



RECENT TRENDS IN THE CHINESE ARCHITECTURAL AND ENGINEERING DESIGN INDUSTRY AND NEW OPPORTUNITIES FOR FOREIGN DESIGNERS

The Ministry of Housing and Urban-Rural Development (“MOHURD”) convened a national survey and engineering design working conference for its directors on May 20, 2009. Mr. Wang Suqing, who is the head of the Construction Market Supervising Division of MOHURD, delivered a speech entitled “Recognize the Market Situation, Improve Supervising System, to Enhance the Development of the Survey and Engineering Design Industry.” Mr. Wang’s speech provides an interesting insight into aspects of MOHURD’s strategy for the industry by looking at recent developments and trends.

One of the key focuses of MOHURD will be the development of specialized small to mid-sized engineering design companies. Currently, there are 47 large-scale engineering companies with comprehensive engineering design qualifications, which allow these companies to undertake projects in China of all types and

sizes. There is a lack, however, of small to mid-sized engineering design companies with expertise in any specific area.

According to Mr. Wang, in order to address this issue, the new engineering design qualification standards system has been revamped, so that the comprehensive engineering design firm qualification has been cancelled and only the specialized engineering design firm qualification (“firm qualification”) remains. Mr. Wang also reiterated that firm qualifications are not only open to partnerships but that limited liability companies are also allowed to apply as well.

NEW OPPORTUNITIES

Before this relaxation, only those entities in partnership form could apply for the firm qualification, and the partners each had to be China-registered

engineers. This effectively prevented foreign-invested companies from applying for the firm qualification because there was no regulation in place allowing foreign investors to set up partnerships in China, and it was often impracticable for foreigners to become China-registered engineers, since they had to take the same exam as other local candidates. After the relaxation, foreign investors, in theory, will be permitted to establish foreign-invested engineering design enterprises under Decree 114 in the form of limited liability companies and then apply for the firm qualification.

There are three types of firm qualification: architectural design firm qualification, structural engineering design firm qualification, and mechanical and electrical engineering design firm qualification. They are suitable for design firms with expertise in any of these three areas, since firm qualifications enable the company to undertake architectural, structural, or mechanical and electrical engineering design works for all civil building construction projects of any size, including general public buildings, residential buildings, underground projects, and civil defense projects.

QUALIFICATION REQUIREMENTS

All firm qualifications are at Grade A level, and as a result, foreign-invested engineering design enterprises applying for a firm qualification need to be approved at the state level. The minimum registered capital requirement is RMB 3 million, and professional staff requirements are as follows:

Architectural Design Firm Qualification: at least three level I registered architects, among which at least two are under the age of 60; at least one staff member with more than 10 years of architectural design working experience who has presided over the architectural design of two large-sized construction projects within China.

Structural Engineering Design Firm Qualification: at least three level I registered structural engineers; at least one staff member with more than 10 years of structural design working experience who has presided over the structural design of two large-sized construction projects within China.

Mechanical and Electrical Engineering Design Firm

Qualification: at least six registered engineers (two in water supply and drainage, two in HVAC, and two in electrical engineering); at least three staff members (one in water supply and drainage, one in HVAC, and one in electrical engineering) with more than 10 years of engineering design working experience who have presided over the engineering design of two large-sized construction projects within China.

In practice, foreign-invested engineering enterprises could hire local registered architects or engineers to meet the professional staffing requirements.

CONCLUSION

From our inquiries with MOHURD, the relaxed firm qualification in corporate legal person form opens the door for foreign architectural and engineering companies that specialize in one of the three designated areas to obtain firm qualifications. The benefit of this qualification is that it allows qualified firms to undertake all types of civil building construction projects of any size. The qualification requirements are not onerous, and the firm qualification allows the design enterprise to undertake projects of any size within the scope of the qualifications.

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