

<b>Doc Type</b>	HA
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<b>Title</b>	Contracting out of Management Services in Public Rental Housing Estates
<b>CONTENTS</b>	<p>HA 72/95</p> <p>THE HONG KONG HOUSING AUTHORITY</p> <p>Memorandum for the Housing Authority</p> <p>Contracting out of Management Services in Public Rental Housing Estates</p> <p>PURPOSE</p> <p>To seek Members' approval for a trial scheme to contract out the management of selected public rental housing (PRH) estates.</p> <p>BACKGROUND</p> <p>2. For many years, the Housing Authority (HA) has made use of private sector resources to carry out some of its work. In the area of housing management, property management agents (PMAs) are appointed to manage Home Ownership Scheme (HOS) estates and non-domestic property such as shopping centres and car parks. On the management of PRH, contractors are employed in specialist areas such as cleansing and security.</p> <p>3. At the HA meeting on 1 June 1995, Members requested the Housing Department (HD) to review the pace of contracting out as a measure to contain staff growth and enhance service quality. Specifically, HD was asked to look into the feasibility of further contracting out management activities in PRH. The main findings of the in-depth study then undertaken were endorsed at the Management and Operations Committee (MOC) meeting held on 28 October 1995 (Paper No. MOC 97/95).</p> <p>CONTRACTING OUT OF PRH MANAGEMENT SERVICES</p> <p>4. At present, HD has a management team of between 7 and 53 staff at each PRH estate depending on size. They undertake duties such as tenancy enforcement, rent collection, co-ordination of maintenance and repairs, hawker control, and road and environmental control. There are currently 155 management teams with total staff of 4,535, or 32% of the Department's overall establishment. If the present management arrangements continue, the number of estate staff will further increase upon the introduction of new policy initiatives and completion of new housing estates.</p>

5. Establishment growth is not the most ideal or only solution to cope with the expansion and increased complexity of work. Indeed, day-to-day management matters absorb so much staff time that there is little left for tenant liaison and community development work, an increasingly important facet of management. Recent moves to increase tenant participation and the demand for higher quality property management necessitate a more proactive and customer-oriented approach in delivering our services, in particular, in disseminating and explaining housing policies to tenants. If we can rely on private sector resources to deal with the operational side of estate management, in-house resources can focus more on promotion of a better relationship with tenants.

6. The advantages of agency management are substantiated by proven examples of better economy and quality services in PMA-managed HOS estates and commercial properties. According to a recent survey conducted by HD, the residents' satisfaction rate at agency-managed HOS estates was as high as 63%. On the other hand, direct management costs of agency-managed HOS estates are lower than those managed by HD, mainly due to PMAs' greater flexibility in staff deployment, simpler command structure and lower staff on-costs.

#### THE PROPOSAL

7. Having considered the views of MOC Members, particularly concerns over the selection of PMAs, their capability in carrying out certain pre-management duties and monitoring of their performance, we propose the following arrangements.

##### (A) Selection of Estates

8. Three new estates to be completed in 1996 are proposed for the pilot scheme. New estates are chosen so as to avoid disruption in existing estates and because tenants of new estates are more receptive to a new management approach as experienced in HOS estates. Estates have been selected to obtain a suitable range of completion dates, size, characteristics and locations -

No. of Target	Estate	Rental Completion	Characteristics	Flats	Date
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Ming Tak	, 1,563	Feb 96	New estate in new Tseung Kwan town; adjacent O HOS developments to be completed in Jan and Feb 96 respectively		
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Hing Tung	, 2,850	April - Dec 96	New estate in Shau Kei urban Hong Kong; Wan adjacent HOS development completed in Dec 95		
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Lam Tin	, 5,433	July 96 - Feb 97	Redevelopment Kwun Tong estate in urban Kowloon		
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##### (B) Management Services to be Contracted Out

9. All day-to-day management and maintenance functions currently performed by

estate staff will be passed on to PMAs, including -

(a) pre-management duties including taking over new flats from contractors, attending site meetings with the Project Architect and relevant disciplines, supervising approved decoration contractors, arranging viewing of flats by new tenants, assisting with briefing tenants on intake formalities and tenancy agreement, vetting tenants' applications for interior decoration, etc.;

(b) provision of refuse collection and cleansing services;

(c) provision of fitters and contractors to handle estate maintenance items except those under the Condition, Appraisal, Repair and Examination (CARE) maintenance programme and planned maintenance programme. PMA contractors will be reimbursed for their works in accordance with the rates of new Minor Maintenance Contracts;

(d) provision of caretaking and security services;

(e) assistance in hawker control and enforcement action detailed in paragraph 11(b) below;

(f) management of car parks and control of restricted roads such as towing and impounding (issue of fixed penalty tickets will remain a duty of HD staff);

(g) assistance in the control and enforcement of non-domestic tenancies such as clearing shop-front obstruction;

(h) revenue collection;

(i) manning of estate enquiry counter and receipt of complaints/requests;

(j) handling of complaints relating to PMA's areas of responsibility;

(k) attendance at meetings of the Estate Management Advisory Committee (EMAC) and promotion of landlord and tenant relationships; and

(l) handling of emergencies and complaints after office hours.

10. The management contract will specify the standard of services required and performance indicators, such as the quantity and quality of PMA staff, cleansing schedule and time for completion of minor repairs, against which the Department can assess PMA performance. Some key staff such as Estate Managers, Customer Service Assistants and Welfare Workers are required to possess requisite professional and academic qualifications similar to corresponding in-house staff. To avoid confusion, leaflets clarifying the demarcation of responsibilities between PMAs and estate staff will be distributed to tenants of concerned estates.

(C) Role of Estate Management Staff

11. The role of estate staff will change from one of direct management to overseeing the performance of PMAs. They will continue to exercise the statutory powers vested

in them under the Housing Ordinance e.g. the powers to initiate prosecution and terminate a tenancy. More specifically, estate staff will retain the following functions -

(a) control of domestic tenancy matters such as transfer, relief of overcrowding, and addition to and deletion from tenancy records;

(b) enforcement action relating to hawkers control (delegation of statutory power for duties of such nature is considered legally questionable), sub-letting, non-occupation, and so on;

(c) administration of rent policies such as the Housing Subsidy Policy and Rent Assistance Scheme;

(d) chairmanship of EMAC and enhancement of landlord and tenant relationships;

(e) explanation of various housing policies to tenants; and

(f) handling of unsatisfactory performance or complaints against PMA staff.

#### (D) Selection of PMAs

12. We propose to select PMAs by way of tender from an Approved List. A management contract will last for two years and will set out comprehensively all the duties stipulated in paragraphs 9(a) to (l). A Selection Panel has been formed under the MOC to examine tender proposals; its terms of reference and membership at Annex A.

13. The first tender exercise for the management of two pilot PRH estates has attracted a total of ten bids from six PMAs, four for Ming Tak Estate and six for Hing Tung Estate. We are analyzing the proposals and the Selection Panel will consider the full tender results upon approval of the scheme by the Authority. The management proposals have satisfactorily covered all functions included in the list of duties to be undertaken by PMAs. The job descriptions of various PMA staff posts specified in the management proposals are comprehensive. Employment of full time fitters/technicians by the PMA will help to improve responsiveness to tenants' requests for minor repairs.

#### (E) Private Sector Resources

14. There are known to be some 500 PMAs in the market and ten have been accepted by the Selection Panel for registration on the Approved List for PRH management. To stimulate competition and enhance quality assurance, the Selection Panel will review the current eligibility criteria. The broad direction is to encourage potential newcomers to participate, while closely monitoring the capacity and capability of PMAs through regular assessments to guide the pace of expansion of the scheme.

#### (F) Monitoring and Control of PMAs

15. The current system for monitoring agency management of HOS estates and

shopping centres provides a useful yardstick in formulating the monitoring and control system for the present scheme. PMAs are required to submit weekly management reports to estate Housing Managers. In addition, their performance will be closely supervised and appraised regularly in consultation with relevant EMACs by reference to a set of guidelines governing the quantity and quality of personnel deployed and standard of services. Complaints against PMA staff or unsatisfactory performance will be monitored and handled by estate staff. Safeguards against poor performance are built into the management contract, including provision to adjust the contract rate (the Authority may deploy its own resources to complete an outstanding job and reimburse the full cost including 20% on-cost if the PMA fails to carry out any obligation within a reasonable time after the serving of written notice), debar the PMA from tendering future contracts and terminate the contract. Furthermore, PMAs will be required to deposit an assurance bond.

#### (G) Contingency

16. In the worst case scenario necessitating the termination of a management contract, the Department would, subject to the approval of the Selection Panel, negotiate with another PMA to take over the contracted out services. It would also be possible to mobilize Departmental resources to temporarily take over the management duties, pending the appointment of a new PMA.

#### (H) The Next Step

17. The scheme will be closely monitored and reviewed during 1996/97 by evaluating PMAs' performance, cost-effectiveness, acceptability to tenants and staff feedback. Subject to the review, our immediate aim is to extend agency management to all new rental estates. The pace of further development will be determined by the capacity and capability of PMAs.

### STAFFING IMPLICATIONS AND STAFF REACTION

18. If the above proposal is adopted, the workload of the estate Housing Manager, Assistant Housing Manager and Housing Officer is expected to be reduced by about 30 to 50%, details shown in Annex B. The duties of Estate Assistants, Customer Service Assistant, Artisans and Workmen will be totally absorbed by PMA staff. As a result, the manning scale of Ming Tak Estate with 1,563 domestic flats will be reduced from 28.5 to 6.5 in-house staff as indicated in Annex C, representing a notional saving of 77% in manpower. The PMA will have 20 staff making the total combined strength at 26.5. In Phase II of Hing Tung Estate with 2,043 domestic flats, the reduction of 21 in-house staff from 27.5 to 6.5 will be compensated by a team of 19 PMA staff making the combined force at 25.5. The overall reduction of two staff is not expected to have any adverse effect on the quality of management in view of long working hours of PMA staff and the flexibility which PMAs have in deploying staff.

19. Consultation with the Housing Manager and Housing Officer grades has revealed

enthusiastic support for the proposal. The MOC Chairman and senior management of the Department have met the care taking staff unions, including the Estate Assistant Grade General Union which is the only one out of the six unions to object the scheme. Although staff have been assured of their continued employment with HD, the Union expressed the worries of some Estate Assistants over promotion prospects and the eventual phasing out of their grade. They have voiced their concern through the mass media and made representations to the Preliminary Working Committee and Legislative Council. The impact of the contracting out arrangement on staff has been grossly exaggerated. Nonetheless, the Department will maintain a dialogue with the Union and allay staff fears.

#### FINANCIAL IMPLICATIONS

20. The primary objective of the proposal is to enhance the quality of management services by harnessing the flexibility of private sector operations. A welcome spin-off from the proposal is some savings in direct management staff cost which amount to \$458,000 per month in respect of Ming Tak Estate (1,563 flats), calculation in Annex D. After deducting the PMA remuneration of \$302,000, the net saving is \$156,000 or 23% of the original staff cost. The monthly net saving of staff cost in Hing Tung Estate (2,043 flats) is estimated to be \$182,000 while the projected figure for Lam Tin Estate (5,433 flats) is \$509,000. Altogether, the total savings from the three pilot estates would amount to \$847,000 per month.

#### PUBLIC REACTION

21. The initial public response following endorsement of the proposal by MOC has been encouraging. Publicity will emphasize the success of agency management in HOS estates and shopping centres and our determination to provide high quality management in PRH estates.

#### ADVICE SOUGHT

22. At the HA meeting on 4 January 1996, Members will be asked to approve the recommendations as set out in paragraphs 7 to 17 above.

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c.c. MOC Members

File Ref. : L/M No. 1 in HD(H)GR 11/1/18

Date : 28 December 1995