

LCQ3: Default on payment of project costs by main contractors of public housing projects

Following is a question by the Hon Dennis Leung and a reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (February 19):

Question:

It has been reported that the relevant works of a number of public housing projects of the Hong Kong Housing Society (HKHS) and the Hong Kong Housing Authority (HA) were delayed or even suspended last year because the main contractors had defaulted on payment of project costs to their subcontractors. In this connection, will the Government inform this Council:

(1) as it has been reported that HKHS replaced the main contractors of the relevant projects last year due to the aforesaid circumstances, whether it has assessed if the relevant projects and those projects belonging to HA which had experienced delay or works suspension can be completed as scheduled; if they can, of the respective dates of intake; if not, the respective numbers of months by which intake will be delayed;

(2) whether the Government will look into and investigate if there are subcontractors being owed project costs and workers being owed wages in respect of the works projects currently undertaken by HKHS and HA, and whether it has measures in place to avoid the occurrence of the relevant circumstances; if it will, of the details; if not, the reasons for that; and

(3) how HKHS and HA will step up monitoring work in the future to ensure the smooth and scheduled implementation of works and avoid delay and works suspension, and whether they will establish an effective mechanism for replacing the main contractors who have persistently defaulted on payment of project costs to their subcontractors and led to works suspension; if so, of the details; if not, the reasons for that?

Reply:

President,

I would like to thank the Hon Dennis Leung for his concern about whether the construction of public housing development projects can proceed robustly. In consultation with the Hong Kong Housing Society (HKHS), our consolidated reply to the question raised by the Hon Dennis Leung is as follows:

The Hong Kong Housing Authority (HA) and HKHS endeavour to correspond to the Government's policy objectives and are fully committed to constructing

public rental housing (PRH) units and subsidised sale flats, increasing the number and scale of public housing development projects, and accelerating the supply of public housing units.

HA and HKHS, being the major stakeholders of the construction industry, have been managing construction projects in a professional manner and monitoring the contractors' performance according to the well-established mechanism. Each stage of the construction works is supervised by professionals and experienced construction staff are also stationed on site to supervise daily construction operations and work progress. In addition, we have been paying close attention to whether the contractors have sufficient cash flow to carry out the works smoothly. Currently, we also adopt payment arrangements as deemed appropriate, e.g. providing advance payment to contractors at the onset of the contracts, shortening the time frame of payment certification for every phase of works, etc., with a view to facilitating contractors' maintenance of a stable cash flow and enabling smooth construction works.

In respect of securing wage payment to workers, HA has implemented the "Wage Monitoring System" for its construction contracts since 2006. On-site Labour Relations Officers (LRO) will verify workers' records submitted by the contractor, handle workers' complaints and enquiries, and monitor the overall status of wage payment. If there are any suspected cases of wage arrears, the LRO will promptly contact the workers concerned, report the cases to the works project team, and refer the cases to the Labour Department (LD) for follow-up action if necessary.

Furthermore, we have adopted multiple measures in our construction contracts to step up the monitoring and works management of sub-contracting, including limiting the sub-contracting to a maximum of two tiers and requiring the main contractor to submit and implement the sub-contractors management plans.

In response to cases of wage arrears incurred from individual projects of HA and HKHS in recent months, both took immediate actions to urge the main contractors to resolve the wage arrears in a proactive manner. HA and HKHS also leveraged data from the "Wage Monitoring System" and looked into the cases of wage arrears with the contractors and LD so as to co-ordinate as appropriate. Furthermore, special payment arrangement was adopted in disbursing construction fee to main contractors to ensure that the main contractors would simultaneously issue cheques to workers for unpaid wages upon receiving payment from HA and HKHS. Representatives of HA and HKHS were present on site to monitor the cheque distribution to ensure the cheques were handed over to the workers. At the moment, most of the wage arrears cases have been properly resolved.

HA and HKHS are both concerned about any sub-contractors' claims regarding payment defaults by main contractors. While neither HA nor HKHS is a relevant party to these contracts, both co-ordinate in a proactive manner with the main contractors and their sub-contractors with a view to resolving the commercial disputes as soon as feasible. HA and HKHS also sternly request

the main contractors to properly manage the sub-contracts and resolve disputes in a responsible manner, including by negotiation, mediation, arbitration, litigation, etc. HA and HKHS also proactively facilitate the communication among the main contractors, the sub-contractors and workers.

HA and HKHS have been closely monitoring the progress of their housing projects. In case of delays in individual projects, HA and HKHS strive to take immediate follow-up actions, including urging the contractors to increase manpower, stepping up on-site inspections of construction sites, convening special site meetings to review the construction process with a view to catching up with the delays, arranging meetings between the management of the contractors and construction staff at a more senior level to urge for improvement, arranging flat in-take by phase in those completed domestic block(s) wherever practicable, etc. Through all kinds of practical and effective means, HA and HKHS strive to resolve the difficulties encountered during construction and minimise project delays. In order to ensure smooth construction progress, both HA and HKHS have replaced the main contractors in some of their projects, including two HA projects located in Tung Chung and Fanling, and two HKHS projects located in Fanling and Kwun Tong. Replacement of the main contractor of another HKHS project located in Hung Shui Kiu is also underway. We will continue to monitor the performance of all contractors in HA and HKHS construction sites, and reflect the contractors' performance in their future tender scoring through the performance assessment mechanism. In spite of individual cases, the overall public housing production target for the next ten years remains unchanged under the unremitting efforts of HA and HKHS.

Thank you, president.