

For discussion on
25 November 2003

**LEGISLATIVE COUNCIL PANELS ON
PLANNING, LANDS AND WORKS AND MANPOWER**

**ESTABLISHMENT OF
CONSTRUCTION INDUSTRY COUNCIL**

PURPOSE

This paper sets out the broad framework of a proposal to establish the Construction Industry Council (CIC).

BACKGROUND

2. The Construction Industry Review Committee (CIRC) completed examining the current state of the construction industry and submitted to the Chief Executive in January 2001 a report entitled “Construct for Excellence” with 109 improvement measures spanning across the full spectrum of construction activities aimed at lifting quality and cost-effectiveness.

3. The CIRC observed that whilst being a main pillar of our economy, the construction industry is highly fragmented and beset with an adversarial culture which impedes long-term development. It went on to conclude that to foster a culture capable of self-regulation in a market-driven environment, a statutory industry co-ordinating body (ICB) encompassing all key sectors should be formed.

4. At its meeting held on 5 June 2001, the Executive Council agreed in principle to the formation of a statutory ICB and directed that a provisional body should be set up pending its formation. The Provisional Construction Industry Co-ordination Board (PCICB) was thus established in September 2001 and accorded top priority to drawing up a draft legal framework of the CIC.

5. After researching into the functions and membership profile of local advisory and statutory bodies as well as four overseas boards and committees¹, a draft legal framework was promulgated by the PCICB for industry consultation. The proposal received positive response and was seen as an essential step for the industry to exercise self-regulation, to gather impetus for change, and to propagate a mindset of continuous improvement.

PROPOSAL

6. As envisaged in the CIRC report, daily operations of the CIC will be funded by industry levy. Some major features of this new statutory body are highlighted in the following paragraphs.

(a) *Functions*

7. A primary role of the CIC is to forge consensus on strategic issues affecting local construction, to convey industry needs and aspirations to the Government, and to provide a channel for the Government to solicit advice on construction-related matters. Moreover, it should be empowered to discharge functions beneficial to the industry such as formulating codes of conduct, administering registration and rating schemes, steering research and manpower developments, facilitating adoption of construction standards, promoting good practices and compiling indicators to gauge performance. A list of these statutory functions is at **Annex A**.

Annex A

(b) *Composition*

8. For the CIC to take shape in becoming an umbrella organization commanding leadership and respect within the industry, we propose that its composition should be flexible and balanced as shown at **Annex B** with members appointed in their personal capacities from different key sectors including construction clients, professionals and consultants, contractors, subcontractors and suppliers, workers, academic and training institutions. The Government will be represented as a public sector client, alongside some lay members.

Annex B

¹ Construction Industry Board in UK, Construction Improvement Roundtable in Australia, Building and Construction Authority as well as Construction Industry Joint Committee in Singapore.

9. Nonetheless, some industry bodies have argued for the prerogative to nominate their own candidates to sit on the CIC. We concur with the PCICB that such a prescriptive approach does not cope well with changing circumstances, and that a less rigid structure will allow wider scope to trawl for suitable talents. A close linkage with industry bodies could be achieved through prior consultation before appointments are made and participation in standing committees underpinning the CIC.

(c) *Relationship with the Construction Industry Training Authority*

10. The CIRC envisaged that the CIC should provide guidance to the Construction Industry Training Authority (CITA) and set future directions for its work. Furthermore, industry levies should be pooled together for more efficient deployment of resources and to fund activities that will benefit the industry as a whole. To achieve these stated objectives, CITA will be dissolved and its responsibilities taken over by a Construction Industry Training Board (CITB) underpinning the CIC. As a consequence, the Industrial Training (Construction Industry) Ordinance (Cap. 317) will be repealed and relevant provisions assimilated into the CIC Bill.

11. The membership structure of CITB will bear close resemblance to the CITA board except that a less rigid structure will again be adopted based on candidates drawn from key sectors rather than nominated by designated industry bodies. For the sake of continuity, all serving staff of CITA will deem to be employees of the CIC with their existing terms preserved and with no service break counted for the purpose of determining their rights to employment benefits.

12. Resulting from these changes, the Environment, Transport and Works Bureau will take over from the Education and Manpower Bureau its policy responsibilities in relation to construction training.

(d) *Levy Assessment and Collection*

13. Upon its establishment, the CIC will take over from CITA its present role in assessing and collecting levies through a similar mechanism. Amendments proposed in the Construction Industry Levy (Miscellaneous Amendments) Bill 2003 currently under scrutiny by the Legislative Council will be taken into account in finalizing the CIC Bill.

(e) *Financial Provisions and Reports*

14. In line with existing requirements imposed on CITA, the CIC will submit to the Government a programme of its activities and a set of budget estimates each year. It will also be required to provide an annual report together with audited statements of income and expenditure for tabling in the Legislative Council.

BENEFITS OF THE PROPOSAL

15. The CIC will provide a focal point to spur reform initiatives and tighten collaboration within the industry, cultivating a sense of commitment to elevate efficiency, productivity, cost-effectiveness, quality, performance, environmental protection and sustainability. Enhanced core strengths will in turn sharpen competitiveness of the industry as an exporter of professional services, thus contributing to the economic recovery of Hong Kong.

LEGISLATIVE TIMETABLE

16. Drafting of the CIC Bill is in progress for its introduction into the Legislative Council in early 2004.

**Environment, Transport and Works Bureau
November 2003**

**Proposed Statutory Functions of
Construction Industry Council**

The Construction Industry Council shall -

- (a) tender advice and make recommendations to Government on strategic matters, including major policies or legislative proposals, that may affect or are connected with the industry;
- (b) reflect the industry's needs and aspirations to Government;
- (c) elevate quality and competitiveness of the industry by promoting its on-going development and improvement;
- (d) uphold professionalism and integrity within the industry by self-regulation and formulation of codes of conduct;
- (e) improve the performance of stakeholders in the industry through administering registration and rating schemes;
- (f) advance the skills of personnel in the industry through planning, promotion, supervision and co-ordination of training programmes;
- (g) encourage research activities, use of innovative techniques and establishment of standards for the industry;
- (h) promote industry good practice on procurement methods, site safety, environmental protection, sustainable construction and other areas conducive to improved built quality;
- (i) serve as a resource centre for the sharing of knowledge and experience within the industry;
- (j) monitor improvements made by the industry through the compilation of performance indicators;
- (k) make recommendations with respect to the rate of levy; and
- (l) perform other functions relevant to the industry, including those imposed on it under the Ordinance or any other enactments.

**Proposed Composition of
Construction Industry Council**

The Construction Industry Council (CIC) will consist of -

- (a) a chairman (not being a public officer);
- (b) Executive Director of CIC;
- (c) not more than 4 members (not being public officers) representing construction clients;
- (d) not more than 4 members (not being public officers) representing construction professionals and consultants;
- (e) not more than 5 members (not being public officers) representing construction contractors, subcontractors and suppliers of building materials or equipment;
- (f) not more than 2 members (not being public officers) representing academic, research or training institutions;
- (g) not more than 2 members (not being public officers) representing construction workers;
- (h) not more than 3 members (not being public officers) in other categories; and
- (i) not more than 3 public officers as ex-officio members.