The Hong Kong Construction Industry

Professor Chan Ka Kui BBS, JP
Chairman, Advisory Committee
BRE Hong Kong Polytechnic University

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The Hong Kong Construction Industry

- Part 1  An overview of the industry
- Part 2  A construction company
4 Major parties in the development of a land property

- A. Developers – Cheung Kong
- B. Designers – Surveyors, Architects, Engineers
- C. Contractors – Hsin Chong
- D. Regulators – Buildings Department, Lands Department
## Declining Construction Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover ($ billion)</th>
<th>Worker</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>100.0</td>
<td>80000</td>
</tr>
<tr>
<td>2001</td>
<td>82.2</td>
<td>80301</td>
</tr>
<tr>
<td>2002</td>
<td>74.4</td>
<td>73223</td>
</tr>
<tr>
<td>2003</td>
<td>67.6</td>
<td>64111</td>
</tr>
<tr>
<td>2004</td>
<td>56.6</td>
<td>62689</td>
</tr>
<tr>
<td>2005</td>
<td>48.7</td>
<td>59266</td>
</tr>
<tr>
<td>2006</td>
<td>42.0</td>
<td>52865</td>
</tr>
<tr>
<td>2007</td>
<td>43.4</td>
<td>50185</td>
</tr>
<tr>
<td>2008</td>
<td>48.8</td>
<td>49422</td>
</tr>
</tbody>
</table>
## Declining Construction Volume

<table>
<thead>
<tr>
<th>Year</th>
<th><strong>Public Works ($ Billion)</strong></th>
<th><strong>Private Works ($ Billion)</strong></th>
<th><strong>Building Works ($ Billion)</strong></th>
<th><strong>Civil Works ($Million)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>50.0 (55.00%)</td>
<td>40.0 (45.00%)</td>
<td>70.0 (70.00%)</td>
<td>30.0 (30.00%)</td>
</tr>
<tr>
<td>2001</td>
<td>41.8 (50.79%)</td>
<td>40.5 (49.00%)</td>
<td>58.0 (70.45%)</td>
<td>24.3 (29.55%)</td>
</tr>
<tr>
<td>2002</td>
<td>32.1 (43.13%)</td>
<td>42.3 (56.87%)</td>
<td>53.0 (71.30%)</td>
<td>21.3 (28.70%)</td>
</tr>
<tr>
<td>2003</td>
<td>32.4 (47.92%)</td>
<td>35.2 (52.08%)</td>
<td>47.3 (70.01%)</td>
<td>20.3 (29.99%)</td>
</tr>
<tr>
<td>2004</td>
<td>28.5 (50.45%)</td>
<td>28.0 (49.55%)</td>
<td>37.4 (66.18%)</td>
<td>19.1 (33.82%)</td>
</tr>
<tr>
<td>2005</td>
<td>22.3 (45.87%)</td>
<td>26.3 (54.13%)</td>
<td>34.0 (69.82%)</td>
<td>14.7 (30.18%)</td>
</tr>
<tr>
<td>2006</td>
<td>17.1 (40.81%)</td>
<td>24.9 (59.19%)</td>
<td>30.2 (71.83%)</td>
<td>11.8 (28.17%)</td>
</tr>
<tr>
<td>2007</td>
<td>14.5 (33.41%)</td>
<td>28.9 (66.59%)</td>
<td>33.9 (78.11%)</td>
<td>9.5 (21.89%)</td>
</tr>
<tr>
<td>2008</td>
<td>15.3 (31.41%)</td>
<td>33.5 (68.59%)</td>
<td>39.5 (80.90%)</td>
<td>9.3 (19.10%)</td>
</tr>
</tbody>
</table>

The Hong Kong Construction Industry
Main Contractors – Hsin Chong, Gammon

- Overall site / project management
- Employ project manager, site supervisors
- Common site facilities, site safety
- Seldom employ trade workers
Specialist Contractors – Piling, electrical and mechanical, lift and escalators

- Possess specialist engineering expertise
- Specialist equipments
- Employ direct labour
Trade Subcontractors

- Steel benders, formworkers, painters.
- Small scale
- Daily paid
- CIC Voluntary Subcontractor Registration
- Scheme for 41 trades – structural, civil, finishing, electrical and mechanical works.
Building Contractors
Civil Engineering Contractors

- Development Bureau Group A up to HK$30M
- Group B up to HK$75M
- Group C unlimited value
- Group C
- Building 58
- Port work 24
- Roads and Drainage 55
- Site Formation 37
- Waterworks 35
- Only 17 contractors have 5C license
- Gammon, Leighton, China State, Dragages, Paul Y, Kaden
- HKCA 320 members
## Workers

<table>
<thead>
<tr>
<th>Category</th>
<th>End 2000</th>
<th>Beginning 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total workers</td>
<td>83924</td>
<td>51944</td>
</tr>
<tr>
<td>Public</td>
<td>44355</td>
<td>20825</td>
</tr>
<tr>
<td>Private</td>
<td>32704</td>
<td>31119</td>
</tr>
<tr>
<td>Building</td>
<td>61676</td>
<td>40772</td>
</tr>
<tr>
<td>Civil</td>
<td>22248</td>
<td>11172</td>
</tr>
</tbody>
</table>
Problems

- Safety
- Quality
- Environmental
- Expensive

- Multi-layer non value added subcontracting
- Daily paid system
- Workers training and retention

The Hong Kong Construction Industry
Prospects – Hong Kong

- 10 large infrastructure projects
  - South Island Line
  - Sha Tin – Central Link
  - Tuen Mun Western Bypass
  - Tuen Mun – Chek Lap Kok Link
  - Guangzhou – Shenzhen – HK Express Rail Link
  - HK – Zhuhai – Macau Bridge
  - HK – Shenzhen airport Co-operation
  - Joint Development of Lok Ma Chau Loop
  - West Kowloon Cultural District
  - Kai Tak Development Plan
  - New towns at Kwu Tung North, Fanling North
Prospects – Hong Kong

- University Developments
- Ocean Park
- Housing Society
- Urban Renewal
- Housing Authority

- Much improved turnover, mainly civil engineering works in the next 2 to 5 years.
Prospect - Overseas

- China
- Macau
Prospect - Overseas

- Macau
- Small construction industry
- Large demand because of opening up of the gaming industry in 2000
- Over 10,000 HK construction people worked in Macau in 2008
- Unlikely will repeat
Prospect - Overseas

- China
  Most major developers have more land bank in China than in HK
  Employ HK Architects, Engineers, QS, PM.
  - Limited opportunities for HK contractors
    - Closed market
    - Local industry
    - Wage difference
    - Nothing to offer
The structure of a major construction company

Head Office
(Corporate management/ business development/overall control)

- General Management
  - Account Department
  - Company Secretariat Department
  - IT Department
  - PR Department
  - HR Department

- Technical Management
  - Tendering Department
  - Planning Department
  - Commercial Department
  - Plant Department
  - Surveying and Levelling
  - Safety Department
  - Environmental Department

Site Office
(Site Management and Production)

- Project Manager
- Site Manager/Production Manager
- Safety
- Quality Assurance
- Production/Foremen
- Surveying and Levelling
- E&M
- Commercial

The Hong Kong Construction Industry
What makes a successful contractor

- Careful choice of clients
- A team of loyal subcontractors
- A strong technical team
- A good cross checking system
- An honest team
Food for thought

- Are we more efficient than 30 years ago?
  - Very little
  - Poor quality/unsafe/ low technology
  - Long term employment of workers
  - Trade subcontractor registration

- Can we export our construction expertise?
  - Yes, but not much now (except Macau), nothing to offer
  - The government’s role in steering the construction industry
  - Government project design

- Repair and Maintenance
  - Are we ready?
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THANK YOU

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