

Construction Industry Council

Committee on Construction Procurement

Meeting No. 003/17 of the Committee on Construction Procurement (Com-CPT) was held on Thursday, 14 September 2017 at 2:30pm at the Boardroom, CIC Headquarters, 38/F, COS Centre, 58 Tsun Yip Street, Kwun Tong, Kowloon.

Summary Notes of the Com-CPT Meeting No. 003/17:

Agenda Item	Paper	Major Resolutions / Progress Highlights
3.1	CIC/CPT/R/002/17 (for discussion)	Confirmation of the Progress Report Members took note of the Paper CIC/CPT/R/002/17 and confirmed the Progress Report of Meeting No. 002/17 held on Wednesday, 14 June 2017.
3.2	CIC/CPT/R/002/17 (for discussion)	Matters Arising from the Last Meeting (a) <u>Item 2.3</u> - Members raised no further comment on the 2018 Work Plan and Budget. Regarding the discussion on Report on Breakfast Roundtable, details would be discussed under agenda item 3.4. (b) <u>Item 2.4</u> - Members had a brief discussion and shared their views on the Consultancy Report in the meeting which would be detailed under agenda item 3.4. (c) <u>Item 2.6</u> - Members noted the expiring of automatic opt-in of Schedule 2 provisions under the Arbitration Ordinance (Cap 609) which applies to contracts entered into on or after 1 June 2017. If the contracting parties intended to have applied some or all of the Schedule 2 provisions, they had to express such explicitly in the arbitration agreement. It was suggested that the CIC should establish its position whether to recommend domestic arbitration as per Schedule 2 or international arbitration. Mr. Francis LEUNG would provide further information on the topic including users' experience, with and without Schedule 2 provisions in arbitration agreement in civil works for discussing CIC's position at the next meeting.
3.3	CIC/CPT/P/007/17	Progress Update on the Research titled "A Roadmap to Enhance the Subcontractor Management Mechanism in Hong Kong"

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	(for discussion)	<p>Members took note that the research team of The University of Hong Kong had commenced the research. On 14 July 2017, the research team met Executive Director of the CIC and representatives from key industry stakeholders, including Development Bureau, The Hong Kong Construction Association Limited, The Hong Kong Federation of Electrical and Mechanical Contractors Limited, Hong Kong Construction Sub-Contractors Associations, and the Chairman of the Task force on Enhancements to Subcontractor Registration Scheme (SRS), to share views on the existing and directions of future development for the SRS. The research team later discussed in details on the objectives and scope of the research with the Task force on Enhancements to SRS on 31 August 2017. Prof. Thomas NG, who led the research, presented the key points of the submitted Inception Report of the research to Members in the meeting who gave the following comments and suggestions:</p> <ul style="list-style-type: none"> (a) narrowing down the scope of the study, such as how the registration scheme would help improve safety and quality of the industry might give a more concrete conclusion on the research; (b) the aims of the study should focus on whether the mandatory subcontractor registration scheme could help enhance the sustainability of the industry by examining if it was conducive to managing subcontractors effectively and was beneficial to the industry in terms of safety, quality and construction period; (c) the feasibility of categorising subcontractors into different grades based on some agreed criteria such as their capability and scale could be studied; (d) whether a mandatory system was required for the industry could be studied first and the subsequent roadmap could be worked out later on; (e) taking the wide disciplines covered by the subcontracting industry into consideration, the mandatory registration might not be applicable to all subcontractors. In view of this, it was proposed that applying the mandatory registration to certain disciplines of subcontractors could be considered for improving the safety of the industry. <p>In respect of the diverse comments collected from industry stakeholders, Prof. Thomas NG suggested organising a meeting inviting relevant parties including Members from Com-CPT to further discuss and to seek consensus on the direction and key concerns of the research.</p> <p>[Post-meeting Note: A Focus Group Meeting inviting the Chairman and Executive Director of the CIC, Members from Com-CPT, Management Committee of the Subcontractor Registration Scheme (SRS)</p>

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		and Task Force on Enhancements to SRS to attend for further discussion on the research was scheduled for 9 November 2017.]
3.4	CIC/CPT/P/008/17 (for discussion)	<p>Discussion on the Report on Breakfast Roundtable and HKCA’s Consultancy Report – A Study of the Risk Sharing Pattern in the Construction Projects in Hong Kong</p> <p>Members took note of the Report on Breakfast Roundtable and expressed the following opinion on the issues detailed in the Report:</p> <ul style="list-style-type: none"> (a) the scope of civil projects was either too big or too small which placed SMEs in a disadvantageous position when bidding for these projects; (b) most tender requirements to certain extent were more favourable to overseas contractors and in turn, local contractors had limited chance to advance further and the tendering system did not favour joint venture with overseas contractors. <p>Mr. Francis LEUNG responded that the Development Bureau had advised government departments to split some mega projects into smaller packages but the works departments had to maintain balance for overall efficiency in project management. In any event, the Development Bureau would focus on promoting the development of SMEs in the coming year. He also replied that the requirement of joint venture being led by local contractors was relaxed since last year which encouraged local contractors to partner with non-local contractors and to accumulate job references.</p> <p>Ir Albert CHENG remarked that a consultancy study on Improving Time, Cost and Quality Performance of the Hong Kong Construction Industry was commissioned by the CIC. In particular, the high cost of compliance with administrative procedures and regulations would be examined. Members were invited to provide suggestions on the study direction.</p> <p>Regarding the Consultancy Report, Ir Dr Derrick PANG was requested to liaise with HKCA to identify the top priority issues from the report for further deliberation of follow up actions by the Com-CPT.</p>
3.5	CIC/CPT/P/009/17 (for information)	<p>Update on Subcontractor Registration Scheme (SRS) Operations</p> <p>Members took note of the report on SRS Operations. There were 5,653 companies registered under the SRS, indicating a steady increase of around 90 Registered Subcontractors compared with the last report in June 2017. The Management Committee would hold its 4th regulatory hearing of 2017 on 28 September 2017.</p>

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3.6	-	<p>Any Other Business</p> <p>(a) <u>Progress Update of the Task Force on Selection of Contractors</u> – Members noted that the Task Force had conducted a number of meetings during which a consensus on the framework of the project was reached. The final draft of the reference materials would be completed around the end of 2017.</p> <p>(b) <u>Progress Update of the Task Force on RMAA Procurement</u> – Members noted that the Task Force on RMAA Procurement with 15 Members including Sr Dick KWOK being the Chairperson was formed. The first meeting was held on 7 August 2017. Members of the Task Force agreed that CIC could focus its initiatives on construction industry stakeholders including contractors and could differentiate its works from URA. The next meeting of the Task Force would be held on 16 October 2017 during which research topics, possible areas where URA and CIC could collaborate and other works CIC could do would be discussed.</p> <p>(c) <u>Technical Seminar on Rising Construction Cost</u> – Members noted that the seminar was conducted on 15 August 2017 where speakers shared their views on the topic.</p> <p>(d) <u>Other A.O.B.</u> –</p> <p style="padding-left: 20px;">(i) Ir Albert CHENG requested the Secretariat to provide an update on the NEC training CIC would be providing for the coming year at the next meeting;</p> <p style="padding-left: 20px;">(ii) Ir Albert CHENG also requested the Secretariat to report the Business Plan of Com-CPT, particularly what to be achieved in 2018 at the next meeting;</p> <p style="padding-left: 20px;">(iii) Ir Albert CHENG expressed that the CIC would look into enhancing collaboration with private sector construction clients and developers. In this connection, he would welcome an opportunity to present CIC’s initiatives to REDA and requested Ms. Eliza WONG to set up a meeting at the earliest convenience.</p>

Remarks: The mentioned papers discussed at the Committee on Construction Procurement and the full progress report can be made available to Council Members from the CIC Secretariat upon request.