

LegCo Panel on Home Affairs Thursday, 1 December 2005

LCSD Project Implementation Procedures

Thank you for giving the Hong Kong Construction Association the opportunity to make proposals on this matter. With your permission, we also refer to other related matters that we believe will of benefit to the smooth execution of the project.

Introduction

The traditional approach to implement a new project is for the client to employ an architect to produce the design to suit the client's needs and then find a contractor who builds according to that design, which is basically similar to the procedures detailed in Appendix II of the Invitation Letter prepared by the Architectural Services Department (ArchSD). The contractor is to provide a satisfactory standard of workmanship, but carries no responsibility for the design. In short, the architect and the contractor have two different and separate functions, the one following on from the other.

Where the client is a government department, we understand that the process must strictly follow a set of rules. Whilst some steps are permitted to overlap to a limited extent, often each one has to be completed, approved and express authorisation obtained before the next can start. However, it is still possible to shorten the time needed to reach the construction stage by overlapping the design stage with the construction stage and thus shortens the overall implementation period.

Design and Build Procurement Method

This could be done by employing an alternative procurement method of "Design and Build", i.e. the contractor will engage a team of consultants to carry out the construction and design work as a package. In so doing, much of the detailed design and working drawings at step 5 of Appendix II (10 to 22 months) will be transferred and overlapped with the construction stage at step 10. Such overlapping of activities will be able to achieve certain saving in the lead-time required. It is also possible to avoid step 4 of selection and appointment of consultant altogether (6 months) as the appointment of consultant will be under the contractor's responsibility and become part of the contractor's team.

By not writing the brief too tightly while being clear and specific in the client's requirements, it leaves room for the competing contractors to develop a wide range of design possibilities for the client to consider. The client will be able to choose the most economic design that best fulfils the client's needs among various competing contractors.

Although part of the detailed design work is carried out by the contractor's team, it must be point out that the involvement of LegCo and other interested authorities, in particular the LCSD, as shown in Appendix II will not be impinged. The client will still be fully aware of how their project is being developed. ArchSD will be able to vet the drawings before actual construction on site.

This above Design and Build approach would be more effective if the piling, foundation and superstructure works are grouped into a single contract. Such arrangement will reduce the multiple tendering time required for separate contracts and also allow the contractor to utilize the piling period for the detail design development.

Other Benefits

A further benefit to the client of substantially combining step 5 with step 10 is that it removes the traditional separation of the architect's design function, by transferring the responsibility for the satisfactory nature of the design to the contractor, resulting in a single point of responsibility for the project.

In addition, the early employment of the specialist consultants by the contractor will permit far greater teamwork than is possible for the traditional approach. This allows them a much freer hand to work quickly and closely with the contractor to produce a design that is efficient to build. It will also iron out many of the potential problems that might delay progress before construction starts.

It must be acknowledged that whilst there are gains in design time and construction efficiency, the tendering stage in step 9 will take a little bit longer. The competing contractors will need more time to sufficiently develop their designs in order for the client to be satisfied that what is being offered meets the requirements. However the additional time will be much shorter than the time saving of 6 months in avoiding step 4 mentioned above, and the shortened period required under step 5.

Post Contract Matters

There are some related matters that we would like to bring to your attention that would benefit to the project.

The Hong Kong Construction Association is very supportive of ArchSD's initiative of introducing Dispute Resolution Advisers into their contract management procedures. This encourages the early and speedy resolution of potential disputes and we would therefore like to see it included as part of our proposals. Together with the Partnering approach, we are confident that disputes could be better managed before being developed into issues affecting progress.

One last issue is the length of time following the completion of the project that it takes to finalise the account, which can and often does take years. It is in the best interests of the smooth execution of the project that a remedy is found for such an important matter e.g. by imposing a fixed time limit for it. In the long run, both the client and contractors will be benefited with the resources be put into other more productive works.

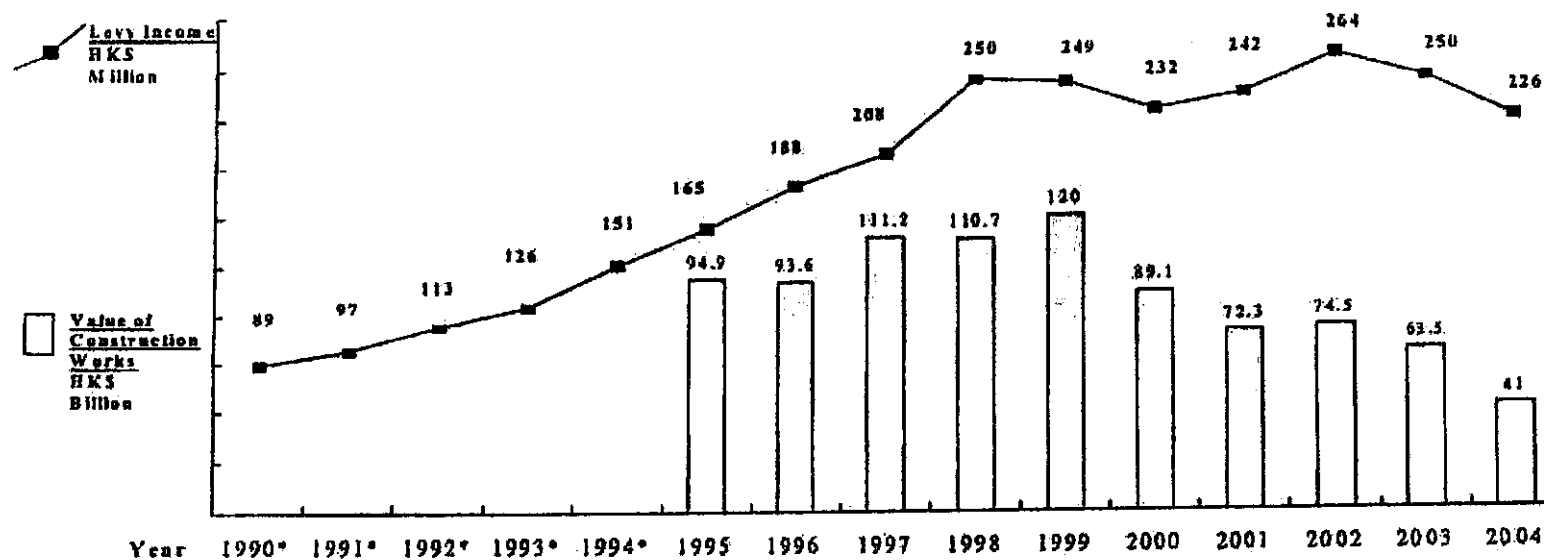
Current Construction Industry Situation

Members of the Subcommittee might be well aware that the volume of work of the construction industry has dwindled substantially over the last few years resulting in the highest unemployment rate among all industry sectors. To illustrate the fact, Members' attention is drawn to the attached Annex A which indicated the breakdown on the value of construction works from 1995 to 2004. The value of works maintained at 94.6 billion

in 1995 to 120 billion in 1999, but then decreased drastically to 41 billion in 2004 which is only one-third of the peak value. We foresee the volume of works will maintain at around 40 billion for the coming few years if no improvement measures taken. It is therefore imperative for the Government to take the lead in bringing more construction works to the market at a quicker pace. We hope these outstanding Leisure and Cultural Services Projects of the former Municipal Councils and other large-scale infrastructure projects in the pipeline will inject some new energy into the current difficult business environment of the construction industry and revive the dampened employment opportunities for construction-related professionals and workers.

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**Breakdown on
Value of Construction Works and Levy Income**



* Information on construction works commenced is unavailable

Extract from the Administration's Paper CB(1)99/05-06(02), Annex D, of 25 October 2005.
Bills Committee on Construction Industry Council(No.2) Bill.