

**Second Meeting of the
EEC Subgroup on Business Facilitation**

***Agenda Item 3.2 : Regulatory activities affecting the
Construction and real estate sector***

Purpose

This paper presents the initial findings on regulatory activities affecting the construction and real estate sector.

Background Information

2. At the second EEC meeting held on 31 May, Members examined different industry sectors for regulatory reviews and identified the construction and real estate sector as one of the priority areas.

3. The employment and unemployment statistics of the construction and real estate sector in 2003 are –

<u>No of Employed Persons</u>	<u>Share in Employed Persons⁽¹⁾</u>	<u>No of Unemployed Persons</u>	<u>Share in Unemployed Persons⁽¹⁾</u>
379 300	12%	69 600	25%

Findings

4. The regulatory framework of the construction and real estate sector differs from other industry sectors in that government approvals are normally granted on a project basis.

5. A typical property development project must go through the two different stages of land and planning as well as building construction. The duration of each stage may vary significantly from one project to another. We are still taking stock of the regulatory activities affecting the industry

⁽¹⁾ Refers to percent share in all industries.

sector as a whole, but initial findings indicate that over 70 regulatory activities take place in the building construction stage alone. There are also indications that the land and planning stage consumes a substantially longer elapse time due to complexity of the issues involved. The **Annex** is an example to illustrate the key steps in the property development process.

Industry's Concerns

6. Preliminary discussions with the industry revealed the following broad issues –

- ❑ Construction and real estate activities have a significant impact on employment, hence an efficient property development process will benefit both employers and workers alike.
- ❑ The policy intent of many regulatory activities is concerned with enhancing building safety and quality of life. As such, there is always community support to do more. The Subgroup on Business Facilitation would not be able to secure meaningful results unless a regulatory impact assessment is conducted to measure the costs and benefits of a regulatory proposal to the industry and the community.
- ❑ The existing regulatory framework cuts across many government departments and there lacks an expeditor to effectively and efficiently process and approve submissions based on prescribed conditions set by the respective policy agents, e.g. Town Planning Board and Lands Department.
- ❑ The regulatory authorities are getting too heavily involved in detailed checking and approvals. Consideration should be given to self or third party certification by Authorised Persons on minor alterations to the approved plans.
- ❑ Property redevelopment is often thwarted by fragmented ownership. An alternative to redevelopment is to prolong the life of a building by proper maintenance.

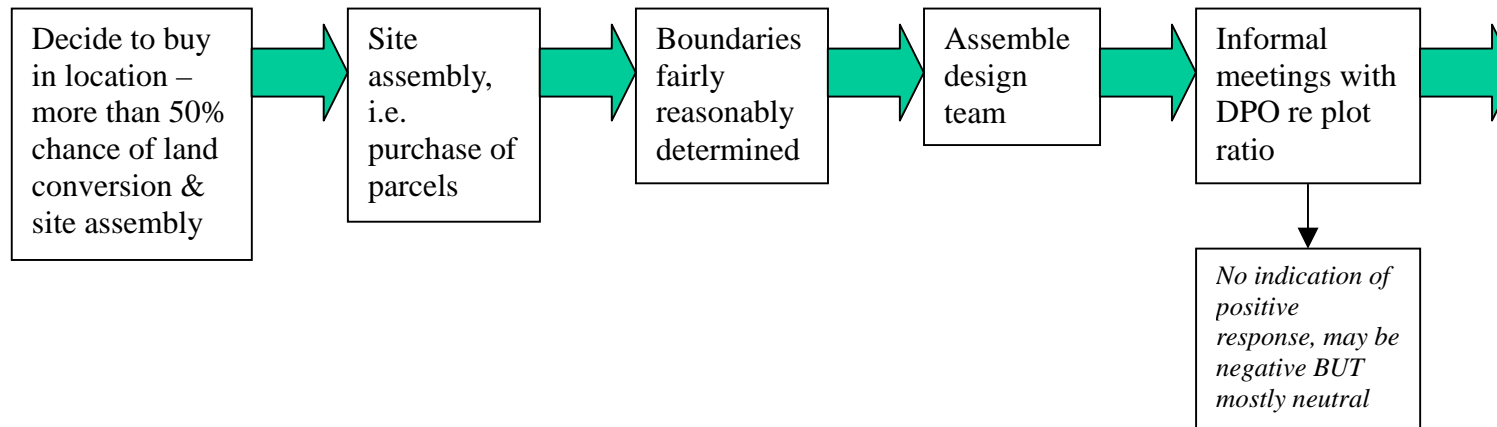
Way Forward

7. For building construction, the Provisional Construction Industry Coordination Board has been taking the lead to promote continuous quality improvements and adoption of good practices based on recommendations made by the Construction Industry Review Committee. This strategic forum provides an effective platform for our purpose and the formation of a separate task force might not be necessary.

8. Nonetheless, members are requested to consider setting up a new task force with participation by relevant industry stakeholders to review the present regulatory framework affecting pre-construction property development activities, i.e. land and planning issues.

Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office
August 2004

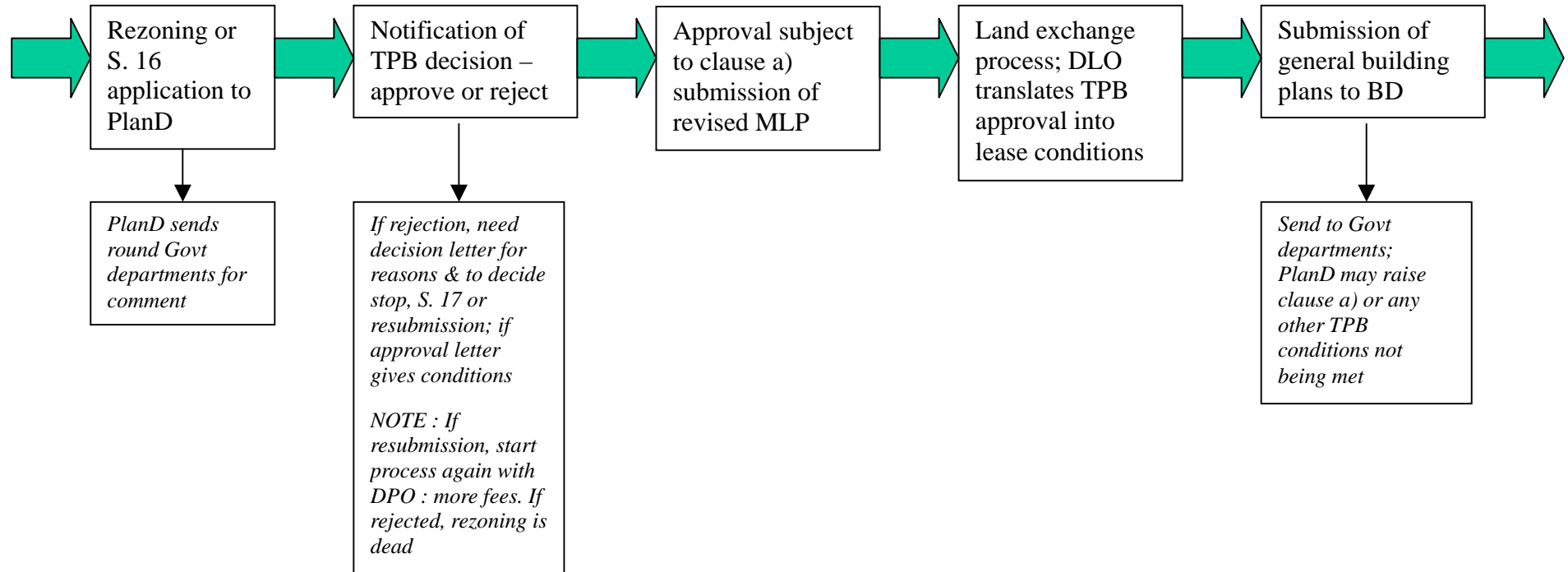
A DEVELOPER'S PERSPECTIVE OF THE KEY STEPS IN THE DEVELOPMENT PROCESS
Based on agricultural land in the New Territories



TIME

No specific time.....At least 2 years.....May be further period.....1 to 3 months.....Several months

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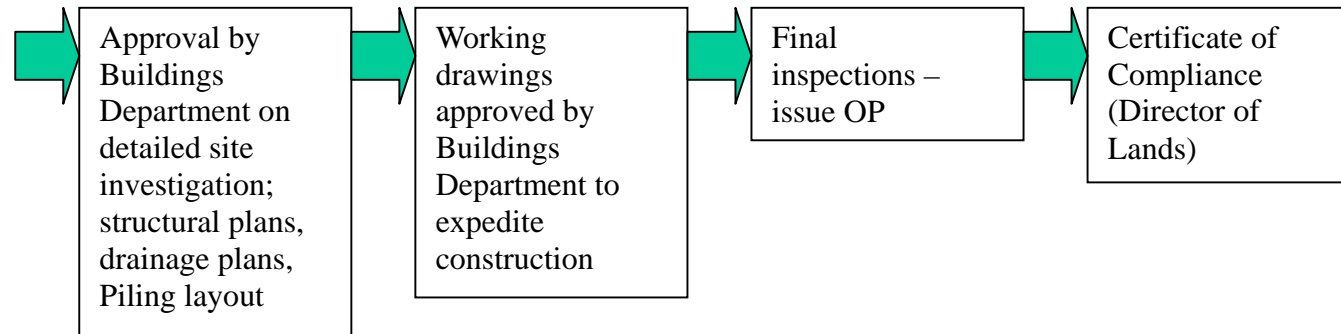
TIME

3 to 6 months to prepare submission

60 Days.....About 3-5 weeks after hearing.....Between 6 and 12 months.....60 days/resubmit : 30 days

S. 17 takes 3 months

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TIME

2 to 3 months.....9 to 18 months.....3 to 6 months after OP

Superstructure 18 to 24 months