on inspection for taking over newly completed flats.

Three Working Group meetings had been held since its establishment. Promotion materials, e.g. leaflet and short videos would be prepared to educate the general public on general requirements on inspecting and accepting completed works (including plastering, painting, carpentry, marble and glass panel works); and provide a proposed members list of qualified institutes (i.e. the HK Institute of Clerks of Works (HKICW), the HK Institute of Surveyors (HKIS), the HK Institute of Architects (HKIA) and the HK Institution of Engineers (HKIE)) as appropriate personnel for carrying out flat inspections. The trade guidelines being prepared by associations under HKCSA could be considered to be used as blue print for preparation of promotional leaflets and short videos.

Upon obtaining the trade guidelines from HKCSA, the Working Group would review and work out an assignment brief for the engagement of production house for the video and leaflet.

EWYL was concerned the tentative programme for the video production might be too aggressive and not achievable.

Upon deliberation by Members, it was concluded that a clear demarcation for the proposed transfer should be defined, particularly on the vetting/endorsement of the trade guidelines.

CPW suggested that the Working Group should include representatives from the Hong Kong Consumer Council and Estate Agent Authority to enhance the public acceptability of the promotional materials. Members agreed with the suggestion.

Members also advised that a representative from Com-CPT should join the Working Group. CSH agreed to take up the role of representative.

KKCN commented that the massive numbers of unreasonable cosmetic defects found in the flat inspection reports by the flat inspectors employed by the flat buyers posed a burden to the clients, contractors and subcontractors.

The meeting agreed that the transfer of Working Group from the Committee on Productivity (Com-PRO) to the Committee on Construction Procurement (Com-CPT) was acceptable in principle. However, the time of transfer would be further discussed subject to a clear demarcation of the tasks. The Working Group Chairperson would be invited to advise Com-CPT on the roadmap and report the progress.

[Post-meeting note: The Working Group Chairperson, Mr. Ivan Fu would attend the next Com-CPT on 13 September 2018.]

[RPg left the meeting at this juncture]

2.5 Subcontractor Registration Scheme (SRS) Operations

OYL briefed Members on the Paper the latest status of SRS Operation.

As of June 2018, there were 5,931 companies registered under the SRS with an increase of around 316 Registered Subcontractors compared to that in the end of 2017.

The Management Committee (MC) of the SRS had conducted a hearing on 10 June 2018. Regulatory actions ranged from written warning to suspension of registration up to six months were taken against eight Registered Subcontractor. A total of 126 regulatory actions had been taken against subcontractors mainly for late payments of workers' wages, MPF contributions and contraventions of safety regulations involved fatality.

An introduction briefing cum luncheon hosted by the MC Chairperson was held on 19 July 2018 for the operational framework of the SRS and its enhancement consultancy study.

Furthermore, “Subcontractor Technovation Series: Innovation Safety Initiative Seminar” was held on 28 June 2018 to enhance safety awareness and practices in construction sites.

There were two seminars / activities held up to 2018 Q2 namely, “SRS Technovation Series: BIM Advocacy” and “SRS Technovation Series: Innovation Safety Initiatives Seminar” with 63 and 95 attendees respectively. In addition, there are a series of upcoming seminars regarding CITAC Guide tour, BIM Practical Application and SRS Leadership Summit from now to the fall 2018.

The “easyJob” mobile application was launched on 10 July 2018 to establish a platform for direct job matching between employers and workers.

2.6 Task Force on Selection of Contractors

PHL updated Members on the latest progress.

The Reference Material on Selection of Contractors was being finalized taking into account the comments received from the Peer Review Group and was planned to be presented to the Com-CPT in the next meeting on 13 September 2018.

2.7 Task Force on RMAA Procurement

DkK updated Members on the latest progress.

The assignment brief for the engagement of consultants for the research study on Factors Affecting Consultants and Contractors in Hong Kong in Participating in the Repair, Maintenance, Alteration and Addition (RMAA) Sector had been finalized and an Expression of Interest invitation for the consultancy service had been made for return of proposals in late August 2018. As agreed by the Task Force Members, the target audience for the study would be focused on industry stakeholders and minor amendments to the assignment brief had been made to avoid overlapping with effort of URA.

2.8 Any Other Business

(a) 3-year Strategic Plan 2019-2021and Business Plan 2019

IN briefed Members on the 3-year Achievement Statement – *“Reasonable construction periods and recommended practices formulated and implemented by the construction industry”* and the associated Key Performance Indicators.

FLG supplemented that Members should take note of innovation, collaboration and SME facilitation initiatives

promoted by the Government.

CTN echoed with FLG's view and advised Members to consider how to keep pace with the application of innovation in construction procurement such as early involvement of contractors in the pre-contract stage.

CSH supplemented that contractors could benefit from equitable risk sharing and some local contractors had started to adopt this approach with a positive result. Also, the construction industry had suffered from the limited contractual arrangement options and lack of mutual trust between parties. Some contractors had gained successful project experience by adopting the Guaranteed Maximum Price Contract from projects outside Hong Kong.

CTN echoed CSH's view and suggested that an experience-sharing workshop could be arranged by inviting HKCA for experience sharing.

RA supplemented that MTRC had adopted early contractor involvement in their technically driven projects such as the Harbour-Crossing Tunnel of Shatin Central Link. Major buildability issues had been resolved at an early stage and the project was achieving good progress.

- (b) Buildability Evaluation System (BES) recently launched by Development Bureau

FLG remarked that the Development Bureau had issued a Technical Circular in mid-July 2018 regarding the implementation of a Buildability Evaluation System (BES) for all Building Projects funded under Capital Works Reserve Fund (Head 703). Following a research study to review buildability development in Hong Kong and other countries, a BES had been developed for use in building projects.

- (c) CTN invited Members to propose items for application of CIC's research fund, for discussion at the next meeting. **All to note**

2.9 Date of Next Meeting

The next meeting would be scheduled for Friday, 13 September 2018 at 2:30pm at the Boardroom, CIC Headquarters, 38/F COS Centre, 56 Tsun Yip Street, Kwun Tong, Kowloon. **All to note**

There being no further business, the meeting was adjourned at 4:40 p.m.