

(II) PROCUREMENT

22. The reforms of the procurement practices focus on various initiatives for the enhancements of listing, tendering, disciplinary practices and performance appraisal for contractors and consultants highlighted in the following paragraphs.

Pillar Four - Reforming Listing and Tendering Practices

23. For many years, we have adopted a strategy of using standardized design for our housing production. With the public expectation on the built environment rises to a new dimension, we need to take a proactive stance to adopt a site-led and value driven delivery strategy to optimize site potential, enhance identity, improve diversity and lessen the impact of territory-wide standardization. The site specific design approach provides the flexibility for the adoption of either standard blocks or non-standard design or any combination thereof to address the specific site conditions. At its meeting on 9 November 2000, the Authority approved the introduction of flexible housing production mix from 2004/05 onwards (Paper no. HA 66/2000 refers).

24. Under the site specific design approach, every project will be subject to a conscious design decision, This entails strong design input and calls for greater emphasis on technical and design aspects in consultant selection. To this end, we have launched a number of pilot projects for the measures to reform the practices for procuring consultancy services (Paper No. BC 113/2000, QH 9/2000 refers). These include :-

(a) Enhanced two-envelope system

With greater emphasis on performance and design input, the technical / fee score ratio under the enhanced two-envelope system has been adjusted to 80:20 for projects demanding heavy design. This enhanced system has been successfully tried out in the HOS project at Aldrich Bay Phase 5 in August 2000, and since be further applied to project in the pipeline.

(b) **Open Design Competition**

To enable the Authority in securing the optimal site specific design for a prominent, thematic housing project where design input is of utmost importance, the Authority launched its first Open Design Competition for the design of Shui Chuen O in Shatin in November 2000. Response to the Competition has been overwhelmingly positive with over sixty entries. The awards were presented in March 2001. Consultancy agreements have been executed in August 2001 (Paper no. BC 115/2001, QH 16/2001 refers).

(c) **Direct appointment of consultants of different disciplines**

Direct appointment will allow flexibility and ensure clear accountability to be undertaken by consultants of different disciplines. We have launched the first project at Tseung Kwan O Area 74 South Phase 1 and 2 for the direct appointment in September 2001 (Paper no. BC 113/2001, QH 18/2001 refers).

25. For the procurement of construction services, we need to ensure that the selection of business partners and assessment process remain fair, open and objective. We have developed a number of measures to secure competent contractors and to exclude those who fail to meet acceptable standards (Paper No. BC 114/2000, QH 10/2000 refers). These include –

(a) **Extension of Preferential Tender Award System (PTAS) to piling and building services work**

Since September 1999, we have introduced the PTAS for building contracts. This is based on a 80:20 score weighting between tender price and performance to duly recognize the effort and capability of contractors. Fine tuning and year-end review of PTAS was completed in end 2001 and enhanced measures were endorsed by BC vide (Paper No. BC 6/2002, QH 2/2002). To ensure all round improvements in our

construction, we will extend the PTAS to cover the piling and building services contracts.

- (b) **Exclusion of Exceptionally Low Bids**
To counter irrational price bidding and to ensure quality end product, we have introduced measures to exclude exceptionally low bid where the tenderer's ability to deliver is doubtful.
- (c) **Establishment of a 'Premier League'**
To establish a strategic partnership with contractors who have proven consistently outstanding performance, capability to deliver quality product, a solid corporate profile and a strong commitment to partnering, we have established the '**Premier League**' Scheme. In April 2001, six shortlisted contractors who have satisfied the admission criteria were admitted to the Premier League for the period from 1 May 2001 to 30 April 2002 (Paper no. BC 48/2001, QH 08/2001 refers).
- (d) **Enhancing objectivity of performance assessment**
The Performance Assessment Scoring System (PASS) has been used to assess the performances of the contractors for many years. Having regard to stakeholders' feedback obtained from the dry-run in 2000, the **new PASS 2000** and **BS PASS** systems have been reviewed for full launching in January 2002. Meanwhile, as a key feature to enhance objectiveness, Independent Team under PASS Control Unit has taken up two thirds of PASS Output Assessment since July 2000.

26. To make way for future improvements in the procurement strategies of HA and in light of the need to consider more innovative procurement practices for both construction and commercial business, a Procurement Review Working Group was formed to steer a comprehensive procurement review through an independent international consultant. This would aim at establishing a framework for effective

implementation of procurement strategies, enhancing organization and skills in line with the new framework and the compilation of a HA procurement Code of Practice. For the purpose of achieving best integration, recommendations from the following review/initiative will be dovetailed into the current study forming part of this comprehensive review:

- (a) Report of the Construction Industry Review Committee (CIRC).
- (b) HA's Quality Housing Initiative to review the list management structure.
- (c) Recommendations arising from Government's review of the Housing Institutional Framework.