

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Consultancy Study on Review of Private Sector Involvement in Estate Management and Maintenance Services

PURPOSE

This paper sets out the background to the consultancy study on Review of Private Sector Involvement in Estate Management and Maintenance (EMM) Services, the findings of which are to be presented to the Housing Authority (HA) on 4 March 1999, and informs Members of the proposed next steps.

BACKGROUND

2. On 2 January 1997, after considering HA Paper No. HA 83/96, Members gave their support to the launch of a series of reforms, collectively called the Management Enhancement Programme (MEP) of the Housing Department (HD) aimed at improving internally its efficiency and externally the quality of services. Under the MEP a number of separate reform initiatives aimed at securing a change of culture through a departmental wide programme of business process reviews, staff training, internal and external communication, and improvements to service quality have been introduced. These reforms led to the re-organisation of HD along core business lines in April 1997 with each of the “business” required to produce its own business plan for approval by the relevant HA Committee. The business plans form an integral part of the budgetary process and are brought together in the HA’s Corporate Plan, the first of which was published in June 1998.

3. The clarification of functions and costs which these reforms have required, and which the corporate planning process demands, has surfaced a number of strategic issues. For most of the HA's existence, HD has been the sole supplier of many services. The increasing number of alternative services providers in the private sector and the significant cost adjustments brought about by recent economic events have raised the question of whether HD provides best value to the HA and its customers. They have also begged an answer to the question of whether the same or even better services can be procured more cost-effectively from the private sector.

4. In one area, the management and maintenance of estates, more vigorous home ownership initiatives have made consideration of this question particularly urgent. With the successful launch of the TPS early last year, many of the HA's tenants will be transformed into owners. Under the TPS, HD ceases to provide tenancy and internal repair services as soon as they are sold and owners will acquire the right to choose for themselves whether to retain HA/HD services or to hire PMA. Over the ten year period from 1998 to 2007, the Authority will offer for sale no fewer than 250,000 existing rental units, i.e. no fewer than 25,000 units each year, under the scheme. This will inevitably have a potentially significant impact on the size of operation of HA's EMM services. It is in this context that the consultant, PricewaterhouseCoopers, was commissioned last year to explore the possibility and opportunities for greater private sector involvement for the HA with particular reference to its EMM services.

CONSULTANCY REPORT

5. The consultant has completed his study and his report is attached for Members' consideration.

6. The recommendations in the consultant's report represent the consultant's views only. The Department will examine the consultant's findings and recommendations before submitting recommendations to Members for a decision on the way forward in May 1999.

7. As the consultant's recommendations would affect the HA's operation and the HD staff, it is considered necessary to seek the views of the staff and other parties concerned before formal recommendations are on the way forward discussed by Members. The HD has therefore made arrangements to release the consultancy report to staff and other interested parties, including the LegCo Panels on Housing and Public Service today to facilitate understanding and discussion of the issues. The HD senior management will also meet representatives of HD staff unions and staff in general through meetings and open forum to listen to their views directly.

NEXT STEPS

8. The following work plan is proposed for taking forward the consultant's recommendations -

Actions	Timing
Present consultant's findings to the HA and release of the consultancy report to HD Staff and other interested parties	4 March 1999
Collect views from staff and other parties	March/April 1999
Submit recommendations on the way forward to HA for endorsement	May 1999
Subject to HA's endorsement on broad direction to work out arrangements for affected staff in conjunction with Government and consult staff formally in accordance with the prevailing civil service guidelines, and other implementation arrangements	After HA's endorsement on the way forward
Present final proposals to the HA and the Government	late 1999

CONCLUSION

9. Members are invited to note the consultant's findings in the attached report and the next steps to be taken as set out in paragraph 8 above.

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