

Construction Industry Council

Committee on Subcontracting

Meeting No. 001/11 of the Committee on Subcontracting for 2011 was held on 7 January 2011 (Friday) at 2:30 pm at Conference Room 1, 42/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong.

Summary notes of the Committee on Subcontracting Meeting No. 001/11:

Agenda Item	Paper	Major Resolutions/ Progress Highlights
1.1	CIC/SBC/R/003/10	Confirmation of the Progress Report – Members of the Com-SBC approved the Progress Report CIC/SBC/R/003/10 of the last meeting held on 10 August 2010.
1.2		Matters Arising from the Previous Meeting:– <ul style="list-style-type: none">• Task Force on VSRS Stage 2 - meeting of the Task Force on VSRS Stage 2 was scheduled for 23 February 2011 at 9:30 p.m., 16/F, Conference Room, No. 182 Hennessy Road, HKCA Building
1.3	CIC/SBC/P/001/11	Key Performance Indicators for Construction Industry - no further comments were noted at the meeting, the Chairman reminded Members to write to the Secretariat should there be any further comments on the matter.

Agenda Item	Paper	Major Resolutions/ Progress Highlights
1.4	CIC/SBC/P/002/11	<p><u>Task Force on Security of Payment Legislation (TF-SPL)</u> – Mr. Bernard HUI, the chairman of the Task Force, briefed Members on the background and elaborated the Task Force’s in-principle recommendation to go ahead with the Further Survey by Census & Statistics Department (C&SD) and its consultant through interviews with selected samples of industry participants at no cost to CIC subjected to constant reports to and associated comments of the Task Force. The Further Survey would aim to identify the magnitude of the outstanding payment problems and to gather views on possible legislation, being one of the possible remedial measures, should it be considered necessary. The Terms of Reference of the Task Force was amended to include the study for legislative measures as set out in the Paper.</p> <p>After much deliberation, Members agreed to the revised Terms of Reference of the Task Force and endorsed the recommendation to proceed with the Further Survey to be taken by the C&SD.</p>
1.5	CIC/SBC/P/003/11 CIC/SBC/P/004/11 CIC/SBC/P/005/11 CIC/SBC/P/011/11	<p><u>Task Force on Standard Contract Provisions for Domestic Subcontracts (TF-SCDC)</u> - Six meetings had been held and attended by representatives from trade associations and professional institutions with active comments raised and discussed at the meeting. The current progress would be a bit delayed but it was still targeted to complete by the end of 2011.</p> <p>A Member enquired about the extent of application of the standard contract in lower tier sub-contracts. The standard form of sub-contract would firstly cater for the first tier</p>

Agenda Item	Paper	Major Resolutions/ Progress Highlights
		<p>sub-contracts which should be usable for the lower tier sub-contracting except the basic trades undertaken by less sophisticated tradesmen. It would then be cascaded down to basic trades with necessary simplifications in future and if considered necessary.</p> <p>The Chairman expressed his appreciation of the efforts made by Mr. K C TANG and the members of the Task Force given the tedious and complicated nature of the drafting works and looked for continuous supports from the Members.</p>
1.6	CIC/SBC/P/007/11	<p><u>Task Force on Dispute Resolution Documentation (TF-DRD)</u> - The framework of the tasks to be completed by the Task Force would cover Dispute Resolution Adviser (DRA) in addition to the various Dispute Resolution Mechanism as original contemplated.</p>
1.7	CIC/SBC/P/008/11	<p><u>Updates on Current Status & Proposed Improvements for VSRS Operations</u> - To meet the expectation of the industry stakeholders for a shorter turnaround time in processing the application, certain improvements were proposed including streamlining the internal operations, enhancing communications with applicants, recruiting part-time staff and enhancing the out-dated computer system with a view to shortening the process time frame from existing 13 weeks to “2+6” weeks as set out at Annex A. Members agreed to submit the proposal to the CIC Council for approval.</p>

Agenda Item	Paper	Major Resolutions/ Progress Highlights
1.10	AOB	<p>A. <u>Mandatory Provident Fund (MPF) Issue</u> At the CIC Council Meeting on 5 November 2010, this Committee was asked to study the following two issues about the MPF:</p> <ul style="list-style-type: none"> • under the Employment Ordinance, the principal contractors would be liable for the first two months' unpaid wages of an employee who was employed by the subcontractor in case of its failure to pay wages. However, default mandatory provident fund (MPF) contributions by subcontractors were not subject to similar treatments under the MPF Ordinance; • the calculation of MPF contribution for non-daily wage payment of temporary employees was very complicated. <p>The Secretariat met with representatives from the MPFA on 22 December 2010 and got an initial understanding about the issues. In view of the complexity and the necessary change of legislation be involved, it was deliberated to invite representatives from the MPFA to give a short presentation at the next Committee meeting for further considerations by Members.</p> <p>B. <u>Voluntary Supplier Registration System</u> The representatives from Housing Department briefed Members on the background and benefits of their proposal of requesting CIC to set up a Voluntary Supplier Management System, which could be amalgamated with the VSRS.</p> <p>Members affirmed the intention of the proposed system but expressed the following concerns:</p> <ol style="list-style-type: none"> 1) It was very difficult to define the assessment criteria for registration. 2) The degree and details of scrutiny required would need very careful considerations and balance with the great amount of resources need to be committed. If the entry

Agenda Item	Paper	Major Resolutions/ Progress Highlights
		<p>requirement was loose, the list was nothing more than “yellow page” (commercial directory). However the entry requirement was high, it would create entry barriers to smaller product suppliers and manufacturers as the registration cost would be very high for such detailed assessment.</p> <ul style="list-style-type: none">3) Resources implication to the CIC would be very great.4) There would be overlapping with the product certifications of Hong Kong Accreditation Service;5) The issue would also need the inputs & views from different major interests groups in addition to sub-contractors being looked after by the Committee. <p>Members considered that it was not appropriate for the Committee alone to take up the task given that the issues covered various stakeholders and the enormous resources commitment. Instead, it should be escalated to the CIC Council for consideration.</p>

Proposed Performance Pledge on Turnaround Time of VSRS Application

	<u>Weeks</u>	<u>Weeks</u>
<u>Initial Vetting</u>		
If additional info required, inform applicant within:	2	
		2
<u>Approval</u> (after initial vetting, or after received additional if required, proceed with approval)		
Processing a 3-week batch:	3	
Prepare Management Committee (MC) Approval Report :	1	
MC Approval:	1	
Prepare & Issue Reply:	1	
		6
Total:		<u>8</u>