

Construct IT - do we need it?

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In Hong Kong examples of innovative procurement systems abound: the second Hong Kong Bank building, built in 1935, was perhaps the first example of a construction management contract, the construction manager being a firm of civil engineers. The first Cross Harbour Tunnel was an example of a continuing trend, the private sector taking on a major role in infrastructure development on a Build Operate Transfer (BOT) franchise. The Territory has led the way in innovative procurement systems. Hong Kong's other major, currently- open undersea tunnel, the Eastern Harbour Crossing, completed ahead of schedule in 1989, is an interesting example of a construction company taking a major role in constructing and operating a facility. Hong Kong's success with BOT projects can be put down to a commercial mix of Hong Kong Government (HKG) initiative, private finance (from Hong Kong and international markets) and collaborative joint ventures by local and international contractors. These lessons are being taken up over the border in China. Innovations in conditions of contract, combined with a commercial approach to dispute resolution (an engineering rather than hard-core surveying approach) and a willingness to see the job completed has led to the successful initial construction and subsequent extension of the Mass Transit Railway Corporation (MTRC) and Kowloon Canton Railway Company (KCRC) lines. Again, these companies have been a successful combination of government initiative and private sector acumen. The property market has also played a big part in the success of these organisations. Against this background a Construct IT Centre for Real Estate & Construction has been set up in Hong Kong with the following objectives:

- benchmarking - industry standard setting by investigating current best practice
- publication of a regular members' newsletter
- organisation of Construction & Real Estate IT Symposia
- identify, generate and participate in research projects
- establish links and information exchange with similar centres
- establishment of a post graduate course in Construction and Real Estate IT
- promotion of technology transfer between Hong Kong and China, Europe, Japan and USA
- provide a forum to discuss Construction & Real Estate IT issues in Hong Kong and China
- undertake consultancy assignments on behalf of the construction industry, real estate industry and Government

One issue of which many are unaware but which is paramount in Hong Kong is the ratio of land cost to construction cost, typically an 80:20 ratio. When considering a property development this is crucial: a ten per cent increase in construction cost leading to an early completion can make a huge difference to a development's profitability. Hence, Hong Kong construction has been traditionally very quick, even when relying on apparently outdated construction techniques and with little investment in IT. A commercial approach by all parties, a sense of shared energy, Confucian values and *guang-xi* have made the concept of partnering common place in Hong Kong and China long before the current western interest in the idea. Long term relationships have long greased the wheels of procurement in this big city, small village. In Hong Kong, in part because of the importance of relationships, innovation in procurement and IT has not been strongly encouraged except for special projects where, through careful planning, spectacular



successes have been achieved. This begs the question, is change necessary in an economy such as this?

This paper will discuss these issues in the Hong Kong context and attempt to analyse the likely impact of a Construct IT initiative in Hong Kong and China.