

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

**Encouraging property owners to participate in
Smart Tender Scheme**

**Follow-up Actions Arising from the Discussion
at the Meeting on 28 March 2017**

Supplementary information requested by the Panel on Development on 28 March 2017 is provided below.

Combating bid-rigging in building maintenance works

- (a) **since the implementation of the "Smart Tender" Building Rehabilitation Facilitating Services scheme ("the Smart Tender scheme") in May 2016, whether the Administration had received reports/complaints from property owners or owners' corporations ("OCs") against suspected bid-rigging in relation to residential building maintenance works; if yes, the number of such reports/complaints**
- (b) **whether the Administration and URA had followed up the bid-rigging issues in (a); if yes, the details; if no, the reasons**

2. The Smart Tender scheme is administered by the Urban Renewal Authority ("URA"). Since the launching of the Smart Tender scheme on 10 May 2016, the URA has not received any report or complaint from property owners or owners' corporations participating in the scheme against suspected bid-rigging activities in relation to building rehabilitation works.

Smart Tender scheme

- (c) **whether URA would offer partial service to an applicant under the scheme, for instance, in a case where the applicant had already appointed an authorized person or registered inspector for carrying out inspections and supervising the building rehabilitation works at the time of application for the service; if no, the reasons**

3. At present, URA will not accept an application for the Smart Tender scheme if the applicant, at the time of application for the service, has already appointed an authorized person or registered inspector for carrying out inspections and supervising the building rehabilitation works because the applicant would not be able to enjoy the complete services of the Smart Tender scheme. However, to encourage more property owners to participate in the Smart Tender scheme at a concessionary rate, if there is an applicant who has already appointed an authorized person or registered inspector before implementation of the Budget initiative at the time of application, URA would consider such application in a flexibly manner. For example, if the appointed authorized person or registered inspector is prepared to follow the requirements of the Smart Tender scheme and to accept URA's selected independent adviser's advice to revise the tender document, the application would be considered.

(d) given that the participation rate under the Smart Tender scheme was relatively low, the factors preventing owners/OCs from participating in the scheme

4. After the launch of the Smart Tender scheme on 10 May 2016, URA has been promoting the scheme through various means including TV and print media interviews, radio advertisement and poster advertisement at four MTR stations (namely, Kwun Tong, Kowloon Tong, Wan Chai and Mong Kok). Meanwhile, URA issued introductory letters to all district council (DC) members and over 2 000 owners' corporations. The URA has also attended over 70 briefings for individual buildings and six briefings organised by DCs. As of 27 March 2017, URA has received 58 applications under the Smart Tender scheme. Since the scheme has only been launched for less than one year and in view of the fact that participants are currently required to pay a fee which reflects partly the cost in providing the service, the response rate meets the expectation of the URA.

5. The Budget initiative is designed to encourage more property owners to participate in the Smart Tender scheme, especially for those who have so far decided not to enrol in the scheme due to cost consideration. To complement the Budget initiative, the URA and the Government would step up promotional efforts, including Announcements in the Public Interest on television and radio, advertorials and story pitching, URA corporate website, and other community outreach programmes including road show, briefings to owners' corporations and DCs, and introductory letters to owners' corporations.

(e) whether URA would render assistance to successful applicants under Smart Tender scheme in examining the terms and conditions of a works contract prepared by the appointed contractor

6. The authorized person or registered inspector appointed by the applicant (“the property owners’ consultant”) is responsible for preparing the contract document to be entered into by the applicant and the contractor undertaking the building rehabilitation works. URA is considering adopting the following measures under the Smart Tender scheme –

- (a) requesting the property owners’ consultant to, when preparing the contract document, ensure that the contract should include the original tender document as well as the tender document of the successful bidder in full;
- (b) requesting the property owners’ consultant to, when submitting the contract document for signature by the contracting parties, declare that the contract document has been compiled per (a) above; and
- (c) arranging independent advisers appointed by the URA to random check the contract documents. If there is any discrepancy between the contract document and (a) above, URA would alert the applicant so that the applicant may take appropriate course of action.

(f) whether and how a successful applicant under the scheme could have choices of independent third-party advisers, and whether any mechanism was in place (e.g. imposing sanctions to achieve a deterrent effect) to ensure the due performance of the independent third-party advisers

7. The independent advisers are appointed by URA under its established procurement procedures. URA will allocate cases to them on a rotational basis. The independent advisers shall declare that they have no conflict of interest in undertaking the allotted cases before commencing the services. URA will monitor their performance and impose penalty measures in case of unsatisfactory performance, for example, issuing warning letter, reflecting in the performance appraisal and barring them from bidding URA contracts.

(g) in case of poor performance or non-compliance of a contractor, how URA would offer assistance to building owners

8. The Smart Tender scheme aims to assist applicants in procuring contractors for undertaking building rehabilitation works in an impartial and competitive manner. Works supervision remains the responsibility of the property owners' consultants. If an applicant would like to step up works supervision, he should consider appointing an independent clerk of works. That said, if an applicant approaches URA complaining the non-compliance of a contractor, URA would as appropriate advise the applicant of the possible courses of action that he may take.

(h) whether URA would deploy additional manpower for the implementation of the Smart Tender scheme; if yes, the details

9. URA will deploy internal resources to handle applications under the Smart Tender scheme, and will consider out-sourcing part of its services to external service providers to handle the increased caseload as needed. We will reimburse the URA such additional out-of-pocket expenses on an accountable basis from the \$300 million included in the draft Estimates.

Other building rehabilitation schemes

(i) whether successful applicants under the Smart Tender scheme were allowed to join other building rehabilitation subsidy/loan schemes of URA (e.g. the Integrated Building Maintenance Assistance Scheme) and/or other government departments, or the other way round

10. To complement the Budget initiative, successful applicants under the Smart Tender scheme will be allowed to join other building rehabilitation schemes (e.g. Integrated Building Maintenance Assistance Scheme) provided that they fulfil the application requirements of those schemes, and the other way round.