

Doc Type	HA
Paper No	HA 11/97
Title	Minutes of the Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 2 January 1997
CONTENTS	<p>File Ref. : HA/COM/2/2 Paper No. HA 11/97</p> <p>Minutes of the Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 2 January 1997</p> <p>---0---0---0---</p> <p>PRESENT</p> <p>Hon. Dame Rosanna WONG, DBE, JP (Chairman) Mr J A MILLER, JP (Director of Housing) (Vice-Chairman) Mr Victor SO Hing-woh, JP Mr HAU Shui-pui Hon. FUNG Kin-kee Ms HO On-nei Mr CHAN Kam-man, JP Mr Nicholas BROOKE, JP Mr LEE Wing-tat Mr Daniel LAM, JP Mr YEUNG Ka-sing, JP Mr Anthony WONG Luen-kin Mr Eddy FONG Ching, JP Dr Joseph LIAN Yi-zheng Ms SIU Yuen-sheung Mr Walter CHAN Kar-lok Mr WAN Man-yee Mr CHAN Bing-woon, JP Mr LAU Kwok-yu Mr CHENG Kai-nam Mr NG Leung-sing Mr NG Shui-lai, MBE, JP Mr Dominic WONG Shing-wah, OBE, JP (Secretary for Housing)</p> <p>ABSENT WITH APOLOGIES</p> <p>Prof YEUNG Yue-man, OBE, JP Mr LEUNG Chun-ying Mr Joseph CHOW Ming-kuen, JP (Out of Hong Kong) Mr Raymond CHOW Wai-kam, JP (Out of Hong Kong) Dr Hon Anthony CHEUNG Bing-leung Mr Peter WONG Hong-yuen, OBE, JP Mr Bowen LEUNG, JP (Secretary for Planning, Environment and Lands) Mr K C KWONG, JP (Secretary for the Treasury)</p> <p>IN ATTENDANCE</p>

Mrs Clarie LO (Deputy Director of Housing/Administration) (Secretary of the Authority)
Mr Marco WU, JP (Deputy Director/Housing Management and Works)
Miss Jennifer MAK (Deputy Director of Housing/Administration) (Designate)
Mr R A BATES, JP (Senior Assistant Director of Housing/Maintenance and Construction Services)
Mr Simon P H LI, MBE, JP (Senior Assistant Director of Housing/Estate Management)
Mr Stephen POON, JP (Senior Assistant Director of Housing/New Development)
Mr J J NG (Senior Assistant Director of Housing/Housing Administration) (Acting)
Mr C C HUI, (Assistant Director of Housing/Operations and Redevelopment)
Mr H T FUNG (Assistant Director of Housing/Applications & Home Ownership)
Mr K H LAU (Assistant Director of Housing/Regional Management (1))
Mr Joseph LEE (Assistant Director of Housing/Regional Management (2))
Mr R N CARPENTER (Assistant Director/Construction Services)
Mr Edward LAW, MBE (Assistant Director of Housing/Administration)
Mr K T POON (Assistant Director of Housing/Information and Community Relations)
Mr Simon LEE (Legal Adviser)
Mr Y C CHENG (Assistant Director of Housing/Policy)
Mr R J AVON (Assistant Director of Housing/Finance)
Mrs Winifred CHUNG (Principal Executive Officer/Management Enhancement Programme)
Mr Nicholas CHAN (Assistant Secretary for Housing (4))
Mrs Katherine YAU (Chief Publicity Officer/Corporate Affairs)
Ms Nellie CHOW (Senior Treasury Accountant/Financial Management (1))
Mr Lawrence CHOW (Committees' Secretary) (Meeting Secretary)
Mr Raymond TSANG (Senior Assistant Committees' Secretary (2))
Miss Kathy NG (Assistant Committees' Secretary (3))

---0---0---0---

I N D E X P A R A G R A P H

1 OPENING REMARKS

2 VALEDICTION

3 CONGRATULATIONS

4 CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING
HELD ON 26 SEPTEMBER 1996

5 MATTERS ARISING FROM THE MINUTES OF THE PREVIOUS
MEETING HELD ON 26 SEPTEMBER 1996
(Paper No. HA 80/96)

NEW ITEMS FOR DISCUSSION

6 - 20 Housing Authority's Revised Operating Account, Capital and Cash
Budgets (1996/97), Proposed Budgets (1997/98) and Financial Forecasts 1998/99

to 2000/01
(Paper No. HA 82/96)

21 - 39 Management Enhancement Programme Master Action Plan
(Paper No. HA 83/96)

40 - 51 Review of the Contracting Out of Management Services in Public Rental Housing Estates
(Paper No. HA 85/96)

ANY OTHER BUSINESS

52 Shanghai - Hong Kong Housing Conference

53 - 59 Clearance of Diamond Hill Squatter Area

60 DATE OF NEXT MEETING OPENING REMARKS

The Chairman opened the meeting at 8:45 a.m. She informed Members that the proceedings of the meeting would be broadcast to the Lecture Hall for viewing by departmental officers. She welcomed Miss Jennifer MAK, Deputy Director of Housing/Administration (Designate), who joined the meeting for the first time. Apologies for absence were received from Prof YEUNG Yue-man, Mr LEUNG Chun-ying, Mr Joseph CHOW Ming-kuen (out of Hong Kong), Mr Raymond CHOW Wai-kam (out of Hong Kong), Mr Peter WONG Hong-yuen, Secretary for Planning, Environment and Lands and Secretary for the Treasury.

VALEDICTION

2. The Chairman informed Members that Ms LEUNG Wai-tung, who had been a member of the Authority for over 10 years, had resigned from the Authority, and Mrs Clarie LO would leave the Department shortly. Members recorded a vote of thanks for their valuable contribution to the work of the Authority.

CONGRATULATIONS

3. The Chairman congratulated Mr NG Shui-lai and Mr Simon P H LI on their being made Members of the British Empire. She also congratulated Mr Marco WU and Mr CHAN Yui-loon, who had been promoted respectively to Deputy Director of Housing and Senior Assistant Director of Housing. The Director of Housing also on behalf of Members of the Authority and staff of Housing Department congratulated the Chairman on her becoming a Dame of the British Empire.

(Mr FUNG Kin-kee joined the meeting at this juncture.)

CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 26 SEPTEMBER 1996

4. The minutes were confirmed and signed.

MATTERS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING
HELD ON 26 SEPTEMBER 1996

5. Members noted Paper No. HA 80/96.

(Dr Joseph LIAN Yi-zheng joined the meeting at this juncture.)

ITEMS FOR DISCUSSION

(AGENDA Housing Authority's Revised Operating Account, Item 3) Capital and Cash Budgets (1996/97), Proposed Budgets (1997/98) and Financial Forecasts 1998/99 to 2000/01
(Paper No. HA 82/96)

6. Mrs Clarie LO informed Members that "1996/97" in the first line of paragraph 6 of the Chinese version of the paper should be amended to "1997/98". Mr R J AVON then presented the paper using slides.

7. Mr Eddy FONG informed Members that the Authority's 1996/97 Revised Operating Account, Capital and Cash Budgets (1996/97), Proposed Budgets (1997/98) and Financial Forecasts for 1996/97 to 2000/01 had been endorsed by the Finance Committee (FC) at its meeting on 5 December 1996. Members were invited to approve the 1996/97 Revised Budgets and the 1997/98 Proposed Budgets. The Financial Forecasts for 1998/99 to 2000/01 were for Members' reference only.

8. The Secretary for Housing was pleased to learn that there was a sharp drop in the projected deficits of the domestic operating account as revealed by comparing the forecast made in the current year with last year's forecast. As the decrease was quite substantial, he would like to know whether the forecast was achievable. Mr R J AVON replied that the revised deficit was achievable because there were 8% reduction in personal emoluments, lower rate of inflation and saving in improvements and maintenance expenditure between the last year's forecast and the current year's forecast. Mr R A BATES supplemented that the reduction in improvements and maintenance expenditure was due to the spreading out of maintenance programmes over a longer period of time.

9. The Chairman said that the Department had made efforts to reduce the deficit of the domestic operating account in 1996/97 to \$0.9bn and the Department would endeavour to reduce the projected deficit to \$1.8bn in 1997/98.

10. Mr LEE Wing-tat commended the senior management of the Department on their efforts to control costs and improve the quality of estate management. However, he said that there was an increase of only about 1.8% in the number of public housing flats from 1991 to 1996 but the establishment of the Department for managing public rental flats, Home Ownership Scheme flats and interim housing had increased by 8.6% during the same period. That warranted particular attention. He further pointed out that the management cost charged by the Authority excluding rates and depreciation of property was about \$900 per flat whereas the management fee per flat in the private sector was only \$700 - \$800. He considered that there should be better control of costs to contain deficits. Mr Simon P H LI explained that the increase in the establishment of estate management staff was mainly due to new initiatives such as establishment of

Estate Management Advisory Committees and inclusion of minor maintenance function in the estate management work. The two initiatives were to enhance the quality of estate management. Mr Marco WU added that the management cost charged by the Authority included day-to-day estate management expenses, rates, maintenance and improvement fee and depreciation of property. As far as day-to-day estate management expenses were concerned it was only about \$0.8 per square foot and this included costs of management staff, cleaning and security. This figure did not differ much from that in the private sector.

11. Mr Anthony WONG Luen-kin pointed out that paragraph 11(b) of the paper mentioned that no amounts had been included in the budget for any major policy initiatives or changes to existing policies. He would like to know whether the 1997/98 budgets had taken the Management Enhancement Programme (MEP) into account. Mrs Clarie LO replied that the MEP would only require two permanent posts. The financial implications were minimal.

12. Referring to one of Mr AVON's slides, Mr LAU Kwok-yu noted that negative cash flow emerged in 1997/98 and 1998/99. He asked whether the negative cash flow would affect the quotas of the Home Purchase Loan Scheme (HPLS). He commented that if there was a strong demand for the HPLS, the quotas should not be affected by the cash flow situation of the Authority. He also noted that another slide showed deficits in the domestic operating account from 1993/94 onwards and the increase in deficits became larger and larger. He suggested that a footnote should be added to explain the situation. Mr R J AVON replied that the reduction in cash balance in the following year would not have any negative impact on the operation of the Authority. He also explained that there was an increase in deficits because the growth rate of expenditure was higher than that of income. The high growth rate of expenditure was due to the increase in the level of expenditure on maintenance and improvements from 1993/94 to 1997/98 and the rate of increase in other expenditure items was also higher than the rate of rent increase. He further informed Members that the FC had already taken steps to put in place a set of financial objectives and a comprehensive financial management framework to address the concern about cost control.

13. The Director of Housing said that he found the current discussion and the previous discussion at the FC Meeting held on 5 December 1996 very useful. He would like to make some comments about the size of the operating surplus and cash balance and the accuracy of budgets and forecasts and their purpose. Concerning the size of the operating surplus and cash balance, he said that commentators occasionally argued that because the Authority showed an overall surplus in a particular year, rents should not be raised. Such crude logic ignored the rationale underlying the arrangements for the Authority's financial autonomy. He explained that the Authority's budgets and forecasts were drawn up in accordance with the 1988 Financial Arrangements with the Government, as updated by the 1994 Supplemental Agreement. The primary objective of the arrangements was to enable the Authority to be financially autonomous and self-reliant. In order for the Authority to be self-reliant, it was essential that its consolidated operations, i.e., Home Ownership, Commercial and Domestic, should be able, after paying all recurrent expenditure, to generate a net surplus sufficient to fund the Authority's construction and other major programmes, e.g. HPLS. Thus, surpluses were necessary for the Authority to be able to sustain its various programmes for providing housing at rents and prices affordable to those who could not afford to rent or purchase in the open market. It was basic to the

Authority's understanding with the Government that it would need to generate adequate surpluses through the prudent and cost effective management of its operations and finances to achieve the objective. And this Authority had so far managed successfully to accomplish. He cautioned that past success was no guarantee for the future and the next five years would be even more demanding and difficult than those since the arrangements were agreed in 1988. He remarked that it was clear that the Authority's operating surpluses over the next two to three years including 1996/97 would fall short of being able to meet the Authority's capital expenditure and HPLS payments requirements. If the Authority was not able to draw on funds retained over the past few years and the income from their prudent management, the Authority would not be able to sustain the construction programme and the HPLS at their current and committed levels.

14. Concerning the accuracy of the budgets and forecasts and their purpose, the Director of Housing said that ideally, the annual scrutiny of the Authority's budget and rolling financial forecast should aim to achieve the following three things -

(i) it should provide a broad guide as to the health of the Authority's finances over the short and medium term;

(ii) it should help to identify any particular weaknesses sufficiently in advance to enable early corrective action either through raising additional revenue or reducing expenditure or a combination of both; and

(iii) it should provide the very necessary opportunity for the Authority to demonstrate its public accountability.

15. The Director of Housing suggested that the following three problems relating to measurement should be addressed -

(i) First, measuring a moving target was difficult. The more erratically it moved the more difficult it was to measure. Production which swung from 30 000 flats in one year of a planning period to more than three times that number in another made sensible financial forecasting impossible. It was not realistic to plan on such a basis, yet the Authority's budget and its financial forecasts were constructed around just such figures.

(ii) Secondly, it was necessary to develop sensible financial objectives for all key areas of the Authority's activities. The Authority had to be clear about exactly what it was trying to achieve in both policy and financial terms, and any inconsistencies between the two had to be resolved, before either revenue and expenditure patterns could be forecasted accurately, or performance accurately measured.

(iii) Thirdly, it was necessary to develop simple performance indicators for each area of the Authority's operations. Without these it was only possible to measure performance at very crude aggregate levels. Without these it was not possible either to focus properly on specific problems or to put forward practical remedies.

16. As regards the last two points in the preceding paragraph, the Director of Housing pointed out that, the MEP would provide the opportunity both to review objectives and to devise performance measures. As regards the first point, he believed that following the review of the Long Term Housing Strategy, it was

essential to seek from central government a firm steer of the average annual level of production that it expected of the Authority over a ten year period. The Authority would then gear the organisation to achieving that level of production at a steady rate and plan the finances accordingly. This was predicated on central government securing for the Authority a supply of land which was both sufficient and sufficiently steady to maintain an even rate of production.

17. The Director of Housing concluded that he would ensure that next year's budget and forecast documents were based on realistic overall production targets and a consistent set of financial objectives for each area of the Authority's operations.

18. The Chairman endorsed the Director of Housing's comments. She added that it was difficult to prepare accurate budgets for a big organisation, but the Authority was determined to improve its financial management.

19. Mr Eddy FONG said that the FC had expressed concern about the accuracy of the budgets at its meeting on 5 December 1996. As the financial objectives of the Department were not very clear at the current stage, the Department should define clearly its financial objectives through the MEP. He hoped that with clear financial objectives the Department could prepare a more accurate budget the following year and the projected deficit would be smaller and closer to the actual circumstances.

20. With the above comments, Members approved the 1996/97 Revised Budgets and the 1997/98 Proposed Budgets for submission to the Governor for approval.

(The Secretary for Housing left the meeting at this juncture.)

(AGENDA Management Enhancement Programme Item 4) Master Action Plan (Paper No. HA 83/96)

21. Mrs Clarie LO presented the paper.

22. The Chairman emphasized that as the Authority was a large organization and the Department was a large department with some 14 000 staff, it would not be an easy task to carry out an internal reform. There had to be concerted efforts and determination as well as support from Members. She added that it was necessary to carry out the reform which should be thorough and result-oriented. Moreover, it was important to have good communication with staff and ensure that they understand that everyone in the Department had a role to play in the reform. Although the results could not be seen within a short period of time, a systematic reform would bring about a clearer direction and strategic and forward-looking leadership and increase the efficiency of the Department.

23. Mr HAU Shui-pui indicated his full support for the MEP and in particular the vision, mission and core values of the Department. He, however, commented that at present, there was often slippage in the completion of public rental housing (PRH) and Home Ownership Scheme (HOS) flats. He said that the Department should give priority to setting performance indicators for completion of flats. The performance of building contractors should then be closely monitored to ensure that flats were completed within the time stipulated in the contracts. The Department should also give priority to the improvement and maintenance works

of PRH about which tenants were most concerned. Although improvement had been made in this aspect upon the establishment of Estate Management Advisory Committees, the results were still not satisfactory.

24. Mr YEUNG Ka-sing said that similar programmes had been implemented in the private sector for some time. As management enhancement was a continuous process and human resources played an important part in a reform, he requested more information on management and leadership training under the MEP.

25. Mr NG Shui-lai considered management enhancement very important and he was in support of the paper. He agreed that customer participation and culture change were the priority areas to be dealt with. If there was no culture change, any other changes would be superficial and not long lasting. According to his experience, resources were required for culture change and leadership training. While agreeing that resource requirement should be met through internal redeployment of existing resources, if culture change or leadership training would be adversely affected due to resource constraints, he would prefer deploying more resources to these areas to ensure that the reform would be successful. He also enquired whether any evaluation mechanism for the MEP would be in place.

26. Ms HO On-nei remarked that it was important to have participation of all staff. Although there were guidelines on promotion of civil servants, the Department should think of other ways to motivate staff. Those who were dedicated and had performed well should be rewarded.

27. Mr FUNG Kin-kee was concerned about how to make all staff share the vision of the Department. He said that housing management was professional work and all housing managers of the Department should have received professional training. They should apply their professional training to their work rather than receive training while they were serving in the Department. He remarked that as a result of the launching of the MEP, there appeared to be an increase in workload, administrative work and paper work. The MEP should not be used by staff as an excuse for obtaining additional manpower. It was necessary to strike a balance. He further said that there should be a time-table which indicated a time frame for identifying weaknesses and problems and making improvements. There should also be a time-table for carrying out reviews to see whether improvements had really been made. As a Member of the Authority, he was more concerned about the results of the MEP.

28. Mrs Clarie LO informed Members that a paper on staff training had been prepared for discussion at the next meeting of the Human Resources Committee. One of the proposals was to increase training resources from 1% to 3% of total payroll and to extend the number of training days per year per employee. She agreed with Mr FUNG Kin-kee that the Department should not become a training school. It had already been suggested that vocational training should be reduced while leadership training should be increased. She said that there would be key performance indicators and such indicators would be set for each area of operations. A comprehensive survey for customers, staff and contractors had been carried out in 1995. After the MEP had been implemented for a certain period, another survey would be carried out to evaluate its progress and results. As regards resources, she said that through streamlining of work processes and elimination of non-value adding activities, savings could be achieved. However, additional staff were required to take the lead at the initial stage and two

permanent posts had been created. Temporary posts for six or nine months had also been created in each Branch of the Department. She further informed Members that as far as communication with staff was concerned an MEP Launching Ceremony would be held at the Housing Department Staff Club Annual Dinner on 14 January 1997 to introduce the MEP to staff. Besides, a one-and-a-half day seminar for the directorate would be held at the end of January to enable them to better understand the MEP and then to disseminate its messages and spirit to their staff. To remind staff of the three core values, a small calendar had been distributed to staff. Moreover, there would be staff empowerment to speed up decision making process. A Staff Incentive Scheme would also be introduced to consider ways to reward those with good performance.

(Mr YEUNG Ka-sing left the meeting at this juncture.)

29. Dr Joseph LIAN had reservations about the Master Action Plan (MAP). He said that when a reform was carried out in the private sector, very often, some staff would be laid off. However, because the Department was a government department, it had to increase staff resources instead to solve problems under the MEP. He was concerned about how to ensure that such staff increase would not become part of the problem five or ten years later. He mentioned that in Taiwan, it was recently decided that many operations of overnment departments, such as planning, design and construction work would be privatized. He suggested that if additional staff were required to design new work processes and efficiency indicators and to carry out process re-engineering, contract staff should be employed.

30. Mr LEE Wing-tat supported the MEP and considered that privatization was one of the future directions that could be considered. Referring to page 2 of the Executive Summary at the Annex to the paper, he opined that too many targets had to be achieved and too many improvements to work processes and services had to be carried out. He suggested that a mission-driven priority list should be prepared and construction works, minor maintenance and management of PRH and communication with staff should be given the highest priority. He was of the view that it was not difficult for senior staff to share the spirit of the MEP but the other staff might not accept the MEP at once. If areas of work given top priority were successfully carried out, this would make the public, Members and staff understand that the MEP could be further developed and implemented.

31. Mr Daniel LAM expressed support for the MEP but cautioned that if staff did not know the details of the MEP, they might have a sense of insecurity. Attention should therefore be given to the feeling of staff, especially professional staff. On Mr HAU Shui-pui's comment, he pointed out that construction works were very complicated. Slippage in completion of flats of the Authority or even other building projects in the private sector was sometimes inevitable. According to the report on the progress of building projects of the Authority submitted to the Building Committee at each of its meetings, the number of projects with slippage was very small and the Building Committee paid much attention to the progress of all the projects.

32. Mr Nicholas BROOKE supported the MEP initiative. He expressed concern that on the one hand, the MEP was to seek greater commitment and to try to change the culture of the Department. But on the other hand, an increasing number of functions would be contracted out to the private sector. From staff

morale point of view, if staff saw that their interesting jobs, in particular major professional assignments, were being delegated to the private sector and they merely became facilitators, that could be a potential problem. The MEP Co-ordinating Committee should look at this aspect.

33. Mr CHAN Bing-woon supported the MEP on the whole. He agreed with Mr Brooke that after contracting out the works projects and estate management, staff of the Department would become facilitators. But if tenants were not satisfied, they would still make complaints to the Department. A mechanism should therefore be in place to deal with such complaints. He also doubted whether there were sufficient suitable building management experts in the private sector to take up the privatised work.

34. Ms SIU Yuen-sheung was in support of the paper. She said that although the implementation of the MEP was a difficult job, it showed that the Authority and the Department had the determination to carry out a reform, which should be welcomed by the public. She commented that there should be some flexibility in human resources management otherwise the outcome of the MEP might be affected. She also agreed that if staff could be properly rewarded, their morale could be boosted. The good performance of staff could also be publicized in the Authority's newsletters. She also suggested that the MEP should be reviewed after a certain period of time to see if any problems had been encountered.

35. Mr CHENG Kai-nam expressed worries that the MEP covered too many areas and improvement might not be seen in those areas which affected customers most and required immediate action, such as construction, maintenance and estate management. As the driving force was from the top, he was concerned about the degree of participation of frontline staff and the middle management. Some staff might have worries and reservations about new policies which would generate additional workload. Frontline staff should have input in the MEP and give their views. If only empowerment was emphasized while staff had no input or their views were not considered, they would not have motivation and would not actively participate in the MEP.

36. Mr LAU Kwok-yu said that the existing driving force was from the management and it was hoped that staff would give their support. However, support from tenants and the public was also important. He was pleased to know that staff would be rewarded for good performance and there would be training programmes especially on leadership skill. He added that the progress of construction programmes and minor maintenance works was an area which had received most criticism. A few individual cases which had not been dealt with satisfactorily by some staff and reported on by the media might tarnish the good performance of staff as a whole. If the Department could list the areas which were often criticized, give quick response to the criticisms or complaints and report regularly to Members and staff, this would help remove the public's misconception. Staff morale would then not be affected by the isolated cases. Referring to page 20 of the Annex to the paper, he said that external communication was very important. He considered that the pace of developing a consistent message for external communication and External Communication Management Action Plans should be quickened.

37. Mr Victor SO shared Mr Lau's views. He remarked that housing management was an area which received little praise. Minor unsatisfactory performance was

always widely covered in the media. It was necessary to let staff know that the Authority and the Department, being provider of high quality public housing to over half of the population in Hong Kong, was already the role model of other countries. Staff should also understand that the MEP was implemented to meet changes in political climate and rising expectations of tenants and the public.

38. In rounding up the discussion, the Director of Housing said that he was pleased that all Members clearly understood that what the Department was voluntarily embarked upon was a comprehensive programme of reform. All of this was a recognition of the existence of weaknesses in the structure and processes of the Department which had developed over time and which had to be addressed. The MEP MAP, like all maps, had its limitations and there was also quite a lot of unexplored territory along the way. The Department had experimented on a small scale in a few new estates with privatization. But in this and as in other areas, once the Department had explored the potential for reform it would go back to the Authority and its Committees for advice on the most appropriate direction. He therefore looked forward to Members both for firm support for the overall programme and for guidance on specific proposals for reform. He said that Members would also have a key role to play, in particular in respect of corporate planning and strategy. The reform should not simply be a directorate-led or just top-down. He said that he had spoken with many junior staff and their union representatives. They were very frank in expressing their views on the problems they faced on the ground. While they were ready and willing to engage in the process of reform, they were cautious about the impact on their jobs. It was important to talk to them face to face and involve them in the process and seek their views on the best way forward rather than by simply trying to impose a direction. As some of the MEP initiatives were already well under way, he expected to see some "quick wins" over the next six months. These should help to boost both the credibility of the MEP and the confidence of all staff involved in it. However, given the size of the Department and the complexity of its operations, there would be some areas where change took longer and was started only after very careful consideration of options and consequences. He was confident that the bulk of the MEP could be completed within two years. He invited Members to join the Annual Dinner of the Housing Department Staff Club on 14 January 1997 when the MEP would be formally launched. The choice of occasion underlined the commitment of all staff to the reform programme.

39. With the above comments, Members endorsed the paper.

(AGENDA Review of the Contracting Out of Management Item 5) Services in Public Rental Housing Estates
(Paper No. HA 85/96)

40. Mr H T FUNG presented the paper.

41. Ms SIU Yuen-sheung supported the recommendations of the paper. She said that many Home Ownership Scheme (HOS) estates were managed by property management agents (PMAs) and the owners concerned were satisfied with the performance of the PMAs. In addition, the PMAs had also performed well in public rental housing (PRH) estates. They were flexible in deploying their resources and delivered their service in a cost effective way. However, she

considered the residents concerned should be fully informed of the monitoring role of the Department. She also considered that the review to be carried out in about a year's time as proposed in the paper was important.

42. Mr Walter CHAN Kar-lok agreed with Ms SIU's views. He, however, expressed concern about the availability of sufficient good PMAs on the market for selection. He opined that small to medium-sized PMAs should also be considered for appointment to provide more choices and to avoid monopoly by large PMAs. He would also like to have more information on the division of work between the PMAs and the Department.

43. Mr FUNG Kin-kee did not agree with the proposal to further extend contracting out of management services. He considered that the general performance of PMAs was not as good as expected because according to the survey on tenants' views shown in Annex A to the paper, the performance of management staff, intake arrangements, security, cleansing and maintenance aspects were rated as "satisfactory" rather than "very good"/"good" by quite a large number of tenants. He opined that the same findings would be gathered from similar new estates managed by the Department's staff. He worried about the shortage of PMAs and their capacity to absorb the additional contracting out work particularly because it was more difficult to manage public housing estates than private ones. He also doubted whether PMAs could still maintain their present performance when estates became aged.

44. Mr LAU Kwok-yu opined that it was difficult not to extend the contracting out scheme given that it could save manpower. He, however, shared the concern of Mr Walter CHAN Ka-lok and Mr FUNG Kin-kee about the availability of adequate and suitable PMAs on the market. He considered that since PMAs could use relatively less manpower in managing estates, a control experiment by the Department using the same number of staff as that of PMAs for managing an estate could be carried out e.g. as an initiative under the MEP.

45. Mr NG Leung-sing supported in principle the recommendations of the paper. He also considered that the contracting out scheme could in the long term reduce the deficits in estate management. At a meeting with Wong Chuk Hang Estate Management Advisory Committee Members, he got an impression that they accepted contracting out of management services. He considered that housing managers and other estate management staff should adopt an impartial attitude in monitoring the performance of PMAs. However, they should take into account residents' feeling when dealing with disputes between PMAs and the residents. He suggested that the PMAs should be ranked according to their performance and their strengths should be publicised. The Chairman endorsed his views.

46. Mr CHENG Kai-nam said that he got similar tenant feedback from surveys conducted by his groups. However, he cautioned that the contracting out scheme should be implemented with great care because the positive survey findings might be due to the fact that the estates concerned were new. The facilities of such estates were much better than those of old ones. Having discussed with staff representatives of housing managers of the Department, he understood that PMAs could perform better because of their more flexible organization structure and work practices. In fact the quality of staff of the Department was not inferior to that of PMAs. He therefore considered that the working procedures of the Department should be streamlined to enhance the quality of estate management.

47. Ms HO On-nei was also concerned about the availability of adequate PMAs on the market for selection. She considered that residents should be informed of how to lodge complaints against the PMAs. She also considered that the Department should work out contingency plans to deal with PMAs who performed poorly.

48. Mr Anthony WONG Luen-kin supported the contracting out scheme. He considered that although the Department played a monitoring role in respect of the performance of PMAs, the PMAs should also be required to shoulder some responsibilities so that the Department needed not be responsible for explaining the poor performance of the PMAs. He was of the view that PMAs should have professional knowledge and there should be a clear division of responsibilities between the PMAs and the Department. Such division of responsibilities should be made known to the PMAs and the public. Moreover, PMAs should be required to take out insurance policies such as third party insurance. He considered that the day-to-day deployment of manpower by PMAs should be closely monitored to avoid frequent staff changes and reduction of manpower. He also suggested the Department consider employing PMAs to manage a few old estates and compare their performance with that of the PMAs who managed new estates.

49. The Director of Housing expressed thanks for Members' support to the contracting out scheme and caution. He agreed with Mr CHENG Kai-nam that estate management problems were more related to the organisation than the quality of staff. He said that staff should be involved in discussions particularly in the reform of management of old estates. The MEP needed to be used as a platform on which to build the reform. As regards Mr LAU Kwok-yu's suggestion that a control experiment should be carried out, he said that there were many successful examples of contracting out scheme or corporatisation in the context of public housing in other countries and the Authority could learn from these countries. This could provide the Management and Operations Committee with a lot of food for thought over the following year.

50. Mr H T FUNG thanked Members' for their views. He informed Members that the division of responsibilities between PMAs and the Department was clearly stated in the management contract. A summary of the contract could be released to residents. As regards staff development PMAs would like to employ permanent staff to work on estates rather than frequently change their staff. It was also clearly specified in the management contract that it was the PMAs' responsibility to take out appropriate insurance policies. He also said that there was an annual award for the best PMA for HOS estates to encourage better performance and to promote competition among PMAs. He concluded that there was record of success in contracting out of management services in HOS estates which was supported by flats owners who were more demanding. He believed that the scheme could be equally successful when extended to public rental housing estates.

51. With the above comments, Members approved the recommendations in paper.

ANY OTHER BUSINESS

Shanghai - Hong Kong Housing Conference

52. The Chairman informed Members that the Shanghai - Hong Kong Housing Conference would be held from 8 to 10 January 1997 in Shanghai. 13 Members would attend the Conference, which was jointly organized by the Hong Kong Housing Authority and the Shanghai Housing Authority and co-hosted by the Hong Kong Construction Association Ltd., Hong Kong Institute of Architects, Hong Kong Institution of Engineers, Hong Kong Institute of Housing, Hong Kong Institute of Planners and Hong Kong Institute of Surveyors. The main objective of the Conference was to provide a forum for exchange of views and ideas on housing developments in Hong Kong and Shanghai. A report would be given to Members after the Conference.

Clearance of Diamond Hill Squatter Area

53. The Chairman drew Members' attention to a letter dated 2 January 1997 from a group of residents of Diamond Hill Squatter Area and the Community Service Office of Mr MAK Hoi-wah which was tabled for Members' information (Annex).

54. Mr LEE Wing-tat said that the Housing Panel of the Legislative Council (Legco) had discussed the clearance of squatter areas in the urban area not long ago. He pointed out that the Governor in his Policy Address in 1992 had pledged that all squatter huts on government land in the urban area would be cleared by 1996. However, there were divided views on the definition of 'squatters on government land' and 'squatters on mixed lots' among Legislative Councillors, the public and the Government. Although the Legislative Councillors considered that squatters on government land as well as those on mixed lots should have the right to have their huts cleared and be rehoused, the Housing Branch and the Department were of the view that clearance of 'squatters on mixed lots' should only be carried out when there was a plan to develop the squatter area concerned. He added that not many squatters were living in the urban area. A large squatter area on mixed lots was Diamond Hill Squatter Area, which was not suitable for habitation. However, there was no clearance plan for the Area. He requested the Department to work out a plan to clear the area and rehouse the squatters. If interim housing in Kowloon Central/East was available, it could be used for rehousing the squatters not eligible for public housing units.

55. Mr C C HUI responded that according to statutory requirements, private lots could only be resumed when they were required for public purpose. Squatters on private land or mixed lots therefore could not be cleared unless the land was used for public development. He said that there were originally 34 000 persons living in six villages in Diamond Hill Squatter Area and 26 000 had already been rehoused. There were three villages in the Squatter Area at present. The clearance of Sheung Yuen Leng Village would be completed at the beginning of 1997 whereas Tai Hom Village and Ha Yuen Leng Village had been zoned as Comprehensive Development Area. When the land use and development plan were finalized, the Lands Department would issue an application to the Department, which was the clearance agent of the Government, to clear the area. The Department would start the clearance when the Government provided it with the necessary resources. He added that he had received a letter from the Chairman of the Tai Hom Village Kaifong Welfare Association, who said that residents were satisfied with the improvements made to the facilities and the living environment of the Squatter Area. They objected to clearance before the Government had decided on the development plan for the Squatter Area.

56. Ms HO On-nei commented that as there were shops in the Squatter Area, if only the squatters on government land but not those on private lots were cleared, there would be a lack of commercial facilities for the remaining residents. Besides, it would generate security problems. She added that it was ideal to clear all the squatters, but there was a lack of resources at present. She was also worried that new immigrants would be attracted to build squatters there once the Government announced that the Squatter Area would be cleared.

57. Mr FUNG Kin-kee said that as the Governor had pledged that all urban squatters would be cleared by March 1996, the Government should honour the pledge. The Authority should also reflect this problem to the Government. He remarked that according to the information obtained at the Legco meeting referred to by Mr LEE Wing-tat, the percentage of private land in the two villages concerned were only 20% and 10% respectively. In Tsuen wan, Kwai Chung and other districts, squatters on mixed lots with a small percentage or even almost 50% of private land had been cleared in the absence of development plans. The Government could not explain why there was a different treatment for Diamond Hill Squatter Area. He suggested that the Housing Department should urge the Government to clear Diamond Hill Squatter Area. When feedback from the Government has been received, a paper should be submitted to the Authority or the relevant Committee for consideration. The Chairman shared his views.

58. Mr NG Shui-lai opined that it was a complex problem which was related to land status, availability of resources, demand and supply of housing and residents. But the matter had to be dealt with seriously and the Department should explain the situation to the affected residents. Even if the Department could not solve the problem by itself, it had a responsibility to reflect it to the central government.

59. Mr CHENG Kai-nam said that he understood that some problems could not be solved by the Department alone. He also did not doubt the sincerity of the Department in the matter but residents might not feel the sincerity. He added that he had attended a meeting which was attended by 300 to 400 residents of the Squatter Area the previous day. The residents had requested that more improvements should be made to the existing facilities such as installation of street lamps. If the Department could entertain their requests as far as practical, this could alleviate their dissatisfaction. The Chairman shared his views.

DATE OF NEXT MEETING

60. The next meeting would be held on Thursday, 27 March 1997 at 3 p.m.

---0---0---0---

61. There being no other business, the meeting closed at 11:30 a.m.

CONFIRMED on

Hon Dame Rosanna WONG, DBE, JP
(Chairman)

Lawrence CHOW
(Meeting Secretary)

c:\7-1-97\ha.doc

[Back](#)