

**Construction Industry Council**  
**1<sup>st</sup> Progress Report of Committee on Procurement**

**Purpose**

This paper outlines the main points discussed at the 1<sup>st</sup> meeting of the Committee on Procurement held on 21 May 2007. The record of attendance is at Annex A.

**Issues Discussed**

**(A) *Terms of Reference and Membership***

2. Members discussed and endorsed the membership and terms of reference of the Committee at Annex B. Co-opted members would serve as advisers to the Committee and be invited to attend on need basis to contribute on matters relevant to their interest and expertise. Consideration would be given to co-opting members affiliated with property developers so as to secure their acceptance of the recommendations on private procurement practices. Members also discussed the suggestion of inviting FSTB and ICAC to join the Committee but concluded that it would be more appropriate for them to take part on need basis to discuss specific issues relevant to their ambits.

**(B) *Priority Tasks***

3. Having considered the work plan for discussing construction procurement drawn up by PCICB in June 2005, Members agreed to pursue the priority tasks listed at Annex C and expressed views on the way forward.

4. On procurement approaches, the Committee would review the common procurement approaches adopted by the private and public sector, examine their strengths and weaknesses and make recommendations for improvement. The procurement approaches of other economies would be examined with a view to assessing their suitability for local application. In this regard, priority could be accorded to studying public-private partnership (PPP) and private finance initiative (PFI) which had become the dominant procurement approaches in UK.

5. The Committee would consider the current contractual and administrative arrangements for proposing alternative designs and materials at tender and construction stages and recommend measures for streamlining the process.

6. Members also decided to deliberate on the procurement arrangements for building repair and maintenance which was becoming important with the ageing of our building stock. Noting that BD, the Urban Renewal Authority (URA) and the Hong Kong Housing Society (HKHS) were providing technical assistance to small building owners, the focus of the Committee should be on distilling the good practices from the efforts already made by these organizations.

7. Members recognized the importance of achieving tangible deliverables through the discussions of the Committee and contemplated that these could take the form of guidelines on procurement that would serve as benchmarks of good practices endorsed by CIC. On the other hand, some developers had adopted vertical integration instead of the established procurement approaches. The possible reasons for this trend could include better assurance of quality of the end product and flexibility in coping with rapid changes in market conditions which was not available under the established approaches. As such, in addition to promulgating good practices, CIC should convince developers that they could yield better value in the long run.

8. The Secretariat would prepare a work plan for pursuing the priority tasks taking into account Members' views.

### **Further Actions**

9. The following further actions were agreed –

- (a) Upon endorsement of the membership of the Committee by CIC, the Secretariat would issue letters inviting co-opted members and Government's representatives to join the Committee and attend future meetings; and
- (b) The Secretariat would prepare a work plan for the pursuing the priority tasks of the Committee.

**CIC Secretariat**  
**June 2007**

**Committee on Procurement**

**1<sup>st</sup> Meeting held at 2:30 pm on 21 May 2007  
in Conference Room 2005, Murray Building**

**Record of Attendance**

**Present**

Mr Russell Black	Chairman
Dr Andrew Chan	
Mr CHEUNG Tat-tong	
Mr James Chiu	
Mr Thomas Ho	
Mr LAM Wo-hei	
Mr POON Man-hon	
Mr Conrad Wong	
Mr Billy Wong	
Ms Ada Fung	representing Permanent Secretary for Housing, Planning and Lands (Housing)

**Absent with Apologies**

Mr James Blake  
Mr Francis Bong  
Ms Teresa Cheng  
Mr Michael Green  
Mr S S Lee

**In Attendance**

**Construction Industry Council Secretariat**

Mr Jack Chan	Principal Assistant Secretary for the Environment, Transport and Works (Works) 1
Mr K H Tao	Chief Assistant Secretary for the Environment, Transport and Works (Works) 1
Mr Solomon Wong	Assistant Secretary for the Environment, Transport and Works (Works) Public Works Systems Administration 1

**Construction Industry Council**  
**Committee on Procurement**

**Chairman** - Mr Russell Black

**Members**

- CIC Members
  - Mr James Blake
  - Mr Francis Bong
  - Dr Andrew Chan
  - Ms Teresa Cheng
  - Mr CHEUNG Tat-tong
  - Mr James Chiu
  - Mr Michael Green
  - Mr Thomas Ho
  - Mr LAM Wo-hei
  - Mr S S Lee
  - Mr POON Man-hon
  - Mr Conrad Wong
  - Mr Billy Wong
  - Permanent Secretary for Housing, Planning and Lands (Housing)
  
- Co-opted Members
  - Mr C K Lau – Hong Kong Federation of Electrical and Mechanical Contractors
  - Mr CHEUNG Lung-hing – Hong Kong Construction Site Workers General Union
  - Mr Hugh Boyd – Hong Kong Construction Association
  - Mr Hugh Wu – Paul Y Construction & Engineering Co. Ltd.
  - Mr CHAN Nap-ming – Housing Department
  - Mr Ian Cocking – Minter Ellison Lawyers
  - Mr Colin Jesse – Evans and Pecks (HK) Ltd.
  
- Government's Representatives
  - Mr Y C Chan – Environment, Transport and Works Bureau

## **Terms of Reference**

To examine current practices on procurement in relation to project planning, tendering, contract administration and site supervision and recommend good practices to improve the quality and cost effectiveness in delivery of construction contracts

**Committee on Procurement**  
**Priority Tasks**

<b>Priority</b>	<b>Issue</b>	<b>Follow Up Actions</b>
High	1. Procurement approaches	<ul style="list-style-type: none"> <li>• The Committee to take stock of the common procurement approaches adopted by the local construction industry, examine their strengths and weakness and recommend improvement measures if appropriate.</li> <li>• The Committee to examine the procurement approaches of other economies and assess their suitability for local application.</li> </ul>
High	2. Selection of consultants and contractors	<ul style="list-style-type: none"> <li>• The Committee to identify approaches for selection and recommend best practices.</li> </ul>
High	3. Tools for project management	<ul style="list-style-type: none"> <li>• The Committee to examine the tools for facilitating effective project management (such as partnering, milestone payment and dispute resolution mechanism) and recommend best practices.</li> </ul>
Medium	4. Alternative designs	<ul style="list-style-type: none"> <li>• The Committee to examine the contractual and administrative arrangements for proposing alternative designs and materials in tender and construction stages and recommend improvement measures for streamlining the process.</li> </ul>
Medium	5. Procurement arrangements for repair and maintenance of buildings	<ul style="list-style-type: none"> <li>• The Committee to take stock of the technical guidance provided by BD, Urban Renewal Authority and Hong Kong Housing Society on repair and maintenance of buildings and recommend good practices.</li> </ul>
Medium	6. Procurement practices of other industries	<ul style="list-style-type: none"> <li>• The Committee to examine the procurement practices of other industries and identify good practices for adoption in construction procurement.</li> </ul>