

Construction Industry Council

Committee on Construction Business Development

Meeting No. 004/21 of the Committee on Construction Business Development (the “Com-CBD”) for 2021 was held on Friday, 10 December 2021 at 2:30pm at the Board Room, 29/F, Tower 2, Enterprise Square Five (MegaBox), 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

Present	: Rocky POON	(LKP)	Chairperson
	Tony HO	(HYK)	Prin AS (Works) 4 of Development Bureau
	Raymond AU	(RA)	
	Calvin CHAN	(CaC)	
	CHAN Chi-chiu*	(CCC)	
	CHAN Kim-kwong	(KKCN)	
	CHOW Ping-wai	(CPW)	
	Rita CHUNG	(RC)	
	Thomas HO	(KnH)	
	Danny HUNG	(CSH)	
	Ricky LEUNG	(RyL)	
	Eddy TSANG	(TPC)	
	Eliza WONG	(EWYL)	
	Simon WONG*	(SWHW)	
In Attendance	: CHAN Ka-kui	(KKCh)	Chairman
	Albert CHENG	(CTN)	Executive Director
	Angela HO	(HTY)	AS (Works Policies 4) 4 of Development Bureau
	Rayson WONG*	(RaW)	Chief Structural Engineer (Development and Construction) of Housing Department
	Daniel SUEN	(DSn)	Director – Industry Development
	Rocky CHO	(RYC)	Senior Manager – Construction Business Development
	James WONG*	(JsW)	Senior Manager – Construction Productivity (only for item 4.4)
	Hilda WONG	(HiW)	Manager – Construction Business Development
	Wilson LO	(WiL)	Assistant Manager – Construction Business Development
	Yannie CHEUNG	(YYC)	Senior Officer – Construction

	Kathy CHANG		Business Development Ove Arup & Partners Hong Kong Ltd. (only for item 4.3)
	Alice CHOW		Ove Arup & Partners Hong Kong Ltd. (only for item 4.3)
	Josephine WONG		Ove Arup & Partners Hong Kong Ltd. (only for item 4.3)
	Alex KATANSOS		Arcadis Consultancy Hong Kong Ltd. (only for item 4.4)
Apologies	: Daniel LEUNG	(LHWD)	Ass Dir (Development and Procurement) of Housing Department
	Ivan FU	(FI)	
	Stephen HO	(SnH)	Assistant Director – Industry Development & Estates Office

* attended the meeting online via Microsoft Teams

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Before the Meeting began, LKP reminded Members that should they have any potential or actual conflict of interest with an item discussed during the meeting, they must declare as such to the Secretariat. No declaration was received during the meeting.

4.1 Confirmation of the Minutes of Meeting No. 003/21

Members took note of the paper CIC/CBD/M/003/21 and confirmed the minutes of Meeting No. 003/21.

4.2 Matters Arising from the Last Meeting

- (a) Following the item 3.4 from the previous meeting regarding the publication of standard Special Conditions of Contract for BIM and BIM Services Agreement, the documents were published on CIC website on 16 September 2021.
- (b) Following the item 3.5 from the previous meeting regarding further study on Construction Time Performance Index, Task Force on further study would be set up in Q4 2022.
- (c) Following the item 3.8 from the previous meeting regarding the progress update on CIC Outstanding Contractor Award 2021, details were reported on item 4.6.

4.3 Reference Material on Reasonable Consultancy Fee Evaluation System

RA briefed Members on paper CIC/CBD/P/015/21 regarding the background and progress of the Task Force on Reasonable Consultancy Fee Evaluation System. Ove Arup & Partners Hong Kong Limited (Arup) had developed a reference material with 4 recommendations on managing unreasonable low bids including a good practice and three recommended fee evaluation mechanisms. The reference material was endorsed in principle in the Task Force Meeting held on 24 November 2021.

Arup representatives presented the reference material.

KnH enquired how would the clients choose the mechanism for adoption among the three. Arup responded that clients shall select the option suits them best based on their affordability and budget, while all recommendations could deter the occurrence of abnormally low bids by preventing further advantage with unreasonably low bids.

For fee assessment scoring method and average price scoring method, LKP considered that the mean/ median might be distorted by abnormally high bids in fee assessment. LKP also enquired the arrangement on claim assessment should there be additional scope or extension of time and whether the potential claims would be considered during tender evaluation. RYC responded that apart from the recommendations, the reference material suggested clients to include relevant provisions in the consultancy agreement to clearly state the assessment approach on variations e.g. using pre-priced manhour rate. The manhour rate inserted by the tenderers may also be considered in tender assessment.

KnH concurred with LKP that the average price applied in average fee scoring method might be distorted by abnormally high/low bids and opined that the pre-tender estimate (PTE) and manpower shall be considered as well. Arup responded that the concern had also been discussed in stakeholder engagement session. Arup reiterated that the clients shall verify and validate submitted proposals including justification of manhour provision and comparison with PTE, while the recommended mechanisms would only be helpful in identifying and disincentivising the unreasonably low bids by mathematical means.

RA added that the reference material had also recommended a good practice on assessment of abnormally low bids to ensure the low outliers were identified. He did not see high bids as an issue

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for they reflected the market situation and would not likely introduce quality problem. RA further supplemented that additional costs due to variations or extension of time were post contract matters and shall not be tackled during tendering stage.

CPW opined that it may be unfair to those qualified consultants who were able to afford low price. Moreover, CPW asked whether the tenderers shall be acknowledged with tender assessment method. RYC responded that in normal practice, bidders shall be acknowledged with the tender assessment method. RYC also clarified that the recommendations were not intended to penalise low price tenderers, but to give no advantage to abnormally low price submissions.

HYK advised that Development Bureau (DEVB) had provided some textual comments on the reference material before the meeting. CIC Secretariat acknowledged the comments and would ask Arup to revise the reference material accordingly.

Arup

RyL enquired the way forward of the finalized reference material. LKP responded that the reference material would be promulgated to clients in the private sector.

Members approved the reference material on Reasonable Consultancy Fee Evaluation System. With incorporation of the textual comments provided by DEVB, the reference material would be published on CIC website and corresponding milestone payment will be released to Arup.

**CIC
Secretariat**

[JsW and Arup representatives left the meeting at this juncture.]

4.4 Executive Summary of the Finalised Strategies on Improving Time, Cost and Quality (TCQ) Performance of the Hong Kong Construction Industry

JsW briefed Members the background of the study. The study commenced in November 2020 and was expected to complete in January 2022. Arcadis Consultancy Hong Kong Ltd (Arcadis) was appointed to carry out a study to formulate strategies and action plan to enhance Time, Cost and Quality (TCQ) performance of Hong Kong construction industry. The report prepared by Arcadis had been endorsed by Joint Working Group formed by DEVB and CIC, and approval of it would be further sought in the Steering Committee meeting in the next week. In this Com-CBD meeting, the key findings would be presented to Members for discussion and comments.

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Arcadis representative presented the key findings which related to matters of CBD. They were development of digital platform to facilitate MiC and MiMEP, improvement of contract terms to promote wider adoption of MiC and MiMEP, pay for innovation and promotion of benefits of early contractor (ECI) in projects.

CSH enquired for the purpose of the MiC and MiMEP digital platform. Arcadis explained that it was to standardize construction elements by creating a list of them. Such could be shared with manufacturers across the borders through the platform so that less time was required for production and thus the productivity was increased.

CSH shared the difficulties in standardization, especially MiC application in private sector. In addition, contractors might involve redesign of whole structure and foundation for the application of MiC. CSH suggested that clients shall take the responsibility for the design of MiC units. Arcadis responded per views received from the clients in private sector, they were interested in industrialization of particular building elements e.g. bathroom, kitchen and balcony, which might be the opportunities for application of DfMA. CSH also suggested the relaxation of MiC restrictions, e.g. the size restriction of the unit, through liaison with different government departments, for wider adoption of the MiC.

LKP expressed his support on MiC and MiMEP digital platform. LKP added that it was the industry goal to develop MiMEP supply chain and MiMEP proprietary products.

EWYL shared the MiC application from developers' prospective. The buildability and constructability of MiC adoption was undoubted, but there were still uncertainties, for example marketability and the premium which may be charged by Lands Department for the gross floor area (GFA) concession as a result of MiC. The property developers had been exploring the application of MiC and would be willing to adopt it when the uncertainties were resolved.

For the recommendation on promotion of benefits of early contractor involvement (ECI) in projects, both LKP and KnH enquired how ECI could be brought in public and private projects, other than design and build contracts. Arcadis responded that the ECI had been adopted for projects which were not design and build projects, such as MTRC projects.

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RA and RyL shared the use of ECI in MTRC and Airport Authority (AA) respectively. Unlike the ECI under New Engineering Contract (NEC) that the same contractor would be engaged in both pre-contract and post-contract stages, RA mentioned that the ECI adopted in MTRC would involve various contractors in pre-tender stage to provide comments and propose changes on the buildability of the design. The proposed changes would be scored in tendering stage to encourage the contractors to provide advice.

RyL shared that for large scale projects in AA, a sum might be paid to contractors in ECI stage to review the specifications and tender estimate with a view to improving the productivity of the original proposal by fine-tuning of it. Similar procedures would be undergone for smaller scale projects but with a shorter period of time. The ECI approach was to ensure that client expectation for how the works to be done would be well communicated with the contractors and reasonable and realistic tender submission would be secured.

HYK supplemented that DEVB had also adopted ECI with similar formats with MTRC and AA to take in contractors' knowledge and experience during tendering stage via pre-qualification mechanism or organizing some workshops to encourage reasonable bids. The NEC ECI approach was also adopted in some pilot projects.

[JsW & Arcadis representative left the meeting at this juncture.]

4.5 ★ Tentative Meeting Schedule for 2022

This starred discussion paper *CIC/CBD/P/017/21* provided Members' information the time and venue of Com-CBD meetings in 2022.

KnH enquired whether the date for the fourth meeting shall be 7 December 2022, Wednesday or 8 December 2022, Thursday. CIC Secretariat to check and advise.

**CIC
Secretariat**

[Post meeting notes: The fourth meeting in 2022 would be on 7 December 2022, Wednesday.]

4.6 Progress Update on CIC Outstanding Contractor Award 2021

RYC recapped the Outstanding Contractor Award presentation ceremony held on 2 December 2021 and briefed Members the expenditure summary for the Award. Considerable amount was saved from award website, launching ceremony as well as venue and catering. RYC also briefed Members the upcoming post event

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publicities and activities which included debriefing session with the participants.

LKP expressed the gratitude to Members support on the event. Credit was also given to CIC Chairman, KKCh for securing the Government House for holding the Award ceremony and the Chief Executive as the Guest of Honour of the event.

Members took note of the work progress.

4.7 Progress Update on Task Force on Strategic Review for Uplifting Construction Capacity

LKP briefed Members on the progress on the Task Force, Arcadis submitted the Inception Report together with the Detailed Work Programme on 4 October 2021. The Inception Report and the Detailed Work Programme were discussed and approved in Task Force meeting conducted on 27 October 2021. For the time being, Arcadis had been collecting data from various sources which included sending surveys to industry stakeholders for development of a forecast model.

Members took note of the work progress.

4.8 Progress Update on Task Force on Greater Bay Area

RYC presented the 5-year work plan for GBA which had been circulated for Members comments earlier and approved in principle in Executive Committee (Com-EXE) Meeting held on 19 November 2021. The 5-year work plan would be further submitted for approval in Council Meeting next week and upon approval executed by the GBA Task Force under CBD. LKP suggested inviting CaC to join the GBA Task Force.

The 5-year plan included three major areas, the budget and human resource allocation. RYC reminded that the budget for GBA had not yet been covered by CBD budget 2022 at the moment. Additional budget would be applied from the Council should current resources were not sufficient to implement the plan.

LKP added considering normal traveler clearance between Hong Kong and Mainland would be resumed soon, the GBA works in 2022 would be arranged in parallel.

CTN enquired if DEVB could organize a joint visit to GBA with CIC as soon as the normal traveler clearance was resumed. HYK suggested preparing an itinerary with designated candidates in advance for the quick response once resumption notice released.

**CIC
Secretariat**

CIC Secretariat would prepare a proposal for discussion with DEVB accordingly.

HYK supplemented if CIC required supports for government to government discussion or coordination between Hong Kong and Mainland China for GBA issues, DEVB could offer the assistance.

Members took note of the work progress.

4.9 Brainstorming Session

LKP briefed Members the topic for the brainstorming session. There had been a concern on manpower shortage in various levels and disciplines, considering current HK\$200bn annual construction sum and the upcoming development growth. The manpower meant not only the labour, but also the technicians, supervisors and professionals. Currently a Task Force on Strategic Review for Uplifting Construction Capacity had been set up where the needs of construction resources would be projected and initiatives to meet up the demand would be suggested. A more in-depth discussion specifically on manpower were suggested in Com-EXE meeting. Chairpersons of all the committees under industry development would be invited to brainstorm on this issue and decide whether another working group would be setup in the future.

Members had no comments on the issue.

4.10 Any Other Business

(a) Key achievements of CBD in 2021

RYC briefed Members the CBD 2021 key achievements under the CIC Major Work Plan and Com-CBD Detailed Business Plan as well as stakeholder engagement/ publicity conducted in 2021. RYC also reported the follow-up actions of the recommendation in Site Supervision Practice/ DWSS.

(b) 2022 Budget Plan of CBD

RYC briefed Members the 2022 Budget Plan of CBD approved by the Council. There would be approximate 10% increment for the budget in 2022 comparing with that of 2021.

(c) Update on Security of Payment Legislation (SOPL)

RYC brief Members on the effective date, scope and key provisions of Technical Circular (Works) No. 6/2021 entitled Security of Payment Provisions in Public Works Contracts

issued on 5 October 2021.

(d) Other Matters

TPC raised the concern of construction materials supply shortage around Chinese New Year 2022. Due to the mandatory 21-day quarantine of marine transport barge crew members before their homeward bound trip for coming Chinese New Year holiday, it was expected that from early January to mid-February 2022, raw material supply for local construction works would be greatly disrupted.

LKP remarked that the tenure of Chairman, KKCh would be completed by the end of January 2022, and this meeting was the last Com-CBD meeting for KKCh. LKP representing Members to express the gratitude to KKCh for his contribution to CIC and the industry. KKCh was invited to give a farewell speech.

KKCh remarked the intention of revamping of the Committee to Com-CBD. While other CIC committees focused on technical issues, such as safety, environment and productivity, the commercial issues where Com-CBD focused on were of equally important. KKCh reminded that there were still much effort could be input from CBD, e.g. the implementation of NEC, ECI and SOPL etc. that had been discussed in this meeting. Those were very important elements for the development of construction industry, but still not widely adopted. KKCh also pointed out that malpractice in the industry shall be eliminated through CIC effort to promote good practice across the industry. Last but not least, KKCh hoped CBD continuous effort in achieving efficient and healthy construction market and every success in the GBA development.

4.11 Next Meeting

The next meeting was scheduled for 3 March 2022 (Thursday) at 2:30pm at Board Room, 29/F, Tower 2, Enterprise Square Five (MegaBox), 38 Wang Chiu Road, Kowloon Bay.

All to Note

There being no other business, the meeting was adjourned at 16:30pm.