

**Construction Industry Council**

**Committee on Subcontracting**

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The 5<sup>th</sup> Meeting of the Committee on Subcontracting for 2009 was held on Tuesday, 8 September 2009 at 2:30 pm at Room 1201, Murray Building, Central, Hong Kong

Present:	Shing-see LEE	(SSL)	Chairman
	Tat-tong CHEUNG	(TTC)	
	James CHIU	(JC)	
	Conrad WONG	(CW)	
	Paul CHONG	(PC)	The Hong Kong Federation of Electrical and Mechanical Contractors
	Bernard HUI	(BH)	The Hong Kong Institute of Architects
	Wai-tai LAW	(WTL)	Hong Kong Construction Association
	Joseph NG	(JN)	Hong Kong General Building Contractors Association
	Lawrence NG	(LN)	Hong Kong Marble and Granite Merchants Association
	Michael HUI	(MH)	Development Bureau
	Siu-wai HUI	(SWH)	Buildings Department
	Sonia YUNG	(SY)	Housing Department
	Chi-keung FUNG	(CKF)	Water Supplies Department
Kenny FOK	(KF)	Independent Commission Against Corruption	
In Attendance:	Christopher TO	(CT)	Executive Director
	Ivan WONG	(IW)	Senior Manager (Council Services) 2
	Yvonne MAK	(YM)	Manager (Council Services) 4
Apologies:	Teresa CHENG	(TC)	
	Chun-wa CHOI	(CWC)	
	Stanley HUI	(SH)	
	Edgar Kwan	(EK)	
	Chun-yuen TSE	(CYT)	
	Wai-wai Yu	(WWY)	
	Ada FUNG	(AF)	for Permanent Secretary for Transport and Housing (Housing)
	Tak-hing CHEUNG	(THC)	
	Chi-hung LAI	(CHL)	Hong Kong Construction Industry Employees' General Union
	Chee-sing SO	(CSS)	Henderson Land Development Co. Ltd.

Sing-hin TSO	(SHT)	Labour Department
Sing-lam Wong	(SLW)	Contractor's Authorised Signatory Association
Hung-yuen YAU	(HYY)	Association of Electrical Contractors

## **PROGRESS REPORT**

### **Action**

[While there was insufficient quorum for the meeting, no decision of the Committee would be required at the meeting. The meeting was therefore held for discussion only and no decision was reached to any items discussed in the meeting.]

#### **5.1 Confirmation of the Progress Report of the Previous Meeting**

Members took note of Paper CIC/SBC/R/004/09. As no comment was received from Members on the draft progress report during circulation and at the meeting, the progress report of the 4<sup>th</sup> meeting held on 15 July 2009 was confirmed.

#### **5.2 Matters Arising from the Previous Meeting**

##### **5.2.1 Guidelines on Dispute Resolution**

The subject was discussed under Agenda item 5.3

##### **5.2.2 Protection of Worker's Entitlement to Wage Payment**

The revised guidelines which had incorporated the comments from Members at the last meeting were endorsed by the CIC Council at its meeting in July 2009. Since some further comments from The Hong Kong Institute of Surveyors (HKIS) were received, this item was discussed again under Agenda item 5.4.

##### **5.2.3 Update on the Progress of Survey of Problems of Outstanding Payments in Construction Supply Chain**

The subject was discussed under Agenda item 5.6

##### **5.2.4 VSRS- Rules and Procedures**

The Secretariat would follow up the review of the Rules and Procedures and would report to the Committee in due

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course. A related issue of VSRS Stage 2 was discussed under Agenda item 5.5

**5.3 Guidelines on Dispute Resolution**

Members took note of the Paper CIC/SBC/P/021/09 and were briefed by the Secretariat with the key changes of the Guidelines as suggested at the Council Meeting held in July 2009. Members noted the changes and suggested further amendment should be made to Paragraph 16 of the Guidelines where ambiguity was observed between the roles and decision authorities of different types of the Third Party Neutral Persons which should be clearly stated, in order to avoid any misunderstanding. The Secretariat was instructed to revise the said paragraph and circulated to Members for further comments.

Housing Authority would provide some factual information related to the Guidelines to the Secretariat for consideration.

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**5.4 Guidelines on Measures for Protection of Workers' Wages**

Members took note of the Paper CIC/SBC/P/022/09. After discussed the comments provided by HKIS, Members agreed to revise the Guidelines as follows:

Item 2: to include cautionary notes for Project Officers who may incur additional workload by adopting the Guidelines;

Item 6: to provide a Chinese version of the Guidelines

Item 8: to correct the typos as stated

Further suggestion was raised by other Members on the layout of the Guidelines. It was agreed that content of the Guidelines would be re-organised in sequential order making it more user-friendly to readers.

The revised guidelines incorporating the above amendment would be circulated to Members for confirmation in due course.

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**5.5 VSRS Stage 2**

Members took note of the Paper CIC/SBC/P/023/09. The Secretariat reported to the Committee that the biggest challenge faced by the Task Force was to obtain reasonable figures for the contract limit for each trade of each category of subcontractor.

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Only limited data could be collected through the assistance of various Task Force Members because of the large variety of trades under the VSRS. There were a number of trades of which the contract limits were unable to be identified. Given the obstacles encountered and the possible adverse effect that might be resulted by using non-agreed or unreasonable figures for consultation, the Task Force made an alternative proposal to the Committee focusing on the enhancement of the existing VSRS before moving towards the Stage 2.

In summary, Task Force Members suggested levitating the existing VSRS to mandatory through administrative means, i.e. by extending the scope of application to other public-funded works like subvented projects, university projects, Hospital Authority projects, etc. In parallel, crucial data such as applicants' financial information should be collected at the time of registration and renewal to facilitate future analysis for categorizing subcontractors at the VSRS Stage 2.

Members acknowledged the above proposal and considered that the VSRS should be renamed to "Subcontractor Registration Scheme" should the enhancement proposed by the Task Force be adopted. The Secretariat was directed to prepare a paper on the details of the proposal of enhancing the existing VSRS for discussion at the next Committee meeting.

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**5.6 Update on the Progress of Survey of Problems of Outstanding Payments in Construction Supply Chain**

Members took note of the Paper CIC/SBC/P/024/09. The Secretariat informed Members that the questionnaires would be dispatched starting from mid-September. According to the latest progress, the survey would be completed in December while the presentation of findings to the CIC might be made by early next year.

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**5.7 Status Update of Work Plan**

Members took note of the Paper CIC/SBC/P/025/09. Chairman invited Members to initiate any new items for consideration by the Committee.

**All**

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**5.8 Any Other Business**

5.8.1 The Secretariat reported that Development Bureau (DevB) had put forward a request to CIC of promoting effective subcontractor management through a number of areas:

- i) adoption of Subcontractor Management Plan;
- ii) enhancement of Subcontractor Registration System; and
- iii) promotion of probity in all tiers of subcontractors.

As elaborated by MH, Government wished to improve subcontractor management in the private sector with the help of the CIC. Members welcomed DevB to put up papers for the respective areas to solicit collaborative efforts for implementing those strategies for the Committee's discussion in due course.

5.8.2 A draft letter to the Bills Committee of the Legislative Council expressing the concern of construction industry on the proposed amendments to the Arbitration Ordinance stated in the Draft Arbitration Bill was tabled at the meeting. Members took note of the comments stated in the letter and had no other comments to supplement.

5.8.3 In view of the existing practice of some other committees of the CIC having quarterly meetings, the Secretariat was directed to look into the feasibility of changing the meeting interval from 2 months to 3 months next year so as to allow more times for the task forces to work with before reporting to the Committee.

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

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

**All to note**

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