

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Enhancing Public Housing Quality - Implementation Plan

PURPOSE

This paper informs Members of the outcome of the public consultation exercise on the Housing Authority (HA)'s proposed recommendations for enhancing public housing quality and seeks Members' endorsement on the implementation plan.

BACKGROUND

2. To address the increasing community concern on building quality of public housing, Members endorsed the publication of a public consultation document entitled "Quality Housing : Partnering for Change" vide Paper No. HA 8/2000 at the meeting on 27 January 2000. The document maps out the vision and strategies of the HA in uplifting its building quality. There are altogether 40 main recommendations in the consultative document, grouped under a 4 "P" strategy -

- (a) **Partnering** : Building up a partnering framework amongst all stakeholders
- (b) **Product quality** : Assuring product quality
- (c) **Professionalism** : Investing in a professional workforce
- (d) **Productivity** : Striving for productivity and efficiency

These recommendations also aim to address immediate public concerns about

piling works and the production peak.

PUBLIC CONSULTATION

3. The public consultation exercise lasted between 27 January 2000 and 31 March 2000. To promote stakeholders' understanding of our recommendations, we have distributed 21,600 copies of the consultative document to various stakeholders in the industry, major political parties and housing concern groups. As some of the recommendations may be rather technical in nature, we have also produced a pamphlet which summarizes the gist of the recommendations for public consumption. Altogether 190,000 copies of the pamphlet were distributed through District Offices, our estate offices and various channels.

4. To strengthen our communication with major stakeholders, we have held 31 meetings/workshops with HA's contractors/consultants/suppliers, professional institutes, trade associations, training authorities, tertiary institutes, construction workers' unions and departmental staff. In addition, we have met the Housing Panel of the Legislative Council, major political parties, housing concern groups and District Council Chairmen. Two public fora were also conducted to allow wider participation from the construction industry and the general public. These discussion sessions have facilitated frank and constructive exchange of views with various stakeholders.

5. Apart from the above meetings and workshops, we have also received valuable views from the following channels -

- (a) 85 written submissions from organizations and institutes;
- (b) 25 written submissions from individuals;
- (c) 318 copies of survey form from the construction industry and the general public;
- (d) 215 copies of staff feedback form from departmental staff; and
- (e) 159 copies of feedback form from consultants, contractors and subcontractors.

A full collection of the feedback received is available at the Committees' Section for Members' reference.

6. Our proposed recommendations have generated intensive discussions within the construction industry and the overall response has been very encouraging. Most of the stakeholders and respondents agree that there is an urgent need to uplift building quality and partnering is the key of success in this reform. Based on the findings revealed from the survey forms received up to 31 March 2000 -

- (a) 80 % of respondents indicated a need for reforming building quality;
- (b) 70% supported the recommendations in our consultative document; and
- (c) 56% rated our recommendations as very effective or effective

7. While acknowledging that a comprehensive reform is required to uplift building quality, respondents and stakeholders in the construction industry generally believe that six issues warrant our immediate attention and they are -

- (a) Tendering system for business partners
- (b) Departmental reforms
- (c) Site supervision
- (d) Piling works
- (e) Quality outputs and services for customers
- (f) Partnering culture

8. We have received a lot of valuable advice from stakeholders and respondents and these have both greatly facilitated our formulation of implementation strategies and enhanced our 40 recommendations. While expressing general support for all the 40 recommendations, some stakeholders and respondents have offered new suggestions which in our view should also be included into our implementation package. Broadly speaking these suggestions fall under 10 headings as follows -

- (a) An “In-take Hotline” should be set up for new estates so that tenants/owners may report building defects conveniently. This is to strengthen customer-service within the intake period.
- (b) Project supervision costs should be reimbursable for providing extra staff for enhanced requirements to safeguard the quality of supervision.
- (c) Induction training should be provided for both in-house and consultants’ site staff to focus them on and prepare them for proper supervision techniques, procedures and common problems.
- (d) Reinforcing the partnering relationship between the Building Committee (BC) and, the Housing Department (HD) by reviewing BC's structure and operations.
- (e) PASS 2000, a proposed new performance appraisal system for building contractors, should be rolled out under a trial scheme. Given its significance, its effectiveness and contractors' feedback should be evaluated before having a full implementation.
- (f) Establishing "Site Works Forum" with contractors and trades representatives to acquire first-hand information from construction sites and resolving problems.
- (g) Providing a better working environment for construction workers by upgrading the specifications on site cleanliness, hygiene, waste management and safety.
- (h) Enhancing our specification system to take on board new trade practices, reduce documentation and allow greater flexibility by project professionals.
- (i) Exploring the feasibility of "Design, Build, Operate and Transfer" concept so that the design, construction management and maintenance activities can be integrated efficiently.
- (j) Establishing a mechanism to steer the overall research strategy and oversee the use of the HA Research Fund.

IMPLEMENTATION PLAN

9. To oversee and coordinate the implementation of the various recommendations, the HD has established a Quality Task Force with effect from 1 March 2000. This task force is headed by an Assistant Director and comprises a multi-disciplinary team of senior professionals. The task force is also responsible for drawing up an implementation plan for taking forward improvement measures.

10. Since altogether 50 recommendations are covered and they involve a wide spectrum of processes, systems and stakeholders, we need to prioritize their implementation sequence and draw up a practical action plan accordingly. In devising this implementation plan, our key considerations are -

- (a) Quality assurance for customers will be our foremost consideration.
- (b) Fundamental concerns from stakeholders and high-risk areas will be addressed as a matter of priority.
- (c) A partnering approach must be established with our stakeholders in implementing these reforms as well as future contracts.
- (d) Recommendations identified by the investigation panels on Tin Chung Court and Yuen Chau Kok must be followed-up.
- (e) Recommendations will be carried out progressively bearing in mind that we are now in the production peak.

11. Having regard to these considerations, we have mapped out a two-phased implementation programme for taking forward the 50 recommendations. The main theme in each phase is as follows -

- (a) Phase 1 : To address immediate issues and provide a foundation conducive to smooth implementation of subsequent recommendations. The recommendations to be implemented in this phase are vital to customers and building safety. These reforms will commence immediately. 25 recommendations are involved.

- (b) Phase 2 : To cover the re-engineering critical processes and systems and aim at achieving partnering on all fronts. These recommendations are more complex and involve an interface with more stakeholders. We will proceed with these recommendations from June 2000 onwards. Recommendations from the Investigation Panel on Yuen Chau Kok will be incorporated when available. Another 25 recommendations are involved.

— A summary of all the 50 recommendations under this two-phased implementation programme is at **Annex**.

PHASE 1 : ADDRESSING IMMEDIATE PUBLIC CONCERNS

12. As the focus of the Phase 1 reform is to address immediate public concerns, our implementation programme will closely follow those 6 priority issues identified in the course of public consultation. They are -

- (a) Providing quality products and services to customers
- (b) Revamping the piling process
- (c) Reinforcing site supervision
- (d) Reforming listing and tendering practices
- (e) Establishing a partnering culture
- (f) Re-engineering departmental operations

These six areas will form the pillars of the Phase 1 reform and our detailed implementation plan are as follows.

Pillar 1 : Providing Quality Services and Products to Customers

13. While we will work with other stakeholders proactively to enhance quality control measures during the construction stage, we aim to improve quality products and services to our customers. In achieving this objective, we have introduced/will introduce the following initiatives-

- (a) We shall **provide a structural guarantee** of 10 years for all HA's new and existing developments and 20 years for those in Tin Shui Wai. We will work out a proposal for the Home Ownership Committee (HOC)'s consideration. Besides, the HD will set up a Structural Guarantee Action Group to handle referrals from customers speedily.
- (b) In order to strengthen customer service during the intake period, we will **establish an In-take Hotline in new estates**. This will strengthen our communication with tenants/owners, and provide an accessible channel of complaint over defect rectification to enhance our after-intake service.
- (c) We will **set up Customer Service Teams**, including Defect Coordinators from building contractors, to handle defects after-intake speedily. Performance pledges on attending to defects will also be set. We are examining the composition and size of these teams. Before full-scale implementation is launched, trial projects will be put up for Tsing Yi Area 8 (Tsing Wang Court), Ma On Shan Area 77, Phase 1, 2 and 3 (Kam Tai Court). We will seek approval from BC and HOC in April 2000.
- (d) For building tenders which were returned from March 2000 onwards, we have sought BC's approval to **lengthen the Defect Liability Period** from 1 year to 2 years. Besides, the retention money will be increased from 1 % to 2% of the total contract sum to induce contractors to provide better services after project completion.
- (e) We will **outsource some of the final flat inspection work** to consultants in order to maintain a consistent handover standard during the production peak.

Pillar 2 : Revamping the Piling Process

14. We have taken on board all the recommendations from the Investigation Panel on Tin Chung Court to enhance the standard of piling works. Besides, we will revamp the piling process. In fact, most of the recommendations made by the Panel have largely been covered by the recommendations in the consultative document. Our initiatives are -

- (a) We will **establish HA own lists of piling and ground investigation contractors** so that only those with adequate levels of qualified staff and self-owned plant are eligible for tendering our projects.
- (b) We will **widen the use of engineer's design for piling contracts** at sites with difficult geotechnical conditions. For contractor's design and build piling contracts, we will enhance the control on the role of contractor's Registered Structural Engineer in design and supervision. More comprehensive pre-tender geotechnical investigations will be carried out to ascertain the ground conditions and minimize risks during construction.
- (c) We will review the tendering and contract arrangements to **achieve more equitable risk-sharing**, including the calculation of liquidated damages to reduce the temptation for cutting corners.
- (d) We will require the piling contractors to **strengthen their site supervisory staff resources** by specifying their minimum qualifications to ensure that quality control of works is carried out as their direct responsibilities.
- (e) We will **tighten up the control on sub-contracting** by requiring main contractors to seek our prior agreement when engaging sub-contractors. We will also stipulate the minimum provisions from main contractors in terms of staff and equipment, in order to avoid total subletting. We will seek BC's approval on these requirements in June 2000.
- (f) We have already **deployed resident engineers** to all piling projects for enhancing project supervision. We will further

strengthen the geotechnical professional input and site supervisory staff support to resident engineers. Also, we will provide induction training to reinforce site supervisory staff.

- (g) For contracts with large diameter bored piles, we have **extended the use of sonic tubes** for all new contracts and newly installed piles under existing contracts, so that 100% checking can be made possible.
- (h) We will **conduct the final acceptance tests**, including coring and loading tests, by **our own testing specialists** to enhance the objectivity of the testing process. We will consider using video camera to continuously monitor site activities.
- (i) We will engage a consultant to **revise the specifications of our piling contracts** to ensure that all the provisions therein are consistent and practicable. This will include the requirements on preliminary piles and acceptance of installation of piles before the pile caps are cast. The consultant will also advise on the adequacy of the HD's piling works supervisory system with a view to making further improvements. The consultant will be appointed around May 2000.
- (j) We **will not use precast prestressed concrete piles** in new piling contracts unless under suitable circumstances and sufficient precautionary measures are carried out.
- (k) We will **examine the direct appointment of specialist consultants** and monitoring of consultants' performance on technical and quality issues.
- (l) We will **establish an independent internal building control unit** to ensure that we parallel the practices for private buildings to our piling works, pending agreement on arrangements for transfer of the regulatory responsibility to the Building Authority.

Pillar 3 : Reinforcing Site Supervision

15. We firmly believe that quality construction depends on quality supervision on site. We will work with both contractors and consultants to reinforce the supervision level -

- (a) **We will consider reimbursing project supervision cost for providing extra staff** for enhanced requirements to safeguard the quality of supervision. The number, qualification requirements and involvement of such staff will need to be specified to safeguard the quality of supervision.
- (b) For contractors, we will **specify the minimum number of site supervisory staff, and their experience and qualifications** required in our contract requirements. The amount of supervision resources will be flexible and vary according to the complexity of projects. Contractors' site staff are required to monitor the performance of workers and progress of works.
- (c) For the HD, we will **deploy sufficient and properly experienced site staff to monitor the works**, by employment of contract staff, secondment from consultants, and outsourcing of final inspection for some contracts. Resident professionals will be deployed to complex building projects when necessary. We will draw up a clear division of roles and responsibilities between our site staff, contractors' staff and in-house project teams to establish a clear accountability system.
- (d) We will **streamline handover inspection procedures** and define clear acceptance authority during project completion to provide clear handover standards to contractors.
- (e) We will **provide induction training** to reinforce site supervision.
- (f) We will **delegate more authority to project teams and resident professionals** so that as far as practicable they can resolve problems on site efficiently. Details will be firmed up around July 2000.

Pillar 4 : Reforming Listing and Tendering Practices

16. Having reviewed the HA's listing and tendering practices, we will introduce reforms to facilitate the development of a partnership with consistent good performers and the exclusion of those who fail to meet acceptable standards. We will also ensure that the selection and assessment processes of business partners remain fair, open and objective. In this phase, we will introduce the following initiatives -

- (a) We have already **giving greater emphasis to technical inputs during tender assessment**. Since February 2000, the weighting score between technical and fee proposals for quantity surveying consultancies have been revised from 50:50 to 70:30. We will increase the weighting of technical score for other consultancy appointments shortly.
- (b) We will **nurture a closer partnership with consistent good performers** by tightening listing requirements to ensure that only competent parties get on our lists. In addition, we will review our capping limits for contractors and tendering arrangements to reward top performers with a view to developing a long-term partnership.
- (c) We propose to **establish a new mechanism under the BC on list management and disciplinary actions**. BC will then act as a review panel on decisions made by this new set-up. By this means, we hope to increase the transparency and objectivity of our procurement and disciplinary policies. We aim to seek BC's agreement on this new mechanism by May 2000.
- (d) Having regard to contractors' feedback on **PASS 2000**, we have agreed **to roll it out as a trial scheme**. Jointly monitoring its implementation with contractors, we shall review its effectiveness and stakeholders' feedback before having a full-scale implementation. Given its significance, we will modify and improve this performance appraisal system where necessary.

Pillar 5 : Establishing a Partnering Culture

17. We believe that the foundation for sustaining the success of our reforms will be the establishment of a partnering culture. To this end, we will introduce the following initiatives -

- (a) We will **reinforce the partnership relationship between the BC and the HD** by reviewing BC's structure and operations.
- (b) We will **engage experienced partnering practitioners to conduct workshops** for the HD, consultants and contractors' staff on realizing the partnering spirit, to share experiences from partnering projects conducted in other sectors, and to act as facilitators in pilot partnering contracts.
- (c) In order to foster a partnering spirit during project implementation, our **project teams will hold a partnering meeting prior to commencement of works** with both contractors and consultants at the project level to enhance mutual understanding and communication, and regularly thereafter during project implementation. We will introduce a batch of trial schemes for Yau Tong Redevelopment Phase 3, Cheung Chau Rural Housing and Kwai Shing East Estate Phase 7, which will take place in May and July 2000 respectively. Subject to the outcome of these pilot schemes and other stakeholders' feedback, we will roll out the new system progressively.
- (d) We will **establish 'Site Works Forum' with contractors and trades' representatives** to provide quick resolution of site problems.
- (e) To allow contractors to deliver quality housing under the enhanced quality requirements, we have **extended the construction period of piling and building contracts by one month and two months** respectively since March 2000. In addition, where contractors believe they have justifiable claims to seek extension of construction period, we will consider their requests sympathetically on a case-by-case basis.

- (f) We will **explore various options for sharing risks more equitably with our partners**. As a matter of priority amongst these options, we will first review and moderate the level of liquidated damages for piling and building projects so that all the incentives for cutting corners can be removed. We will report back our proposals to BC by end April 2000.

Pillar 6 : Re-engineering Departmental Operations

18. The HD will be the leading change agent in this programme of reforms. It is therefore essential that its operations are re-engineered such that it becomes a more responsive, accountable and efficient executive agent for the HA. It is equally important that staff are motivated to carry through the changes in partnership with the industry. Major initiatives already taken or in the pipeline include the following -

- (a) We have commissioned a highly experienced private sector project management practitioner as a consultant **to review the complete production process for the HA's housing developments** with a view to streamlining existing operations and enhancing accountability. The study will be completed by the end of May 2000. However, an indication of broad direction is given in paragraph 19 below.
- (b) Pending agreement with the Government on the timing and the detailed arrangements for putting public housing under the scrutiny of the Buildings Authority, we will **establish an independent internal building control unit within the HD as a transitional arrangement**. This new unit will institute parallel practices to those applied by the Buildings Authority in respect of private buildings so as to ensure consistency in building standards and to facilitate future transfer of the regulatory responsibility.
- (c) We are **identifying high-risk areas of our operations over the short and medium term** with a view to reprioritizing, redeploying and or securing new resources to tackle them. As part of this we have already deployed resident engineers on site to all piling projects and will deploy resident professionals to all complex projects with clear authority and responsibility for supervision and problem resolution.

- (d) In advance of completion of the study at (a) above, we have already **held a number of internal discussions and workshops with our staff** aimed at identifying bottle-necks and resource constraints, streamlining operations, clarifying roles, lines of authority, responsibility and accountability, and speeding up decision-making processes.

19. Although the full picture of the departmental reforms will only be mapped out in May/June 2000, when the consultancy study at paragraph 18 (a) is completed, the general outline and direction of the reforms has already been discussed with staff. The following broad principles have been agreed at a recent workshop involving both staff and some BC members :

- (a) The HA and HD should **focus on the developer's role** and progressively transfer all regulatory functions to the Building Authority.
- (b) The HA's role and expectations as client should be more clearly defined, and greater attention should be given to **securing a comprehensive client brief for all projects** at the planning and design stage in order to avoid abortive work and consequent delay in the programme.
- (c) Some **modifications to the HA's committee structure** and or their manner of operation may be required to facilitate (b).
- (d) The HD's **project management organisation and systems must be refined** such that they are equally capable of handling in-house and consultant-managed projects.
- (e) The **roles and responsibilities of project teams should be more clearly defined** so as to avoid confusion and to reinforce accountability.
- (f) A **greater delegation of authority** is required to expedite decision-making and to facilitate problem-solving on site.
- (g) A **partnering culture must be developed** both within the HD and between HD staff and other stakeholders.

- (h) **Staff posting policy** must be tailored more to matching individual staff expertise with the needs of particular jobs and to maximizing continuity for on-going projects.
- (i) **Staff should be induced to adopt a team-based accountability approach**, working pro-actively on project tasks, using their professional judgement, rather than slavishly following procedural manuals or reacting passively to events.

A separate paper will be put to BC in due course once the details of both organizational and system changes have been worked out.

FINANCIAL AND STAFFING IMPLICATIONS

20. As the HA puts more emphasis on quality performance, tender prices and construction costs may go up in the short run as contractors and consultants will need to deploy more resources in project supervision as well as more customer services. At this juncture, we are not able to come to a conclusion on the overall financial effect because the package of initiatives will interact with one another when implemented progressively. Some of the initiatives, like achieving a more equitable sharing of risks and lengthening the contract period, may reduce tender prices whilst others such as reinforcing site supervision and revamping the piling process, may escalate prices. The overall effect depends largely on the market perception as well as that of our contractors and consultants.

21. That said, we will be in a better position to come up with a cost estimate after the initial implementation period of six months. We will then provide a detailed financial assessment to Members. Above all, we believe that the increase, if any, will be short-lived but reflect in better value-for-money. It is more important for us to deliver quality housing and meet customers' expectations in first time rather than taking costly remedial works subsequently. In the long run, the industry should be able to provide more competitive services through the application of new technologies, process re-engineering and reduction of non-value-added activities.

22. The HD will need some additional staff to implement these reforms. We will however keep the increase to an absolute minimum through internal redeployment after business re-engineering and outsourcing. The most notable increase will be on site supervision. Exact requirements will be worked out when the Phase 1 reform is in place and the departmental reforms are firmed up.

WAY FORWARD

23. We briefed BC Members on the outcome of the consultation exercise as well as our proposed implementation plan on 10 April 2000. They generally supported our proposals for taking the recommendations forward. Subject to Members' comments and endorsement, we will introduce these 50 recommendations in two phases. Detailed recommendations on each of the initiatives will be put to relevant business committees for consideration. There may also be further programming implications for our new projects. These will be evaluated in the course of formulating these proposals.

24. In anticipation of the release of the investigation report on Yuen Chau Kok piling incident in May 2000, it is necessary to note that we will study the findings and recommendations of the report carefully and reflect them in our final programme where appropriate. To ensure that all the improvement measures are implemented progressively, we will submit a quarterly progress report to BC for information. In addition, we will work closely with the Buildings Department, Works Bureau and Construction Industry Review Committee which have been set up recently to review the overall construction industry.

25. As part of the review of the effectiveness of our recommendations, we intend to hold a partnering conference with all HA's major stakeholders in the building business sometime in September 2000. We will take into account stakeholders' feedback in fine-tuning our implementation plan where appropriate. This should provide a timely opportunity to take stock of our progress and achievements in undertaking these reforms as well as to promote the partnering spirit with other stakeholders.

DECISION

26. At the HA meeting to be held on 13 April 2000, Members are invited to -

- (a) note the outcome of the public consultation exercise;
- (b) endorse the proposed two-phased implementation programme; and
- (c) approve the broad framework of introducing various improvement measures under Phase 1 of the reform.

c.c. Members of the Building Committee

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