

FOR IMMEDIATE RELEASE

A New Publication of the Construction Industry Council **“Guidelines on Contract Price Fluctuation System (CPFS)”**

Hong Kong • 23 December 2011 – The Construction Industry Council (CIC) today releases a new publication entitled “Guidelines on Contract Price Fluctuation System (CPFS)” (Guidelines). The Guidelines aims at encouraging the adoption of CPFS, an equitable risk-sharing mechanism between the contractors and the employers, seeks to reduce the pricing risk for contractors in terms of material, labour and currency cost fluctuations, and rationalises the construction cost for employers in the long-run.

Introduction

The low volume of construction works after the peak in 1997 resulted in highly competitive tender prices and low profit margins. Coupled with the unprecedented escalation of fuel and building materials costs since 2008, the risk of price fluctuations has become more critical to construction works contracts for both contractors and employers. Significant costs fluctuation may lead to under or over estimation of tender costs and both parties may be exposed to unexpected risk at different times in the business cycle.

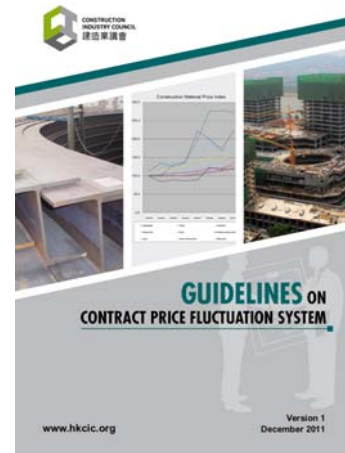
Taking note of the successful experience of Government, the Committee on Procurement (Com-PCM) of CIC concurred that CPFS could be a mechanism for promoting fair and equitable risk-sharing for all industry stakeholders. A Task Force was therefore established to study the issue and prepare guidelines for the industry.

After in-depth research, consolidation of useful and latest CPFS principles applicable to the local construction industry, and review on the comments and suggestions from industry professionals and stakeholders, the Task Force has prepared the Guidelines with a view to promote the implementation of CPFS in construction contracts.

Publication of the Guidelines

The CIC published the “*Guidelines on Contract Price Fluctuation System (CPFS)*”. Mr. CHEW Tai-chong, Chairman of Com-PCM said, “The Guidelines provided a suite of contract price fluctuation mechanisms, ranging from simple, fair and broad-brush to more complex detailed methods as

options for employers to choose according to the nature of their projects.” “Apart from promoting more harmonious working relationships due to a more equitable system for risk sharing, we also hope that the quality, delivery and sustainability of projects could be improved through the adoption of CPFS,” supplemented by Mr. Steve GRIFFIN, chairperson of the Task Force on CPFS.



Mr. LEE Shing-see, Chairman of the CIC said “We

recommend the construction industry as a whole, pay heed to and consider adopting the CPFS as good practice to foster a fairer and more equitable risk-sharing environment for the industry stakeholders.”

Guidelines on Contract Price Fluctuation System (Version 1, December 2011)

The Guidelines is available for download at the CIC website <www.hkcic.org>

About the Construction Industry Council

The Construction Industry Council (CIC) was formed on 1 February 2007 under the Construction Industry Council Ordinance Cap. 587. CIC consists of a chairman and 24 members representing various sectors of the industry including employers, professionals, academics, contractors, workers, independent persons and Government officials.

The main functions of CIC are to forge consensus on long-term strategic issues, convey the industry’s needs and aspirations to Government, provide training for construction workforce and serve as a communication channel for Government to solicit advice on all construction-related matters.

To learn more about the CIC, please visit website <www.hkcic.org> for further details.

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