

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 56 - GOVERNMENT SECRETARIAT : PLANNING AND LANDS BUREAU AND WORKS BUREAU Subhead 001 Salaries

Members are invited to recommend to Finance Committee -

- (a) the creation of the following supernumerary posts in the Works Bureau for three years -

1 Administrative Officer Staff Grade B
(D3) (\$127,900 - \$135,550)

1 Deputy Principal Government Counsel
(DL2) (\$116,650 - \$123,850)

1 Chief Engineer
(D1) (\$98,250 - \$104,250); and

- (b) an increase in the ceiling placed on the total notional annual mid-point salary value of all non-directorate posts in the permanent establishment of Head 56 – Government Secretariat : Planning and Lands Bureau and Works Bureau in 2001-02 from \$101,415,000 by \$5,290,320 to \$106,705,320 for the creation of nine non-directorate posts

for taking forward the comprehensive package of improvement measures recommended by the Construction Industry Review Committee.

/PROBLEM

PROBLEM

The Secretary for Works (S for W) requires dedicated administrative and professional support at the directorate level to steer through the implementation of 109 recommendations made by the Construction Industry Review Committee (CIRC). He also needs a core team of non-directorate staff in the Works Bureau (WB) to examine, assess and implement specific recommendations.

PROPOSAL

2. S for W proposes –
 - (a) to create three supernumerary posts of one Administrative Officer Staff Grade B (AOSGB) (D3) and one Chief Engineer (CE) (D1) in the new Industry Review Division, and one Deputy Principal Government Counsel (DPGC) (DL2) in the existing Legal Advisory Division (LAD) for three years; and
 - (b) to increase the ceiling placed on the total notional annual mid-point salary (NAMS) value of all non-directorate posts in the permanent establishment under Head 56 – Government Secretariat : Planning and Lands Bureau and Works Bureau in 2001-02 from \$101,415,000 by \$5,290,320 to \$106,705,320 for creating nine non-directorate posts.

JUSTIFICATION**WB's involvement in taking forward the recommendations of the CIRC report**

3. In its report entitled "Construct for Excellence", the CIRC recommends a comprehensive change programme comprising 109 improvement measures aimed at transforming the construction industry into a modern, safe, innovative, efficient, environmentally responsible and client-oriented industry. A list of CIRC recommendations is at Annex A to the Legislative Council Brief issued on 7 June 2001 on the report of the CIRC. The recommended change programme covers the following main areas -

- (a) fostering a quality culture;
- (b) achieving value in construction procurement;
- (c) nurturing a professional workforce;
- (d) developing an efficient, innovative and productive industry;

/(e)

- (e) improving safety and environmental performance of the industry; and
- (f) establishing a new co-ordination framework for implementing the change programme.

4. On paragraph 3(a), the CIRC has concluded that a change of mindset among all industry participants is required in order to uplift the construction quality. It has also recommended that clients need to be more involved during project implementation and more integrated input from different disciplines is required at the outset of a project. As part of the implementation effort, WB will promote wider use of value management techniques in local construction and develop more structured site supervision system, which specifies the supervision requirements for various stages of construction for different types of works.

5. On paragraph 3(b), the CIRC has recommended that clients should adopt a procurement strategy that can maximise the ability of all parties in the construction supply chain and add value to the project, and a more balanced consideration should be given to both price and quality in tender evaluation. In addition, robust control over project variations, more equitable allocation of risk between employers and contractors, and proactive approach to resolving claims and disputes are recommended. Towards these ends, WB will initiate review and necessary changes to the public works procurement system and strategy and, where appropriate, effect the changes by revising the General Conditions of Contract for public works projects.

6. On paragraph 3(c), the CIRC has put forward a number of recommended measures to develop a competence-based manpower for different disciplines at all levels, to foster an ethical culture in the industry and to promote stable employment for construction workers. The successful implementation of these improvement measures will lead to a smooth and effective project delivery. WB will implement the mandatory registration scheme for construction workers and improve the methodology for collating and compiling construction manpower statistics to facilitate manpower planning.

7. On paragraph 3(d), the CIRC has identified a number of improvement measures to make the industry more efficient, innovative and productive. In this regard, WB will facilitate better integration in the delivery of construction projects through wider adoption of alternative procurement methods, support the establishment of a central construction standardisation body, expedite the

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development of a common platform for electronic communication within the construction industry and promote competition in the prices of ready-mixed concrete.

8. On paragraph 3(e), the CIRC has recommended that more efforts need to be made to further improve the safety and environmental performance of the industry. WB will be a leading party in incorporating practical features of the UK's Construction (Design and Management) Regulations into the safety planning and management systems for public works projects, driving improvements in the industry's safety and environmental performance through procurement and contractual arrangements. WB will also develop a policy framework for sustainable construction and take the lead in practising the concept of life-cycle costing and developing costing models and tools.

9. On paragraph 3(f), the CIRC has recommended the establishment of a new co-ordination framework to implement the change programme. Having studied the CIRC report and consulted relevant bureaux and departments, the Administration agrees in principle to establish an industry co-ordinating body (ICB) and pending its formation, to set up a provisional ICB. WB will be the lead agency in the Government to co-ordinate with relevant bureaux and departments on all construction-related matters, and to co-ordinate the implementation of the CIRC recommendations.

The proposed establishment of an ICB

10. As mentioned above, the change programme recommended by the CIRC has identified the establishment of an ICB as a key building block for the future success of the construction industry. The ICB will be a statutory industry organisation with a broad membership involving all industry stakeholders and independent members. The Government will be represented on the body as clients. The main role of the ICB is to deliberate on industry-wide issues and to communicate the industry's needs and aspirations to the Government. It will provide a better focus on strategic issues and sustain momentum for change. In addition, it will carry out executive functions such as administering registration schemes for construction personnel and organisations, promoting good practices and innovative technologies, co-ordinating construction-related research, overseeing manpower development and training arrangements, and devising incentive schemes and performance indicators. Given the wide scope of the intended functions of the ICB, WB needs to further consult industry stakeholders and relevant bureaux and departments in order to thrash out details of its structure, powers and membership and to spearhead its early formation.

Works Bureau as lead agency in implementing the change programme

11. Another main recommendation of the CIRC is that as part of the institutional framework for implementing the change programme, the Government should appoint a lead agency to co-ordinate with relevant bureaux and departments on construction-related matters so that there is better co-ordination in policy making which impacts on the industry. WB as the lead agency will consider how best to set up the ICB and what developmental path it should take to become a permanent and statutory body. As the public sector accounted for almost half of the total construction volume locally in 1999, public sector clients should take a lead in changing the behaviour of the construction industry through contractual requirements. As the WB is the policy bureau for the Public Works Programme and the lead agency for construction-related issues, WB will assume an overview of the work of relevant bureaux, departments and industry stakeholders in taking forward the other 107 recommendations of the CIRC, such as those specific improvement measures mentioned in paragraphs 4 to 8 above, and take stock of the progress of implementation in three years' time.

12. While WB is best placed to become the lead agency because of its extensive knowledge of the entire construction delivery process and familiarity with the operations of the construction industry, it needs additional staff resource in order to take on the mammoth task of steering through the CIRC's recommendations. In order to provide the necessary dedicated support to S for W, we propose to create three task-based posts at the directorate level for three years to tie in with a full review of the progress in implementing the CIRC's recommendations.

Need for a supernumerary Administrative Officer Staff Grade B (D3) post

13. We consider it necessary to create a supernumerary post of Deputy Secretary (DS) in the WB at the level of AOSGB (D3). Designated as Deputy Secretary (Industry Review) and heading a new task-based Industry Review Division, the incumbent will mainly be responsible for developing and co-ordinating the setting up of the provisional ICB, formulating a strategic plan for implementing the improvement measures recommended by the CIRC, overseeing the progress of implementation, and introducing systems and procedures within the Government to enable the proper regulation and promotion of the construction industry.

14. The proposed DS(Industry Review) will act as an agent for change and be tasked to provide policy steer in the construction industry reform. He should have wide administrative experience in co-ordinating the work of the implementing

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parties, both within and outside the Government, and in handling issues which cut across the programme areas of different policy bureaux. He should also have strong leadership skills and be capable of instilling a common purpose towards the implementation of the improvement measures with regard to the agreed strategy and timeframe. Taking into account the complexities of the tasks and the job requirements, we consider the ranking of the post at AOSGB to be appropriate.

Encls.
1 & 2

15. The existing and proposed organisation charts of the WB and the schedule of responsibilities of the proposed post of DS(Industry Review) are at Enclosures 1(a) and (b) and 2 respectively.

Need for a supernumerary Chief Engineer (D1) post

Encl 3

16. We consider that a CE (D1) post is required to advise DS(Industry Review) on complex professional and technical issues arising from the recommended improvement measures and support him in taking forward the change programme. He will have to liaise with public sector clients, mainly the works group of departments and the Housing Authority, and other stakeholders in the industry, resolve issues arising from the change programme, co-ordinate with various parties on the implementation plan and monitor and evaluate feedback and progress. The accomplishment of these tasks will call for profound knowledge of the existing construction procurement system in the public sector and issues facing public sector clients, and sufficient understanding of systems and practices in the construction industry. We therefore consider it appropriate to rank the post at chief professional level. The schedule of responsibilities of the proposed post of Chief Assistant Secretary (CAS) (Industry Review) is at Enclosure 3.

17. The DS and the CAS will form the two key posts in the Industry Review Division in the WB, which will play an important role in driving the change programme for the construction industry.

Need for a supernumerary Deputy Principal Government Counsel (DL2) post in the Legal Advisory Division

18. The LAD in the WB is responsible for the provision of legal services to the Government's construction programme. It also advises the WB and the works group of departments on all legal matters in the course of their administration. With the WB playing a leading role in taking forward the CIRC's recommendations, it is expected that the LAD will be heavily tasked to provide legal input of a specialist nature. For instance, considerable legal input will be required in assessing the merits of enacting security of payment legislation, the establishment of the ICB and

/implementing

implementing the mandatory registration scheme for construction workers. Given the critical role placed on public sector clients in driving the construction industry to improve its operations, LAD will also be actively involved in the process of reviewing and developing dispute resolution mechanisms, quality-oriented procurement strategies, milestone payments and sanctioning mechanisms in the procurement of public works and the consideration of a new form of contract with the partnering approach.

19. The LAD is headed by the Legal Advisor (Works) (LA(W)) (DL3) who is underpinned by two DPGC (DL2). With the coming on stream of a number of environmental projects and major infrastructure projects particularly Route 9 and Route 10 in the next few years, the two DPGC will continue to be heavily engaged in the drafting of construction contracts, consultancy agreements, entrustment agreements and other contractual documents, advising on interpretation of contracts and validity of claims, and resolving disputes in respect of new and ongoing projects. In addition, considerable and timely legal input has to be provided to the Disneyland project in the next three years. We therefore propose to create a supernumerary post of DPGC in the LAD. The incumbent will be responsible for advising on the legal aspects of the CIRC's recommendations. The schedule of responsibilities of the proposed DPGC post is at Enclosure 4.

Encl. 4

Non-directorate support

20. A core team comprising nine non-directorate posts (one Senior Administrative Officer, three Senior Engineers, two Personal Secretaries I, one Personal Secretary II and two Clerical Officers) will be required in the WB to provide the administrative, professional and general support in taking forward the CIRC's recommendations. While the workload arising from the implementation of some of the less complicated improvement measures will be absorbed by existing professional staff mainly in the Works Policy Division of the WB, there is a need for additional task-based support in implementing a wide range of improvement measures. These include the establishment of a mandatory registration scheme for construction workers, development of more effective systems for assessing and managing the performance of consultants and contractors and the review of the General Conditions of Contract for building, civil engineering and electrical and mechanical engineering works. In addition, extensive research and studies will need to be conducted in examining and assessing measures which are highly complex, have far-reaching policy or significant resource implications, or require legislation. The creation of these nine non-directorate posts will be dealt with in accordance with the normal procedure through the Departmental Establishment Committee mechanism. The non-directorate posts, if created, will be subject to review in three years.

21. To enable the creation of these nine non-directorate posts, we propose to increase the NAMS ceiling of all non-directorate posts under Head 56 – Government Secretariat : Planning and Lands Bureau and Works Bureau from \$101,415,000 by \$5,290,320 to \$106,705,320 in 2001-02.

FINANCIAL IMPLICATIONS

22. The additional notional annual salary cost of the proposal of creating one AOSGB (D3), one DPGC (DL2) and one CE (D1) posts at mid-point is \$4,236,600. The additional full annual average staff cost of the proposal, including salaries and staff on-cost, is \$7,203,000.

23. The additional notional annual mid-point salary and full annual average staff cost of the proposal of creating the nine non-directorate posts are \$5,290,320 and \$9,220,000 respectively.

24. We have not included the provision in the 2001-02 Estimates to meet the costs of the proposals. Subject to Members' approval, we shall provide the necessary supplementary provision by offsetting the required sum from Head 106 Miscellaneous Services.

BACKGROUND INFORMATION

25. In April 2000, the Chief Executive appointed the CIRC to examine the current state of the construction industry and to identify specific measures to improve its overall performance in terms of quality, efficiency, productivity, site safety, environmental friendliness and customer satisfaction. After nine months of intensive and wide-ranging consultation with the industry and concerned Government bureaux and departments, the CIRC completed the review and submitted its report entitled "Construct for Excellence" to the Chief Executive in January 2001. The CIRC report recommended a comprehensive package of 109 improvement measures, with recommended key implementing parties and suggested implementation timeframe, to lift the quality and cost-effectiveness of the construction industry. Emphasis has been placed on a major culture change in order to achieve an integrated construction industry that is capable of continuous improvement towards excellence in a market-driven environment. Clients, in particular public sector clients, are expected to play an important role in driving the construction industry to improve its operations.

/CONSULTATION

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

Encl. 5

26. We consulted the LegCo Panel on Planning, Lands and Works on 11 June 2001. At the meeting, the majority of Members who expressed views were supportive of the proposal. Members also requested additional information on the extent of the role of WB in co-ordinating and implementing the CIRC's recommended improvement measures. In response, an Information Note has been issued to the Chairman and Members of the Panel and a copy is at Enclosure 5 for Members' reference.

CIVIL SERVICE BUREAU COMMENTS

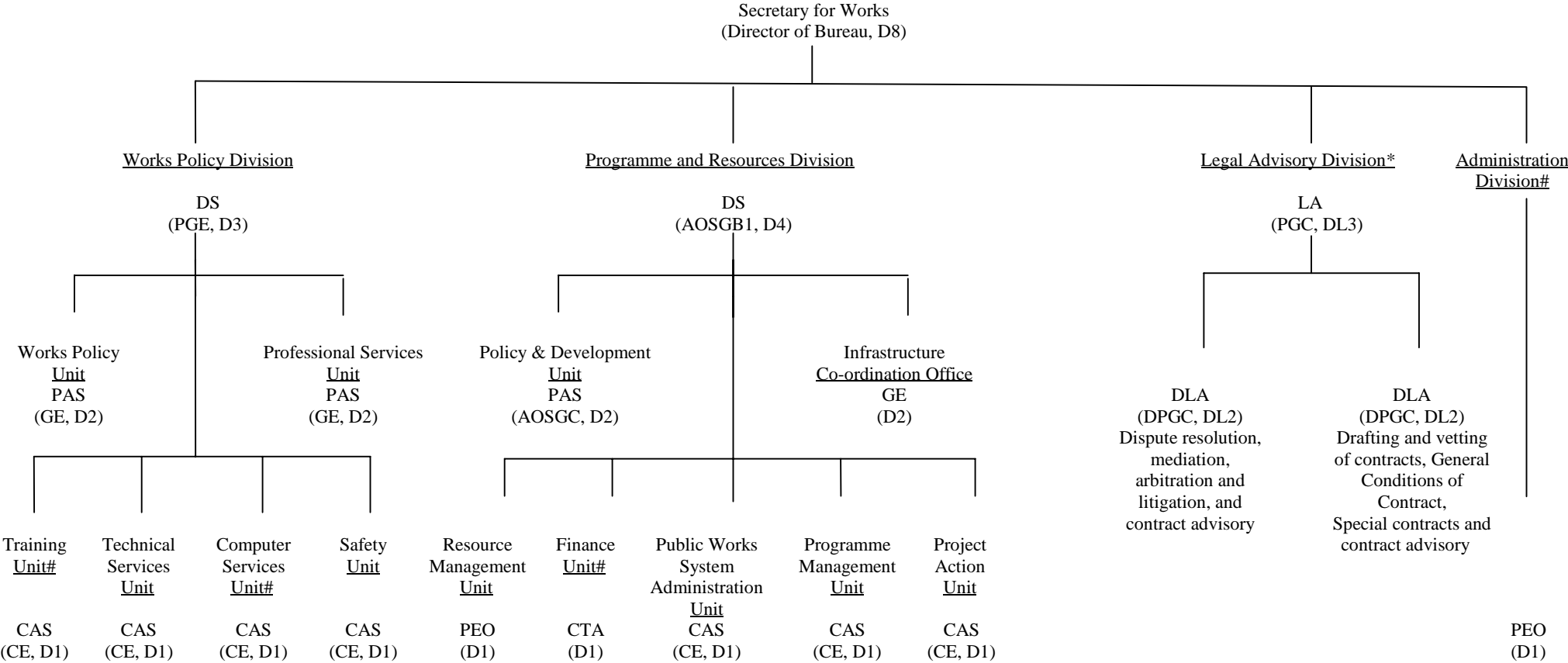
27. The Administration has considered carefully other alternatives to provide the required directorate support to meet the service needs bearing in mind the need to maintain service efficiency and effectiveness. We are satisfied that the proposal contained in this paper is functionally justified. Civil Service Bureau considers the grading, ranking and duration of the proposed posts appropriate having regard to the level and scope of responsibility and the professional input required. The total number of established directorate posts in the WB as at 1 June 2001 is 20.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

28. As we propose to create the directorate posts on a supernumerary basis, we will report their creation, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Works Bureau
June 2001

Existing Organisation Chart of Works Bureau

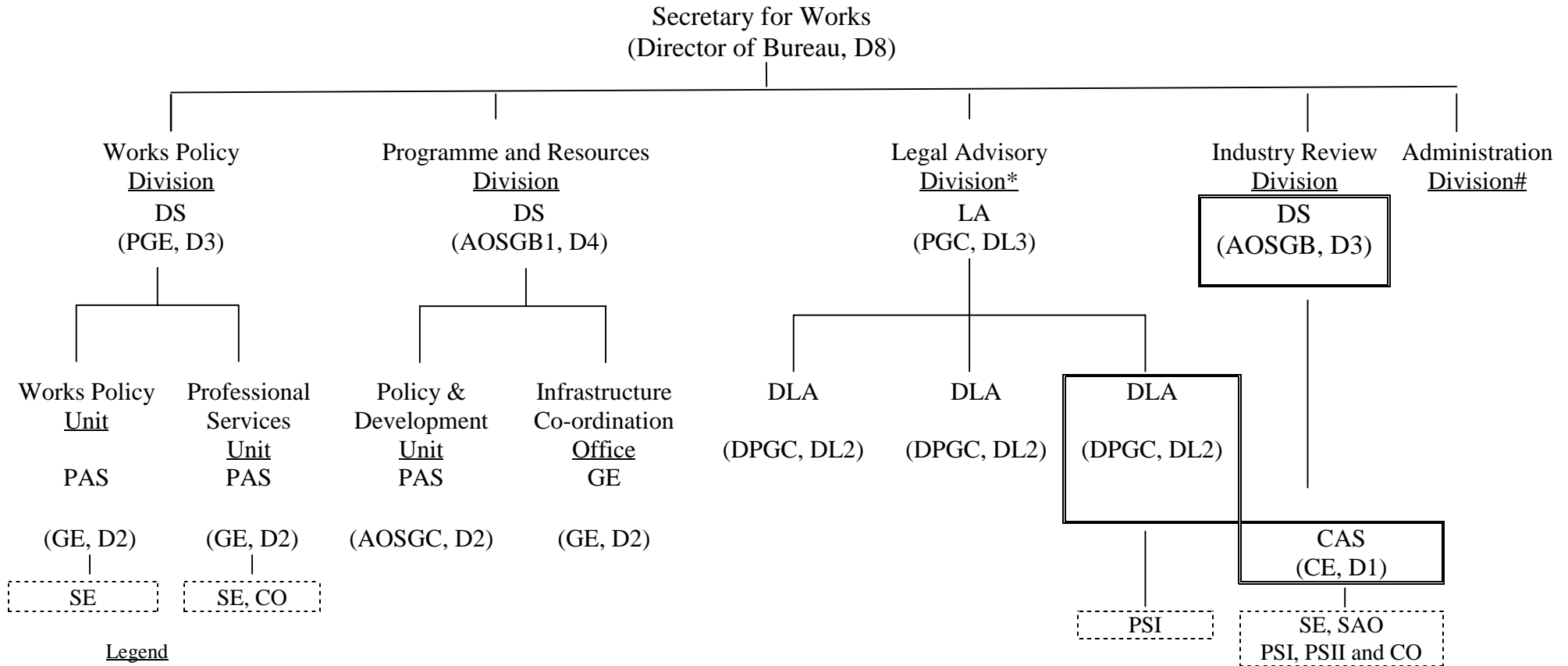


Legend

- | | | | |
|-----|-------------------------------|------|-------------------------------------|
| DS | Deputy Secretary | AOSG | Administrative Officer Staff Grade |
| LA | Legal Adviser | PGE | Principal Government Engineer |
| DLA | Deputy Legal Adviser | GE | Government Engineer |
| PAS | Principal Assistant Secretary | CE | Chief Engineer |
| CAS | Chief Assistant Secretary | PGC | Principal Government Counsel |
| CTA | Chief Treasury Accountant | DPGC | Deputy Principal Government Counsel |
| PEO | Principal Executive Officer | | |

* Also serves the Works Group of Departments
Also serves the Planning and Lands Bureau

Proposed Organisation Chart of Works Bureau^Δ



Legend

DS Deputy Secretary
 LA Legal Adviser
 DLA Deputy Legal Adviser
 PAS Principal Assistant Secretary
 CAS Chief Assistant Secretary
 AOSG Administrative Officer Staff Grade

PGE Principal Government Engineer
 GE Government Engineer
 CE Chief Engineer
 SE Senior Engineer
 PGC Principal Government Counsel
 DPGC Deputy Principal Government Counsel

SAO Senior Administrative Officer
 PS Personal Secretary
 CO Clerical Officer

* Also serves the Works Group of Departments

Also serves the Planning and Lands Bureau

Δ Existing posts at D2 level or above are included

 Proposed supernumerary directorate posts

 Proposed non-directorate posts to be created under delegated authority

**Proposed Schedule of Responsibilities of
Deputy Secretary (Industry Review)**

Rank: Administrative Officer Staff Grade B

Main Duties and Responsibilities

As head of the Industry Review Division in the Works Bureau, the Deputy Secretary (Industry Review) will be responsible to Secretary for Works in taking forward the implementation of the change programme for the local construction industry as embodied in the recommendations of the Construction Industry Review Committee (CIRC). In particular, the officer will be responsible for the following duties -

- (1) to develop, in consultation with policy bureaux and departments, the institutional framework and arrangements for establishment of the provisional co-ordinating body for the construction industry;
- (2) to spearhead the establishment of the industry co-ordinating body (ICB), consulting and liaising with eminent members and major stakeholders in the local construction industry;
- (3) to make recommendations on the relationship between the Government and the ICB and to establish effective channels for regular dialogue;
- (4) to formulate strategy and to seek legislation for the evolution of the provisional ICB into a statutory body in due course;
- (5) to develop a co-ordination mechanism which will enable the Works Bureau, as regulator and promoter of the construction industry, to maintain an overview of all matters concerning local construction and to foster collaboration among bureaux and departments on construction-related issues;
- (6) to formulate detailed programme for taking forward the CIRC recommendations with regard to agreed priorities and timeframe and co-ordinate with Government bureaux, departments and industry stakeholders on implementation of the recommendations;
- (7) to oversee research and studies on those CIRC recommendations which have far-reaching policy and resource implications or may require legislation and to seek the Administration's endorsement on the way forward; and
- (8) to monitor progress on reform of the local construction industry, manage the public relations aspects and complete a full review on implementation by the end of three years.

**Proposed Schedule of Responsibilities of
Chief Assistant Secretary (Industry Review)**

Rank: Chief Engineer (D1) (Multi-disciplinary)

Main Duties and Responsibilities

To assist the Deputy Secretary (Industry Review) in the following duties -

- (1) to advise on complicated professional and technical issues arising from the implementation of the Construction Industry Review Committee (CIRC) recommendations by relevant bureaux and departments;
- (2) to co-ordinate the work of the implementing parties in particular that of the Works Departments;
- (3) to liaise with industry stakeholders and to facilitate discussions and consensus building on the role of the industry co-ordinating body;
- (4) to make recommendations on developing and implementing the co-ordination framework within the construction industry;
- (5) to put in place a system for overall monitoring and reporting on the implementation of the CIRC recommendations;
- (6) to monitor feedback from Government departments as public sector clients in construction procurement and that from the industry stakeholders, and to gauge the effectiveness of the improvement measures; and
- (7) to oversee the work of senior professionals on providing technical and research support to the division.

**Proposed Schedule of Responsibilities
Deputy Principal Government Counsel (Industry Review)**

Rank: Deputy Principal Government Counsel (DL2)

Main Duties and Responsibilities

Responsible to Legal Adviser (Works) for providing legal advice on the implementation of the recommendations of the Construction Industry Review Committee (CIRC). Main duties include -

- (1) to advise on policies and all matters relating to the CIRC recommendations including developing contract-based practices to ensure proper management of environmental aspects of construction, formulating tighter control over the performance and management of sub-contractors working on public works projects and developing an effective disciplinary mechanism to tackle non-performers;
- (2) to draft and incorporate the recommendations into the Government's General Conditions of Contract for Civil Engineering Works, Electrical and Mechanical Engineering Works, Building Works and Design and Build Contracts and other forms of contract;
- (3) to advise on alternative dispute resolution methods that are not presently in use by the Government;
- (4) to draft and incorporate partnering arrangements and other co-operative contract techniques into contract documents;
- (5) to advise on draft drafting instructions for legislation relating to establishment of an industry co-ordinating body, security of payment, registration scheme for construction workers and for amending works and construction-related ordinances; and
- (6) to undertake other tasks as may be required for the implementation of the CIRC recommendations.

Information Note for LegCo Panel on Planning, Lands and Works

Creation of supernumerary directorate posts in Works Bureau

At the Special Meeting of the LegCo Panel on Planning, Lands and Works held on 11 June 2001 to discuss, among other things, the proposed creation of supernumerary directorate posts in the Works Bureau (WB) for implementing the recommendations of the Construction Industry Review Committee (CIRC), Members requested and the Administration undertook to provide additional information on –

- (a) the term "clients" as used in designating the parties for implementing specific improvement measures recommended by the CIRC;
- (b) the role of the WB as the overall co-ordinator in implementing the change programme; and
- (c) the number of specific improvement measures for which the WB would be involved in implementation.

"Clients" as used in the CIRC Report

2. The term "clients" as used in designating the implementing parties in the CIRC report comprises developers in the private sector as well as public sector employers including Government bureaux and departments in particular the WB and Works Departments, the Housing Authority and other public sector bodies.

3. According to the Report of the CIRC, the WB, the Works Departments, together with the Housing Authority accounted for almost half of the total construction volume locally in 1999. The CIRC therefore considered that public sector clients should take a lead in changing the behaviour of the construction industry through contractual requirements. As the WB is the policy bureau for the Public Works Programme and the lead agency for construction-related issues, it will naturally play a leading role in this regard.

WB as Overall Co-ordinator in Implementing the Change Programme

4. The proposed Industry Review Division in the WB will be tasked to establish the statutory industry co-ordinating body as a focal point for the construction industry and to develop the framework within the Government in which the WB will co-ordinate relevant bureaux and departments on construction-related matters. These measures will put in place the institutional framework for implementing the change programme. Besides, the Industry Review Division will act as an overall co-ordinator for the implementation of the CIRC's 109 recommendations. As part of this role, it will closely monitor progress of implementation and conduct a full review of overall progress in three years.

WB's Involvement in the Implementation of Specific Improvement Measures

5. Taking into account those improvement measures for which "Government", "major clients", "client organisations", "public sector clients" or "stakeholders", as appropriate, is named as the implementing party, we reckon that WB will be involved in the implementation of 65 improvement measures, i.e. 60% of the 109 measures recommended by the CIRC. Details are given in the Annex for Members' reference.

Annex

Annex to Enclosure 5 to EC(2001-02)15

Implementing party named	No. of recommendations	Serial No. of recommendations in the CIRC report
WB named as an implementing party	25	11(b), 13(c), 17, 22, 23, 25, 27, 28, 35, 41, 42, 52, 53, 55, 58(b), 59, 64, 69, 70, 72, 73, 78, 79, 82 and 91
WB will take a leading role as "clients", "client organisations", "major clients" or "public sector clients" are named as implementing parties	33	2, 3, 4, 7, <i>11(a)</i> , 14, 15, 16, 19, 29, 30, 31(a), 32(a), 33, 34, 37, 38, 39, 40, 43, 44, 58(c), 60, 61, 62, 63, 65, 67, 71, 84, 85(b) and (d), 86, 90, 97 and 102
"Government" is named as the implementing party and WB is designated to be the lead agency	6	9(b), 89, 106, 107, 108 and 109
WB is a concerned stakeholder	1	48
Total :	65	

To avoid double-counting, Serial Numbers in *italic* are not taken into account in the figures for the "No. of recommendations" column.