

For information on
22 November 2005

**LEGISLATIVE COUNCIL
PANEL ON PLANNING, LANDS AND WORKS**

Private Certification of Building Submissions

Purpose

The purpose of the paper is to respond to the concerns on the proposed study on private certification of building submissions expressed by Members at the meeting of the Legislative Council Panel on Planning, Lands and Works (the panel) held on 13 July 2005.

Background

2. The Economic and Employment Council Subgroup on Business Facilitation (EECSG) was established in March 2004 to facilitate business development and job creation through identifying and eliminating outdated, excessive, repetitive or unnecessary government regulations. EECSG has embarked on a comprehensive review of the entire property development process and requested the Provisional Construction Industry Co-ordination Board (PCICB) to make recommendations for speeding up the construction cycle and reducing the cost of compliance with existing statutory requirements. A Task Force to Review the Construction Stage of the Development Process (the task force) was formed under PCICB in late 2004 to undertake this task.

3. The task force is considering private certification of building submissions as one of the measures for streamlining the building plan approval process and has consulted various industry stakeholders on the initiative. The consultation has identified several fundamental issues requiring in-depth examination. The task force therefore proposes to commission a consultancy study to examine the subject holistically before making recommendations to the EECSG.

4. The study was discussed at the meeting of the panel on 13 July 2005 during which Members expressed strong reservation on the idea of outsourcing approval of building submissions to private entities. The chairman of the panel wrote to the Financial Secretary's Office on 18 July 2005 urging government to cancel the consultancy. In view of the

concerns of the panel, the task force has suspended the preparatory work for the study so as to provide an opportunity to discuss the way forward.

Response to Concerns of the Panel

5. The following concerns were expressed at the panel meeting on 13 July 2005 –

- (a) the statutory power of approving building plans should not be outsourced lightly to private entities;
- (b) private certification of building submissions will involve several major issues, such as independence of third party certifiers, public confidence in independent certifiers and the quality of the work done by them. Government should deal with these fundamental issues before proceeding with the study which would involve dealing with the implementation issues of private certification;
- (c) the public should be consulted before proceeding with the study; and
- (d) some members of the task force may benefit from private certification thus resulting in conflicts of interests.

(A) Outsourcing of statutory power (paragraph 5(a) above)

6. The task force agrees that statutory power should not be outsourced lightly to private entities. However, the primary objective of private certification is not the outsourcing of statutory power. The aim is to streamline the approval process through undertaking appropriate checking of building design by private professionals while retaining the existing checks and balances and minimizing changes to the statutory framework.

7. It is opportune to pursue private certification in view of the maturity and increasing sophistication of the local construction industry and the substantial pool of professionals in the private sector. Moreover, the attention given to the recent report of the World Bank on Doing Business in 2006 is a clear reminder that continuous improvements to the regulatory regime are crucial for maintaining the competitiveness of the local economy.

(B) Implementation issues (paragraph 5(b) above)

8. The main objectives of the study are –
- to ascertain the problems arising from the existing building submission process;
 - to identify the problems that can be tackled through private certification and assess the effectiveness of private certification in resolving them;
 - to evaluate the benefits of private certification; and
 - to assess the drawbacks, risks and issues which may affect its implementation.

9. The issues highlighted by the panel will be considered under the study. With the limited resources available, the task force cannot conduct in-depth examination of them without the help of consultants. While the study includes development of solutions for the implementation issues and formulation of implementation proposal, these are only ancillary tasks for verifying the feasibility of private certification to facilitate drawing up the recommendations to EECSG.

10. The study is not part of the preparatory work for introducing private certification on which the task force is still maintaining an open mind. Nor will the study turn private certification into a fait accompli since the eventual decision on introducing private certification is outside the ambit of the task force.

(C) Consultation with the public (paragraphs 5(c) above)

11. The consultants of the study will be required to consult relevant stakeholders and take their views into account in drawing up the deliverables of the study. The impact of private certification on the community as a whole including anticipated benefits and drawbacks will also be identified and examined. The public will be consulted after the major issues have been adequately examined.

(D) Conflicts of interests (paragraph 5(d) above)

12. The task force is made up of representatives from key sectors of the construction industry including professionals, contractors, client

organizations and government departments. The wide membership ensures that the recommendations of the task force will be made on the basis of the interest of the whole community and will not be biased toward individual sectors.

Conclusion

13. If Members are satisfied with the responses made in the foregoing paragraphs, the task force will resume the preparatory work for the study on private certification and report the findings to the panel at appropriate junctures. . On the other hand, the task force will be prepared to further discuss the matter before proceeding if Members consider necessary.

**Provisional Construction Industry Co-ordination Board Secretariat
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