

**Construction Industry Council**

**Committee on Subcontracting**

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The 1<sup>st</sup> Meeting of the Committee on Subcontracting for 2009 was held on Tuesday, 13 January 2009 at 2:30 pm at Room 1201, Murray Building, Garden Road, Central.

Present:	LEE Shing-see	(SSL)	Chairman
	James CHIU	(JC)	
	CHOI Chun-wa	(CWC)	
	Edgar KWAN	(EK)	
	TSE Chun-yuen	(CYT)	
	Conrad WONG	(CW)	
	YU Wai-wai	(WWY)	
	CHEUNG Tak-hing	(THC)	Construction Site Workers General Union
	Paul CHONG	(PC)	The Hong Kong Federation of Electrical and Mechanical Contractors
	C S SO	(CSS)	Henderson Land Development Co. Ltd.
	WONG Sing-lam	(SLW)	Contractor's Authorized Signatory Association
	Sonia YUNG	(SY)	Housing Department
	TSO Sing-hin	(SHT)	Labour Department
	FUNG Chi-keung	(CKF)	Water Supplies Department
In Attendance:	Alan AU	(AA)	Development Bureau
	TAO Kei-hung	(KHT)	Development Bureau
	K K CHONG	(KKC)	Development Bureau
	Ivan WONG	(IW)	Senior Manager (Council Services) 2
	Phoebe LEUNG	(PLG)	Manager (Council Services) 2
Apologies:	Teresa CHENG	(TC)	
	CHEUNG Tat-tong	(TTC)	
	Stanley HUI	(SH)	
	WAN Koon-sun	(KSW)	
	Ada FUNG	(AF)	for Permanent Secretary for Transport and Housing (Housing)
	Bernard HUI	(BH)	The Hong Kong Institute of Architects
	HUI Siu-wai	(SWH)	Buildings Department
	LAI Chi-hung	(CHL)	Hong Kong Construction Industry Employees' General Union

LAW Wai-tai	(WTL)	The Hong Kong Construction Association
Joseph NG	(JN)	Hong Kong General Building Contractors Association
Lawrence NG	(LN)	Hong Kong Marble and Granite Merchants Association
YAU Hung-yuen	(HYY)	Association of Electrical Contractors
LEUNG Tak-fai	(TFL)	Development Bureau
Kenny FOK	(KF)	Independent Commission Against Corruption

## **PROGRESS REPORT**

### **Action**

#### **1.1 Confirmation of the Progress Report of the 7<sup>th</sup> Meeting (2008)**

Members took note of Paper CIC/SBC/R/007/08 and confirmed the progress report of the 7<sup>th</sup> meeting held on Wednesday, 10 November 2008 at Murray Building.

#### **1.2 Matters Arising from the 7<sup>th</sup> Meeting (2008)**

##### **1.2.1 Service Agreement on the operation of Voluntary Subcontractor Registration Scheme (VSRS)**

The Service Agreement had been signed by Mr S S LEE and Mr Stephen FONG, in their capacity as directors of PCICB Registration Limited, and the Hong Kong Construction Association.

##### **1.2.2 Guidelines on Measures for Protection of Workers' Entitlement to Wage Payment**

The Secretariat collected relevant information from the Development Bureau. In addition, the Secretariat understood from the Hong Kong Housing Authority (HA) that they intended to deliver a presentation to the Committee regarding their recently completed review on the protection of workers' wages. The Secretariat would follow up with the HA in due course.

**CIC**  
**Secretariat**

**Action**

A Member raised that some workers had directly approached government departments in respect of the deferred payments owed by their employers without attempting to contact the Labour Relations Officer for liaison. Members acknowledged that workers should properly exercise their rights to recover payments through established communication channels.

**1.3 Security of Payment**

**1.3.1 Research Brief on the Survey of Problems of Outstanding Payments in Construction Supply Chain (Survey)**

Members took note of the Paper CIC/SBC/P/001/09 and endorsed the research brief which had been duly reviewed by the Task Force led by Mr Bernard HUI. The approved research brief, subject to appropriate fine-tuning by the Task Force, would be sent to the service provider for proposal submission. The Secretariat clarified that as the budget for the Survey was already endorsed by CIC at its meeting held on 31 October 2008, the next steps required would be reviewing the proposal from the service provider and concluding the service contract.

In respect of the target respondents, Members advised that a company might play multiple roles in the construction supply chain. The Task Force was advised to address such issue when designing the questionnaires.

**TF-Survey**

*[Post-meeting notes: based on the endorsed research brief, the service provider submitted a proposal to the Secretariat on 6 February 2009.]*

**Action**

1.3.2 Identifying Possible Solutions for Study in the Context of Local Construction Industry

Members took note of the Paper CIC/SBC/P/002/09 and discussed possible measures for achieving security of payment from their different perspectives in relation to the construction supply chain.

After deliberation, Members agreed that the following possible measures should be prioritized for focused study by the Committee:

- (a) Dispute resolution mechanisms e.g. mediation, arbitration, adjudication and conciliation with a view to avoiding delay of payments;
- (b) Protection of workers' wages e.g. measures implemented by the Government;
- (c) Contract-based subcontracting; and
- (d) Retention money.

Members also agreed that it would take longer time to study the following measures in view of their complexities:

- (a) Payment bond; and
- (b) Legislation.

As to relevant legislation in other countries, the Secretariat was directed to contact Hong Kong Construction Association for relevant research materials.

Members also noted that the application of milestone payment, which was being studied by the Committee on Procurement, could also be one of the possible measures to improve security of payment.

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**Secretariat**

[WWY and CWC left the meeting at this juncture.]

**Action**

**1.4 Takeover of the Voluntary Subcontractor Registration Scheme**

Members took note of the Paper CIC/SBC/P/003/09.

As CIC was tasked, *inter alia*, to improve the performance of persons connected with the construction industry through establishing or administering registration schemes, Members strongly agreed that CIC should own and administer the Voluntary Subcontractor Registration Scheme (VSRS) directly instead of holding the VSRS through PCICB Registration Limited (PRL) or a new subsidiary. As to the risks involved in operating the VSRS by CIC, proper insurance arrangements should be made to mitigate the concerned exposure. The Secretariat was also advised to consider if legal advice would be required to clarify the suitable arrangement in order to effect the transfer of ownership of the VSRS from PRL to CIC.

After deliberation, the Committee recommended that CIC should take on the VSRS directly on or before 31 December 2009 with PRL being wound up upon completion of the necessary formalities.

**CIC**  
**Secretariat**

**1.5 Updated Task Force Membership for the Stage 2 VSRS**

Members took note of the Paper CIC/SBC/P/004/09.

Members thanked Mr TSE Chun-yuen for leading the Task Force which would convene a meeting on 19 January 2009 to discuss the setting of the entry requirements and limits for the parameters under the Stage 2 VSRS and the timeline for finalizing the proposal.

It was clarified that the proposal submitted by the Task Force would be considered by the Committee before subsequent industry consultation.

*[Post-meeting notes: for clarity, the terms of reference of the Task Force on the Stage 2 VSRS was revised at Annex A.]*

**Action**

**1.6 Any Other Business**

Members noted that the Guidelines on Administration Charges for Reporting of Site Accidents were uploaded to the CIC website and the Secretariat had issued a letter to stakeholders inviting them to download a copy for reference.

A Member commented that CIC played a rather passive role in the implementation of such recommended practices as the guidelines were only set out for voluntary adoption by the industry. The Committee recommended CIC to further discuss the subject of monitoring and promulgation.

**CIC  
Secretariat**

**1.7 Tentative Date of Next Meeting for 2009**

10 March 2009 (Tuesday) at 2:30 pm at Room 1201, Murray Building, Central, Hong Kong

**All to note**

There being no further business, the meeting adjourned at 4:20 pm.

**CIC Secretariat  
February 2009**

**Committee on Subcontracting**

**Task Force on the Stage 2 VSRS**

**(A) Membership**

Chairman: Mr TSE Chun-yuen

Members: Mr Conrad WONG

Mr Lawrence NG                      Hong Kong Marble and Granite Merchants Association

Mr Kenneth CHAN                      Hong Kong Federation of Electrical and Mechanical Contractors

Mr CHAN Kim-kwong                      The Hong Kong Painting Contractors Association Limited

Mr Thomas LO                      Hong Kong Professional Hoisting Engineering Association Limited

Mr TSANG Ting-fat                      Hong Kong Bar-Bending Contractors Association Limited

Mr LAM Ming-chuen                      Hong Kong Construction Miscellaneous Contractors Association Limited

**(B) Terms of Reference (Revised)**

1. To propose the entry requirements and limits for parameters of each trade of each grade under the Stage 2 VSRS with reference to the survey findings
2. To consider setting compliance with safety standards as one of the entry requirements
3. To propose and formulate promotion and demotion mechanisms within the register
4. To provide a preliminary blueprint for the requirements and limits for parameters of each trade of each grade under the Stage 2 VSRS as well as the promotion and demotion mechanisms within the register for consideration by the Committee in respect of the future industry consultation