

THE BIRTH OF THE CONSTRUCTION INDUSTRY COUNCIL – A SELF-REGULATORY BODY ESTABLISHED BY LAW WITH STAKEHOLDERS FROM ALL WALKS OF LIFE IN THE CONSTRUCTION INDUSTRY IN HONG KONG

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1. INTRODUCTION

In April 2000, the Chief Executive of the HKSAR appointed the Construction Industry Review Committee (CIRC) to comprehensively review the current state of the construction industry and to recommend improvement measures. The Committee completed this task and submitted a report entitled **“Construct for Excellence”** to the Chief Executive in January 2001. The Report outlined 109 improvement measures covering the whole spectrum of construction activities to uplift the quality and cost-effectiveness of the industry.¹

One of the key observations in the Report was that the local construction industry was highly fragmented and beset with an adversarial culture which impeded long-term development. It concluded that a statutory industry co-ordinating body (ICB) encompassing all key stakeholders of the industry should be formed to promote the culture of self-regulation in a market-driven environment. It should also provide guidance to the Construction Industry Training Authority (CITA) and set directions for its work. Moreover, the CIRC Report recommended that levies currently collected from the construction industry under various ordinances should be pooled together for more efficient deployment of resources and to fund daily operations of the ICB as well as other activities that would benefit the industry at large.

The Provisional Construction Industry Co-ordination Board (PCICB) was then formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory ICB. To achieve the objective of setting up an ICB, the Construction Industry Council Bill was first introduced into the Legislative Council in February 2004 and was enacted as the Construction Industry Council Ordinance on 24 May 2006. Construction Industry Council (CIC) was established on 1 February 2007 to take over the work of PCICB.

2. FUNCTIONS AND POWERS OF THE CIC

The main functions of CIC are to forge consensus on long-term strategic issues, convey the industry's needs and aspirations to Government, as well as provide a communication channel for Government to solicit advice on all construction-related matters. In order to propagate improvements across the entire industry, CIC is empowered to formulate codes of conduct, administer registration and rating schemes, steer forward research and manpower development, facilitate adoption of construction standards, promote good practices and compile performance indicators.

The functions of the Construction Industry Council are set out in Section 5 of the CIC Ordinance (Cap. 587):

¹ According to a report submitted by CIC to the Legislative Council on the implementation of CIRC recommendation dated 14 April 2007, out of the 109 recommendations, 50 of them have been carried out by the government, 44 recommendations to be addressed by CIC and the remaining recommendation shall be taken up by the government in due course.

- (a) to advise and make recommendations to the Government on strategic matters, major policies and legislative proposals, that may affect or are connected with the construction industry, and on matters of concern to the construction industry;
- (b) to reflect to the Government the construction industry's needs and aspirations;
- (c) to elevate the quality and competitiveness of the construction industry by promoting the ongoing development and improvement of the industry;
- (d) to uphold professionalism and integrity within the construction industry by promoting self-regulation, formulating codes of conduct and enforcing such codes;
- (e) to improve the performance of persons connected with the construction industry through establishing or administering registration schemes or rating schemes;
- (f) to advance the skills of personnel in the construction industry through planning, promotion, supervision, provision or coordination of training courses or programmes;
- (g) to encourage research activities and the use of innovative techniques and to establish or promote the establishment of standards for the construction industry;
- (h) to promote good practices in the construction industry in relation to dispute resolution, environmental protection, multi-layer subcontracting, occupational safety and health, procurement methods, project management and supervision, sustainable construction and other areas conducive to improving construction quality;
- (i) to enhance the cohesiveness of the construction industry by promoting harmonious labour relations and the observance of statutory requirements relating to employment, and by facilitating communication among various sectors of the industry;
- (j) to serve as a resource centre for the sharing of knowledge and experience within the construction industry;
- (k) to assess improvements made by the construction industry through the compilation of performance indicators;
- (l) to make recommendations with respect to the rate of the levy imposed under Construction Industry Council Ordinance; and
- (m) to perform any other functions relevant to the construction industry, including those functions conferred or imposed on it by or under Construction Industry Council Ordinance or any other enactment.

3. SUPPLEMENTARY FUNCTIONS OF COUNCIL

Without limiting to Section 5, the Council also has the following functions—

- (a) to provide training courses for the construction industry;
- (b) to establish and maintain industrial training centres for the construction industry;
- (c) to assist, including by the provision of financial assistance, in the placement of persons who have completed training courses provided for the construction industry;
- (d) to assess the standards of skills achieved by any person in any kind of work involving or in connection with the construction industry, to conduct examinations and tests, to issue or award certificates of attendance or competence, and to establish the standards to be achieved in respect of any such work;
- (e) where it is appointed under the Construction Workers Registration Ordinance (18 of 2004) as the Registrar of Construction Workers under that Ordinance, to perform the functions conferred or imposed on the Registrar by or under that Ordinance or any other enactment.

4. THE CONSTRUCTION INDUSTRY COUNCIL (CIC)

Membership (Set out in Section 9 of the CIC 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.

Among the maximum of 21 non-official members to be appointed in their personal capacity to CIC by the Secretary of Development, no more than 16 are designated to industry representatives who

are nominated by the “specified bodies” as set out in Section 9 and Schedule 2 of the Ordinance. The term of appointment is 2 years and members may be re-appointed for no more than 6 years in total.

The Composition of CIC Council is:-

- Chairman
- not more than 3 public officers
- not more than 4 employers from specified bodies as listed in Part 1 of Schedule 2²
- not more than 4 construction professionals from specified bodies as listed in Part 2 of Schedule 2³
- not more than 5 contractors, subcontractors and suppliers of materials or equipment from specified bodies as listed in Part 3 of Schedule 2⁴
- not more than 2 academics
- not more than 3 Trade Unions members from specified bodies as listed in Part 4 of Schedule 2⁵
- not more than 3 others

5. OPERATIONS

The CIC has established a number of committees and task forces in dealing with matters pertaining to the operation of the Council. 8 Committees have been established.

Committees

- Committee on Construction Site Safety
- Committee on Procurement
- Committee on Sub-contracting
- Committee on Environment and Technology
- Committee on Manpower Training and Development
- Committee on Administration and Finance
- Objection Committee
- Construction Industry Training Board

TERMS OF REFERENCE

Committee on Construction Site Safety

1. To review and monitor site safety performance of the construction industry.
2. To identify and recommend measures for improving safety performance to CIC.
3. To promote adoption of the improvement measures by the industry.

Committee on Procurement

To examine current practices on procurement in relation to project planning, tendering, contract administration and site supervision and recommend good practices to improve the quality and cost effectiveness in delivery of construction contracts.

Committee on Sub-contracting

² Employers include Airport Authority, Kowloon-Canton Railway Corporation, Mass Transit Railway Corporation Limited & the Real Estate Developers Association of the HK Limited

³ Professionals and Consultants include HK Institute of Architects, HK Institute of Landscape Architects, HK Institute of Planners, HK Institute of Surveyors & HK Institute of Engineers

⁴ Contractors include the Association of Plastering Sub-contractors Limited, HK Bar-bending Contractors Association Limited, the HK Construction Association, Limited, HK Construction Materials Association Limited, the HK Federation of Electrical and Mechanical Contractors Limited, HK General Building Contractors Association Limited, HK Hydraulic Truck Cranes Association Limited, HK & Kowloon Scaffolders General Merchants Association Limited, HK Licensed Plumbers Association Limited, the HK Marble & Granite Merchants Association Limited and the Registered Elevator and Escalator Contractors Association Limited.

⁵ Trade Unions include Construction Site Workers General Union, Consultant Engineering Firm Resident Site Staff Association, HK and Kowloon Electrical Engineering and Appliances Trade Workers Union, HK Construction Industry Employees General Union, HK Electrical Engineering Professional Employees Association, HK General Union of Lift and Escalator Employees, and Union of HK Electrical Engineering Assistants.

1. To operate and develop the Voluntary Subcontractor Registration Scheme (VSRS).
2. To raise the professional standard of subcontractors through providing training courses and other value-added services under the VSRS and coordinating the training organized by other organizations.
3. To examine current arrangements for selection and management of subcontractors and recommend improvements.
4. To promote use of written subcontracts.

Committee on Environment and Technology

1. To make recommendations on improving the environmental friendliness of buildings and infrastructures including measures for enhancing energy efficiency, improving indoor environmental quality and minimizing loading on the environment.
2. To recommend good practices for improving the environmental performance of construction contracts including measures for abating environmental nuisances and reducing waste generation.
3. To co-ordinate and promote construction research and development and facilitate practical application of research results by the construction industry.
4. To advise on the strategy for development of construction standards.
5. To develop systems for assessing the performance of the construction industry.

Committee on Manpower Training and Development

1. To advise on matters arising from the amalgamation between CIC and CITA.
2. To advise on manpower planning and development for construction personnel at professional, supervisory and craftsman levels.
3. To foster an ethical culture.

Committee on Administration and Finance

1. To advise CIC on staff matters, including recruitment, salary and other conditions of service.
2. To advise CIC on general administration matters, including accommodation and facilities.
3. To co-ordinate and prepare annual estimates of income and expenditure and programme of activities for approval of CIC.
4. To recommend appropriate investments of surplus funds.
5. To advise CIC on other financial matters.

Objection Committee

To determine objections to levy and surcharge made under section 55 of CIC Ordinance.

Construction Industry Training Board

1. To provide training courses for the construction industry.
2. To establish and maintain industrial training centres for the construction industry.
3. To assist, including by the provision of financial assistance, in the placement of persons who have completed training courses provided for the construction industry.
4. To assess the standards of skills achieved by any person in any kind of work involving or in connection with the construction industry, to conduct examinations and tests, to issue or award certificates of attendance or competence, and to establish the standards to be achieved in respect of any such work.
5. Where it is appointed under the Construction Workers Registration Ordinance (Cap 583) as the Registrar of Construction Workers under that Ordinance, to perform the functions conferred or imposed on the Registrar by or under that Ordinance or any other enactment.

6. MAJOR AREAS OF CONCERN AND PROGRESS OF WORKS

(1) Committee on Construction Site Safety

- High priority
 - Encourage “Pay for Safety” scheme into private sector
 - Promote safety of repair and maintenance works
 - Site safety training for construction personnel
- Medium priority
 - Incorporate features in the design of buildings to enhance the safety of repair and maintenance works
 - Recommend Voluntary registration scheme for renovation contractors and decorators

(2) Committee on Procurement

- High priority
 - Procurement approaches – have carried out detailed studies on Design & Build, Design-Build-Operate, and Partnering approaches.
 - Tools for contract management. Currently preparing guideline for the application of Contract Price Fluctuation System for private sector projects
 - Practices on selection of consultants and contractors
 - Comparison with procurement practices of other industries
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(3) Committee on Subcontracting

- High priority
 - Take over the management of the Voluntary Subcontractor Registration Scheme (VSRS)
 - Security of payment
 - Payment of wages to workers
- Medium priority
 - Provide training to enhance the skills and competence of subcontractors
 - Raise the performance standards of subcontractors by providing a conducive environment
 - Promote the adoption of written sub-contracts of equitable terms for building works and E&M works

(4) Committee on Environment & Technology

(a) Environment

- High priority
 - Develop a policy framework for sustainable construction
 - Study on the unification of construction standards and specifications
 - To form the HK Green Building Council
- Medium priority
 - Roll out waste management measures to private sector projects
 - Monitor Building Environmental Performance Assessment Schemes

(b) Technology

- High priority
 - Establish a central construction standardization body (CCSB) in Hong Kong
- Medium priority
 - Co-ordinate construction research and development
 - Establish performance indicators for the construction industry

(5) Committee on Manpower Training and Development

- High priority
 - To amalgamate 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 change of university course structure from 3 years to 4 years
 - Prepare Codes of conduct for construction personnel
 - Review of the need for mandatory registration of site supervisors
 - Impose effective sanctions by professional institutions against breaches of rules of conduct for construction personnel

(6) Committee on Administration and Finance

- High priority
 - Set up of the CIC Secretariat
 - Source accommodation arrangements for CIC
 - Set up administrative procedures for the Council
 - Set up finance, accounting and auditing procedures
 - Prepare programme of activities and estimates for the financial year
- Medium priority
 - Prepare financial planning after amalgamation with CITA
 - Investigate strategy for investment of surplus funds of CIC

7. FUNDING

The funding source of the CIC mainly comes from the collection of levy imposed on construction operations. By virtue of Section 33(1) of the CIC Ordinance, levy is payable by a contractor of any construction operations which are subject to the payment of a levy. The imposition of levy is set out in detail in Section 32 of the Ordinance:

(1) A levy at the rate specified in Part 2 of Schedule 5 is to be imposed in respect of construction operations carried out in Hong Kong. (The current rate of levy imposed is 0.4% on total construction value.)

(2) The levy is to be known as the “Construction Industry Levy” and it is to be assessed and paid according to this Part.

(3) Construction operations the total value of which does not exceed the amount specified in Part 1 of Schedule 5 are not liable to the levy. (Currently a threshold of HK\$1,000,000.00)

(4) This section applies to construction operations described in subsection (1) irrespective of whether the construction operations are carried out for an individual, a public authority, a body or organ (whether public or private) or any other person.

Section 41 of the CIC Ordinance empowers the Council to impose a surcharge on outstanding levies.

8. CONCLUSION

The Construction Industry Council in Hong Kong is a very important set up within the local construction industry. It helps to serve as a platform for all industrial stakeholders to raise their concerns, exchange views, conduct research on any topics agreed by the Council, and to prepare good practice guides for the industry. It also improves the trade skills of sub-contractors and construction workers by structured training and addresses important subjects of equity and fairness in contracting, safety, ethics, sustainable environment, training and research development. With the legislation backup and the secured funding from the industry, the CIC is going to charter into many unexplored areas of the construction industry only known by stakeholders which need improvement. The tasks involved are so diverse and enormous. The success of the CIC relies on the support of the whole construction industry and the government.

REFERENCES

Construction Industry Council website (<http://www.hkcic.org>)

Construction Industry Council Ordinance, Cap 587