

Major Areas of Concerns for CIC Committees

(A) Introduction

- At the first meeting held on 9 March 2007, Members agreed to form the following committees -
 - Committee on Construction Site Safety
 - Committee on Procurement
 - Committee on Subcontracting
 - Committee on Environment and Technology
 - Committee on Manpower Training and Development
 - Committee on Administration and Finance

- This paper sets out the respective major areas of concern for these committees.

(B) Major Areas of Concern for Committees

(1) Committee on Construction Site Safety

- High priority
 - Safety of repair and maintenance works
 - Site safety training for construction personnel
- Medium priority
 - Incorporation of features in the design of buildings to enhance the safety of repair and maintenance works
 - CIRC Recommendation (R) 20 - Voluntary registration scheme for renovation contractors and decorators*

* The discussion will have to take into account the Minor Works Control System being taken forward by BD.

(2) Committee on Procurement*

- **High priority**
 - Procurement approaches
 - Tools for contract management
 - Practices on selection of consultants and contractors
 - Comparison with procurement practices of other industries

* In June 2005, PCICB Members held an informal meeting to discuss the approach for handling the discussion on construction procurement. The summary report for the meeting is at Appendix A.

(3) Committee on Subcontracting

- **High priority**

- CIRC R 9 - Voluntary Subcontractor Registration Scheme (VSRS)
- CIRC R 42 and R 43 - Security of payment

- **Medium priority**

- CIRC R 10 - Provide training to enhance the skills and competence of subcontractors
- CIRC R 12 - Raising the performance standards of subcontractors by providing a conducive environment

(4) Committee on Environment and Technology

(a) Environment

- High priority
 - CIRC R 89 - Developing a policy framework for sustainable construction
- Medium priority
 - Rolling out of waste management measures to private sector projects
 - CIRC R 105 – Monitoring of Building Environmental Performance Assessment Schemes

(b) Technology

- High priority

- CIRC R 64 - Establishment of a central construction standardization body (CCSB) in Hong Kong*

- Medium priority

- CIRC R 72 and R 73 - Co-ordination of construction research and development
- Establishment of performance indicators for the construction industry

* ETWB submitted a paper to PCICB in May 2003 proposing to establish the CCSB under CIC. However, PCICB Members were inclined to concentrate on adoption/harmonization of construction standards.

(5) Committee on Manpower Training and Development

- High priority
 - Amalgamation of CIC and Construction Industry Training Authority (CITA)
 - Manpower development for capitalizing on the opportunities arising from CEPA and the developments in the Mainland and Macau
- Medium priority
 - Long term direction for CITA in the light of 3+3+4
 - CIRC R 8 - Codes of conduct for construction personnel
 - CIRC R 50 - Review of the need for mandatory registration of site supervisors
 - CIRC R 58(d) – Effective sanctions to be imposed by professional institutions against breaches of rules of conduct for construction personnel

(6) Committee on Administration and Finance

- **High priority**

- Administrative procedures for the Council
- Finance, accounting and auditing procedures
- Programme of activities and estimates for first financial year
- Staffing structure of the CIC Secretariat
- Conditions of service of staff of the CIC Secretariat (mainly for new staff since the conditions of service for existing CITA staff will remain unchanged)
- Accommodation arrangements for CIC
- Insurance coverage for CIC and its committees/boards

- Medium priority
 - Financial planning after amalgamation with CITA
 - Strategy for investment of surplus funds of CIC

Further Details

- Further details on the major areas of concern are at Appendix B.

ADVICE PLEASE

Provisional Construction Industry Co-ordination Board

Summary Report for Informal Meeting on Procurement

Purpose

- This paper sets out the main points made at the informal meeting held on 18 June 2005 to discuss the work plan of the Working Group on Procurement. The record of attendance is at Annex A.

Overall Approach

- Members went through a work plan aiming to roll out two CIRC recommendations on procurement approach and 14 CIRC recommendations on project management practices in 13 months.
- Instead of building the work plan on individual CIRC recommendations, it would be more meaningful for the working group to identify and tackle a few major issues on which PCICB could exercise leadership. Consideration should be given to making the discussions outcome based by pursuing initiatives that would contribute towards objectives such as improved construction quality, better procurement process and fairer risk allocation.
- There should be deliberations on application of fundamental principles such as fairness, transparency and accountability to the various procurement approaches and project management practices.
- Procurement should be approached from an industry-wide perspective. As such, the discussions of the working group should cover issues related to public as well as private sector procurement. The working group should also facilitate sharing of experience and best practices between the two sectors.

Project Management Practices

(A) *Alternative designs*

- In response to the assertion that Government was reluctant to accept alternative design, ETWB pointed out that contractual provisions were

in place in public works contracts for accepting alternative designs and sharing the savings achieved.

- Alternative designs could be accepted in MTRC contracts and savings would be shared between project participants.

(B) Milestone payment

- Milestone payment was adopted in the public works contracts included in the Airport Core Programme and was a standard practice for MTRC projects.
- The MTRC system aimed to encourage contractors to achieve timely completion and to avoid constant arguments over measurement of works to be paid for under interim payments. The milestone structure was flexible and could be adjusted to suit changes in construction programme.
- Some contractors had reservation on milestone payment because failure to meet milestones could lead to cash flow problems. While these could be mitigated through adjusting the milestones, these adjustments would necessitate measurement of works for interim payment purposes.

(C) Consultancy service

- Private sector clients accorded significant weight to expertise in selecting consultants. They also put emphasis on the deliverables of consultancy services and were prepared to make additional payments to help consultants complete their assignments.
- There were concerns about the tight timeframes allowed in government architectural projects for building design. For instance, the design submission of the design-and-build contract for the ICAC headquarters had to be completed in 10 weeks. In another case involving a consultancy, the design of a major hospital had to be completed in nine months.
- Government had good track record of observing the terms of consultancy agreements but some private sector clients could be reluctant to honour their contractual obligations. Moreover, dubious practices such as bid pedaling existed in the private sector.

(D) Exceptionally low bids

- Clients should reject exceptionally low bids which were below the reasonable costs required for completing consultancies and construction contracts in accordance with tender requirements.
- Exceptionally low bids on consultancies could affect the quality of designs and lead to problems and delays in the construction stage. Experienced client organizations should be able to assess the reasonable fees for consultancies as they involved mainly provision of professional services.
- For construction contracts, bids that did not comply with tender requirements should be distinguished from compliant bids with low tender prices. While the former should be rejected, low tender prices should not in itself be a reason for rejecting compliant bids because there were cases in which satisfactory completion was achieved by low bidders.

(E) Other project management practices

- It would not be worthwhile to discuss dispute resolution given the present state of knowledge of the industry. The discussion on partnering should be extended to cover relationship management, such as giving results of risk assessment to tenderers to facilitate tender preparation.

Implementation Timeframe

- In addition to the Working Group on Procurement, the Working Group on CEPAS¹ would have to be established to formulate a strategy for implementing an integrated building environmental assessment model suitable for local application. Given the limited secretarial capacity, priority should be accorded to the latter as BD would soon hand over the deliverables of the CEPAS study to PCICB. The Working Group on Procurement could be formed later subject to availability of resources.

¹ Comprehensive Environmental Performance Assessment Scheme

Follow-up Actions

- The following follow-up actions were agreed –
 - The Secretariat would prepare for further consideration a revised work plan based on the discussions at the meeting and further input to be provided by Members; and
 - ETWB would provide for Members' reference the documentation on government procurement procedures including the World Trade Organization Government Procurement Agreement (WTO GPA), Stores and Procurement Regulations and relevant ETWB technical circulars.

[Post meeting note – an outline for a revised work plan is included at Annex B.]

**PCICB Secretariat
September 2005**

Provisional Construction Industry Co-ordination Board

**Informal Meeting on Procurement held
at 9:30 am on 18 June 2005
in Conference Room 1201, Murray Building**

Record of Attendance

Present

Mr Keith Kerr	Chairman
Mr Peter Ayres	
Mr Russell Black	
Mr James Blake	
Mr Francis Bong	
Mr James Chiu	
Mr W H Lam	
Mr George Leung	
Mr S S Lee	
Mr Conrad Wong	
Mr Billy Wong	
Mr C K Au	Assistant Director/Support, Buildings Department
Ms Ada Fung	Assistant Director (Development and Procurement), Housing Department
Mr W H Mok	Group Head/E, Independent Commission Against Corruption

Absent with Apologies

Ms Teresa Cheng
Mr Albert Cheung
Mr CHOI Chun-wa
Mr Michael Green
Mr Martin Hadaway
Mr Thomas Kwok
Mr C K Lau
Mr Peter Lee
Mr WAN Koon-sun
Mr Nicolas Yeung
Education and Manpower Bureau

Outline of Revised Work Plan

- Focus should be on product, not process, based on the following -
 - fairness
 - transparency
 - accountability
 - safety
- Identify various delivery methods and their pros and cons and recommend best practices
- Examine application of the following tools and recommend best practices –
 - partnering (including its true meaning and proper application)
 - milestone payments
 - greater use of software
 - life cycle costing
 - waste management
 - innovations in procurement
- Selection of consultants and contractors
 - compare selection of consultants with selection of contractors
 - identify approaches for selection including pros and cons
 - recommend best practices

- Procurement practices of other industries
 - review procurement practices of other industries (such as shipbuilding)
 - recommend good practices suitable for adoption in construction procurement

Major Areas of Concern

(1) Committee on Construction Site Safety

Priority	Issue	Background	Follow Up Actions
High	1. Safety of repair and maintenance (R&M) works	Despite the continuous improvement in the industry’s overall safety performance, a growing share of site accidents has been taken up by R&M works. In particular, accidents associated with working at height stood out as a major source of concern because of their serious consequences. The Working Group on Construction Site Safety and Employees’ Compensation Insurance of the former Provisional Construction Industry Co-ordination Board (PCICB) had conducted extensive discussions on the issue and suggested a list of follow-up actions including accelerating introduction of the Minor Works Control System, conducting thorough review of the regulatory regime, tightening enforcement actions and strengthening education and promotion.	<ul style="list-style-type: none"> • CIC to further consider the measures for improving the safety of R&M works.
High	2. Site safety training for construction personnel	The PCICB Working Group on Construction Site Safety and Employees’ Compensation Insurance had conducted a thorough review of the safety training provisions for construction personnel and recommended improvement measures including tightening the control on providers of green card courses, mandating silver card training for risk-prone trades through contractual provisions and improving safety training for front-line supervisors.	<ul style="list-style-type: none"> • CIC to follow-up on the measures recommended by PCICB and consider further improvements.

Priority	Issue	Background	Follow Up Actions
Medium	3. Incorporation of features in the design of buildings to enhance the safety of repair and maintenance operations	The incorporation of design features to enhance the safety or repair and maintenance operations was raised at the 30 th PCICB meeting on 11 August 2006 in considering the findings of Construction Industry Institute – Hong Kong’s research on safety of working at height. At the 31 st meeting on 17 November 2006, Buildings Department (BD) submitted a paper highlighting the safety features that are promulgated through PNAP 218 for voluntary adoption by AP/RSE.	<ul style="list-style-type: none"> • CIC to consider ways for promoting incorporation of design features for enhancing the safety of repair and maintenance operations.
Medium	4. CIRC Recommendation 20 – Voluntary registration scheme for renovation contractors and decorators	As PCICB did not have the capacity to operate another registration scheme in addition to the Voluntary Subcontractor Registration Scheme, this recommendation will be taken up by CIC.	<ul style="list-style-type: none"> • CIC to consider the need for the proposed registration scheme taking into account the Minor Works Control System being taken forward by BD.

(2) **Committee on Procurement**

Priority	Issue	Background	Follow Up Actions
High	5. Procurement approaches 6. Tools for contract management 7. Practices on selection of consultants and contractors 8. Comparison with procurement practices of other industries	In June 2005, PCICB Members held an informal meeting to discuss the approach for handling the discussion on construction procurement. (The summary report for the meeting is at Appendix A.) Through further discussions in subsequent PCICB meetings, the Board agreed on a work plan that would focus on fairness, transparency, accountability and safety. This would involve identifying various delivery methods and their pros and cons, examining best practices in contract management (such as partnering and milestone payment), deliberating on approaches for selection of consultants and contractors and making reference to procurement practices of other industries.	<ul style="list-style-type: none">• CIC to follow up taking into account the discussions of PCICB.

(3) Committee on Subcontracting

Priority	Issue	Background	Follow Up Actions
High	9. CIRC Recommendation 9 - Voluntary Subcontractor Registration Scheme (VSRS)	The Primary Register of the VSRS was launched in November 2003. PCICB had also started discussions on the implementation framework for the next stage involving a Premier Register with more stringent entry requirements and grading based on capabilities.	<ul style="list-style-type: none"> • CIC to take over the operation of the Primary Register and continue to deliberate on the Premier Register.
High	10. CIRC Recommendations 42 and 43 – Security of payment	After reviewing overseas experience, ETWB has concluded that security of payment legislation is unnecessary under local circumstances at present. Meanwhile, PCICB had drawn up a framework for identifying measures to enhance security of payment in various types of construction contracts.	<ul style="list-style-type: none"> • CIC to continue to deliberate on the subject on the basis of the framework developed by PCICB.
Medium	11. CIRC Recommendation 10 – Provide training to enhance the skill and competence of subcontractors	CITA is offering training courses designed for managerial staff and site supervisors engaged by subcontractors. Improvements to these courses will be considered in the light of the training requirements for the Premier Register. PCICB had also organized training courses for subcontractors registered on the VSRS since 2004 on topics including prevention of corruption, construction site safety and waste management.	<ul style="list-style-type: none"> • CIC to continue to provide training courses for subcontractors.
Medium	12. CIRC Recommendation 12 – Raising the performance standards of subcontractors by providing a conducive environment	To raise the performance standard of subcontractors, PCICB promulgated a set of Guidelines on Subcontracting Practice in March 2003 and another set of Guidelines on Standard Forms of Domestic Subcontracts for Basic Trades in April 2005.	<ul style="list-style-type: none"> • CIC to consider further measures for raising the performance standard of subcontractors.

(4) **Committee on Environment and Technology**

(a) *Environment*

Priority	Issue	Background	Follow Up Actions
High	13. CIRC Recommendation 89 – Developing a policy framework for sustainable construction	PCICB had considered ETWB’s preliminary proposal for the policy framework for sustainable construction.	<ul style="list-style-type: none"> • ETWB to submit further proposal to CIC for consideration.
Medium	14. Rolling out of waste management measures to private sector projects	REDA and HKCA will jointly commission a consultancy for completion within 2007 to develop implementation tools that will facilitate incorporation of waste management measures adopted with proven results by ETWB into private building contracts. The two associations will publicize the implementation tools in collaboration with CIC and concerned Government departments.	<ul style="list-style-type: none"> • CIC to monitor progress achieved by REDA and HKCA and take part in promotion of the implementation tools.
Medium	15. CIRC Recommendation 105 – Monitoring of Building Environmental Performance Assessment Schemes	<p>The Comprehensive Environmental Performance Assessment Scheme (CEPAS) was developed under a consultancy commissioned by BD. The Application Guidelines, Assessment Manuals and implementation proposal for CEPAS were submitted to PCICB in July 2005 for discussions on the way forward.</p> <p>Having compared CEPAS with an existing assessment scheme, Hong Kong Building Environmental Assessment Method (HK-BEAM), PCICB decided to adopt HK-BEAM as the integrated assessment model for the local construction industry subject to various improvements including enhancing the administration framework of HK-BEAM, opening up qualification of HK-BEAM assessors and incorporation of the desirable features of CEPAS into HK-BEAM.</p>	<ul style="list-style-type: none"> • CIC to monitor implementation of the agreed improvement measures to HK-BEAM • CIC to deliberate on promoting wider adoption of environmental performance assessment.

(b) *Technology*

Priority	Issue	Background	Follow Up Actions
High	16. CIRC Recommendation 64 – Establishment of a central construction standardization body (CCSB) in Hong Kong	A consultancy study commissioned by the former Works Bureau on setting up of the CCSB was completed in 2000 and its financial viability was further investigated in another consultancy in 2001. ETWB submitted a paper to PCICB in May 2003 proposing to establish the CCSB under CIC. However, PCICB Members were inclined to concentrate on adoption/harmonization of construction standards. In January 2006, PCICB discussed the paper of Construction Industry Institute – Hong Kong reporting the major findings of a research study on construction standards and concluded the subject should be considered by CIC.	<ul style="list-style-type: none">• CIC to explore the way forward taking into account the findings of the ETWB's consultancies and the discussion of PCICB.
Medium	17. CIRC Recommendations 72 and 73 – Co-ordination of construction research and development (R&D)	PCICB had formulated a co-ordination framework for implementation by CIC.	<ul style="list-style-type: none">• CIC follow up on the implementation of the co-ordination framework.
Medium	18. Establishment of performance indicators for the construction industry	A proposal for performance indicators was formulated through a consultancy commissioned by ETWB and undertaken by Davis Langdon & Seah (DLS). The first stage of the proposal based on existing data applicable to the whole industry was launched in 2004. The second stage involving collection of data for gauging the performance of individual projects was held in abeyance since PCICB was not in favour of the model recommended by DLS.	<ul style="list-style-type: none">• CIC to consider the need and way forward for launching the second stage for gauging the performance of individual projects.

(5) **Committee on Manpower Training and Development**

Priority	Issue	Background	Follow Up Actions
High	19. Amalgamation between CIC and CITA	The CIC Ordinance makes provisions for the eventual amalgamation of CIC and CITA so as to implement CIRC's vision of CIC guiding the operation of CITA and pooling of industry levies to fund the operation of CIC as well as other activities that will benefit the industry at large. Given that the amalgamation will require detailed planning and intensive preparation, PCICB and CITA had agreed to set up a joint committee and liaison groups respectively at board level and working level to co-ordinate the logistical arrangements. The joint committee at board level will consist of chairmen of CIC committees and CITA committees. The liaison groups at working level will consist of paid staff from both side but CIC and CITA members will be welcomed to join.	<ul style="list-style-type: none">• CIC to oversee the amalgamation process and give guidance to CIC representatives attending the liaison groups.
High	20. Manpower development for capitalizing on the opportunities arising from CEPA and the development in the Mainland and Macau	The booms in investment in buildings and infrastructures in the Mainland and Macau have generated opportunities for export of Hong Kong's construction services. CEPA also facilitates easier entry into the Mainland market by Hong Kong-based construction service providers. The construction industry should capitalize on these opportunities through appropriate manpower development to equip construction personnel with the skills and qualifications required by the markets in the Mainland and Macau.	<ul style="list-style-type: none">• CIC to devise an appropriate manpower development strategy.

Priority	Issue	Background	Follow Up Actions
Medium	21. Long term direction of CITA in the light of 3+3+4	At present, Secondary 5 school leavers are the main source of students for CITA. However, Hong Kong will move from seven years of secondary education with the two senior years available to one third of the Secondary 5 graduates to six years of secondary education with near universal participation. CIC may need to determine the long term direction for developing training courses to suit the profile of a new generation of students educated under the future system.	<ul style="list-style-type: none"> • CIC to consider the long term direction
Medium	22. CIRC recommendation 8 – Codes of conduct for construction personnel	As the promulgation and enforcement of codes of conduct may need statutory backing, the recommendation will be taken up by CIC.	<ul style="list-style-type: none"> • CIC to draw up the codes of conduct.
Medium	23. CIRC Recommendation 50 – Review of the need for mandatory registration scheme for site supervisors	As mandatory registration may require statutory backing, this recommendation will be taken up by CIC.	<ul style="list-style-type: none"> • CIC to review the need for mandatory registration scheme for site supervisors.
Medium	24. CIRC Recommendation 58(d) – Effective sanctions to be imposed by professional institutions against breaches of rules of conduct for construction personnel	As the imposition of sanctions may need statutory backing, this recommendation will be taken up by CIC.	<ul style="list-style-type: none"> • CIC to consider the way forward.

(6) Committee on Administration and Finance

Priority	Issue	Background	Follow Up Actions
High	25. Administration procedures of the Council	<p>CIC will develop the administration procedures in accordance with the CIC Ordinance including –</p> <ul style="list-style-type: none"> • establishment of committees in accordance with section 15 • delegation of Council’s functions to committee in accordance with section 16 • disclosure of interest of members in accordance with section 6 of Schedule 3 • keeping register of disclosures in accordance with section 7 of Schedule 3 	<ul style="list-style-type: none"> • CIC to develop the procedures.
High	26. Finance and accounting procedures	<p>CIC will develop the finance and accounting procedures in accordance with the CIC Ordinance including –</p> <ul style="list-style-type: none"> • determining the financial year in accordance with section 22(1) • drawing up programme of activities and estimates of income and expenditure in accordance with section 22(2) • opening and operation of bank accounts • keeping proper accounts and records of income and expenditure • appointment of auditors and procedures for auditing 	<ul style="list-style-type: none"> • CIC to develop the procedures.

Priority	Issue	Background	Follow Up Actions
High	27. Programme of activities and estimates for first financial year	In accordance with section 22 of the CIC Ordinance, CIC will have to prepare and submit the programme of activities and estimates for the first financial year to SETW as soon as practicable after its formation.	<ul style="list-style-type: none"> • CIC to prepare the submissions.
High	28. Staffing structure of the CIC Secretariat	PCICB had worked out a preliminary staffing structure for the CIC Secretariat. CIC will determine the final staffing arrangements.	<ul style="list-style-type: none"> • CIC to determine the structure.
High	29. Conditions of service of staff of the CIC Secretariat	CIC will determine the conditions of services for the new staff of its secretariat.	<ul style="list-style-type: none"> • CIC to determine the relevant conditions.
High	30. Accommodation arrangements for CIC	PCICB had considered various options for accommodations for CIC, including fitting out of part of CITA's Kowloon Bay Training Centre for use as office and meeting venue and renting of office space in the commercial market. CIC will finalize its accommodation arrangements.	<ul style="list-style-type: none"> • CIC to determine the arrangements.
High	31. Insurance coverage for CIC and its committees/boards	In view of the possible liabilities which may be incurred by CIC, its committees and the future Construction Industry Training Board in delivering their respective functions and services etc., CIC will consider the need to take out insurance coverage as necessary.	<ul style="list-style-type: none"> • CIC to consider its needs.
Medium	32. Financial planning after amalgamation with CITA	After the amalgamation, CITA's assets and liabilities will be vested in CIC. CIC will also take over the collection of industry levies. CIC will consider how best to apportion the levy income to fund its operations, the operation of the future Construction Industry Training Board and other activities which will benefit the industry at large.	<ul style="list-style-type: none"> • CIC to develop the plans.

Priority	Issue	Background	Follow Up Actions
Medium	33. Strategy for investment of surplus funds	Part of CITA's surplus funds are invested in securities. CIC will formulate the investment strategy for these assets to prepare for their transfer from CITA.	<ul style="list-style-type: none"> • CIC to formulate the strategies.