

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Enhancing Public Housing Quality

PURPOSE

This paper seeks Members' endorsement to publish a public consultation document entitled "Quality Housing - Partnering for Change" to the Housing Authority (HA). The document has contained a series of strategies and recommendations for enhancing public housing quality.

BACKGROUND

2. The HA has provided to date over 900,000 housing units accommodating nearly half the population. As at end 1999, it had work underway on 132 sites, comprising nearly 180,000 new units. More than 90,000 units will be completed in 2000/2001. This level of housing production is unprecedented and has put much pressure on all those involved in the housing supply chain.

3. Recently, poor workmanship and suspected fraudulent acts in some public housing projects has aroused much public concern. In a few instances, the quality problems were associated with piling works which could have undermined structural safety. The HA will not tolerate these problems and is determined to enhance the quality of public housing.

4. To address the increasing community's concern on building quality, we have held discussions with all major stakeholders in the housing production process, including contractors, consultants, suppliers, construction workers' unions, professional institutes, trade associations, training authorities, tenants and owners, as well as Legislative Council (LegCo) members, major political parties and academics.

5. From the above discussions, a number of core problems which could undermine building quality have been identified. They include -

- (a) Lack of a common drive to deliver quality housing, with time and cost considerations often to be preceding quality.
- (b) Lack of an amicable partnering spirit among stakeholders.
- (c) Severe price competition in tendering, intensified by the sluggish property market and the economic recession, has led unscrupulous contractors and consultants to cut corners.
- (d) Supervision by the Housing Department (HD), contractors and consultants during project implementation is inadequate and fragmented.
- (e) Intensive and un-restrained multi-layered sub-contracting activities, complicates communications and compromises product quality.
- (f) Inadequate level of training and employment stability amongst construction workers.
- (g) Little investment in research and product development.

On the other hand, there are three other areas of concern. Hong Kong's building costs are among the highest in developed countries¹. The overall safety record of the industry is poor². The construction process generates a lot of waste.

THE REVIEW

6. There is an urgent need to resolve the above problems and to enhance building quality. As the largest housing developer in Hong Kong, the HA is committed to deliver quality housing and facilitate the construction industry in undertaking quality reforms.

¹ According to the Levett & Bailey Chartered Quantity Surveyors and Franklin & Andrews (Hong Kong) Ltd.'s findings in 1998, the construction cost of medium quality multi-storey buildings in Hong Kong were 20% and 50% higher than those of the United Kingdom and Singapore respectively.

² Construction accidents accounted for nearly 45% of Hong Kong's total occupational accidents in 1998. The accidents which took place on HA's sites constituted about 9% of the industry's total.

7. We have recently completed a comprehensive review on the public housing production process. To enhance building quality of public housing, we have developed 4 broad strategies and 40 recommendations which are now consolidated in the proposed public consultation document at **Annex**. The vision of the HA in this building quality reform is -

"To provide quality housing together with all stakeholders through partnering and sustained improvement such that the community can take pride in our housing construction."

To realize this vision, we have developed a 4 "P" strategy as follows –

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

The focus and key recommendations of this 4 "P" strategy are set out below.

Partnering : Building up a partnering framework among all stakeholders

8. We will build up a partnering framework to bind all stakeholders. We will draw up a Quality Partnering Charter to reinforce stakeholders' commitments to deliver quality housing. The roles and responsibilities of key stakeholders will be defined clearly. The HA will also revise its contractual arrangements to achieve fair and reasonable risk-sharing with its partners. We will also strengthen communication channels by establishing partnering workshops and conferences with stakeholders to resolve problems and to identify areas for further improvement.

9. The HA's new partnering framework will also feature a more objective and comprehensive performance appraisal system for consultants and contractors. The disciplinary mechanism will become more transparent and objective by involving non-officials in the process and establishing a separate review channel. We will review, in end 2000, the weighting score of 80:20 between tender price and technical capabilities for building contractors in tender evaluation which has been in place since September 1999. Regarding

consultants, we intend to revise the weighting score between tender price and technical capabilities from 50:50 to 30:70. We will also tighten up our listing and tendering arrangements to allow only capable tenderers to bid and to eliminate exceptionally low bids. Consistent top performers will become the HA's strategic partners and will enjoy more favourable tendering opportunities.

Product quality : Assuring product quality

10. We will develop a more effective quality supervision system throughout the construction process. "Designated sample flats" will be set aside to provide clear quality benchmarks for contractors and workers to follow during construction. We will require consultants and contractors to submit Quality Supervision Plans which should set out its staffing and management proposals in running projects and hence draw upon greater commitments from the industry to deliver quality works. The HD, contractors and consultants will deploy professional resident staff to all piling and large-scale building projects. Sufficient and competent supervision teams will be provided on all sites.

11. The HA will also secure greater quality assurance for its customers. We will explore with the Government the proposal to put public housing under the scrutiny of the Buildings Ordinance. As this proposal has considerable legislative, resource and programming implications, we will work out the implications and arrangements with the Government carefully. In the meantime, we will require contractors to provide dedicated defect rectification teams to address tenants/owners repair requests speedily during the in-take period. The HA will provide a 10-year structural guarantee for all new and existing Home Ownership Scheme and Private Sector Participation Scheme developments from the date of completion.

Professionalism : Investing in a professional workforce

12. The HA will help to uplift the industry's status by encouraging contractors and the training authorities to build up a professional workforce. We support the Construction Workers' Registration System and the greater use of direct labour by contractors. These ideas are currently being examined by the Works Bureau and the industry. We will work closely with the training authorities to develop a visionary training strategy to meet the industry's future needs for a more professional and technology-oriented force. We will raise the requirement for professional qualifications of site supervisory staff and increase the proportion of trade-tested workers in contracts from 35% to 60% in three years' time. Greater emphasis will be put on contractors' site safety performance

in tender assessment and a "Pay for Safety" Scheme will be implemented to ensure that contractors will follow the safety provisions strictly.

Productivity : Striving for productivity and efficiency

13. With enhanced efficiency and productivity as the aim, we will promote buildability through the wider use of prefabricated building components and system formwork. We will promote research in new technologies by establishing a research fund and an award scheme. We will also facilitate the industry to develop an integrated production process through revising our procurement policies, a pilot test of "design-and-build" project and widening the use of "non-standard" building designs. We will initiate a consultancy study to examine the causes of relatively high construction costs in Hong Kong and to identify remedial measures.

14. We support the formation of an Organized Specialist Sub-contractors System which aims to regulate the behaviour of sub-contractors and in so doing, combat unrestrained multi-layered sub-contracting. We will also promote the employment of contract workers by contractors. We will extend the construction period of new piling and building contracts by 1 and 2 months respectively to allow contractors to take on board all the reinforced quality-assurance requirements. We will contribute towards sustainable development through the development of a pilot "Green Estate" which will incorporate key environmental conservation initiatives.

15. The HD will implement organizational reforms to streamline the decision-making mechanisms and to define clearly the roles and responsibilities of different units. The internal check-and-balance system will be reinforced by having all regulatory and performance evaluation functions to work independently from project implementation. A more efficient and responsive organizational culture and system will be developed.

Addressing existing public concern

16. To address existing public concern over piling works, we have strengthened supervision by deploying resident engineers to all piling projects, and are re-checking the piling works of all uncompleted projects. We will tighten up the control over sub-contracting activities in piling works and engage independent consultants to witness and endorse the final acceptance tests of piling works. We will review and tighten the use of pre-cast pre-stressed concrete piles (e.g. "daido" piling) and even consider banning their use for projects where site conditions do not favour their adoption. In the long run, we

will develop the HA own lists of piling and geotechnical investigation contractors and build up a more thorough piling contractors' performance appraisal system. The HA will work closely with the Government, ICAC and professional institutes to curb corruption and uplift professional ethics. In addressing the mass intake of new flats in 2000/2001, the HD will conduct more surprise checks on site and outsource part of final inspection work to independent professionals to monitor building quality.

FINANCIAL AND STAFFING IMPLICATIONS

17. As the HA will put greater emphasis on quality performance, tender prices and construction costs may increase in the short run. In the longer term, the industry should provide better value-for-money through the application of new technologies, process re-engineering, reduction of non-value-added activities and waste.

18. In implementing the above reforms, HD will have to redeploy more staff to the works side to cope with enhanced quality supervision and to implement new initiatives. The exact requirements will be worked out after the public consultation exercise.

WAY FORWARD

19. The Building Committee (BC) discussed the subject at its meeting on 20 January 2000. BC Members indicated support to the proposed strategies in the public consultation document and recommended it to be endorsed by the HA. Subject to Members' endorsement, we will launch a 2-month public consultation exercise, ending on 31 March 2000. During the public consultation exercise, we will arrange brainstorming sessions and meetings with both HA and BC Members to deliberate more thoroughly on the recommendations outlined in the document. Besides, we will meet with other stakeholders to exchange views further before concluding our final recommendations. We will also arrange public forums to collate public feedback. We will then analyse feedback from the industry and the community, and draw up the final recommendations and a detailed implementation plan for Members' consideration after the public consultation period.

DECISION

20. At the Housing Authority meeting to be held on 27 January 2000, Members will be asked to endorse the publication of the attached public consultation document.

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File Ref. : HD(CR)34/133

Date : 20 January 2000