

**THE HONG KONG HOUSING AUTHORITY**

**Memorandum for the Housing Authority**

**Greater Private Sector Involvement  
in the Housing Authority's  
Estate Management and Maintenance Services :  
Report on the Progress of Implementation**

**PURPOSE**

To inform Members of staff's response to the Voluntary Departure Scheme (VDS), and to report on the progress of outsourcing the Housing Authority (HA)'s estate management and maintenance (EMM) services under both the Phased Service Transfer (PST) programme and Management Buy Out (MBO) option.

**BACKGROUND**

2. Based on the recommendation of the HA Task Force on Greater Private Sector Involvement, Members approved on 20 January 2000 vide Paper No. HA 7/2000 the implementation details of EMM service transfer, which among other things, require the HA's service providers to take on a specified number of Housing Department (HD) staff in the outsourcing process. With enhanced benefits and flexible option period under the VDS, there has been an enthusiastic response to the initiatives from both the industry and HD staff. The following paragraphs set out staff's response to the VDS, and the progress of the PST programme and the MBO option since implementation.

## **VOLUNTARY DEPARTURE SCHEME (VDS)**

3. The interests of serving HD staff have been one of the most important considerations throughout the development of the service transfer strategy, as their interests are most vulnerable in the face of the rapid transformation of tenants into owners under the Tenants Purchase Scheme and other home ownership initiatives.

4. The option period of the VDS lasts for three years from 1 March 2000 to end February 2003. A total of 3,049 applications have been received up to 31 August 2000. As detailed in Paper No. HA 7/2000, these applicants who have registered within the first six months of the option period would be eligible for a fixed lump sum sign-up bonus, provided they eventually succeed in joining the HA's service providers in accordance with the Department's requirements.

5. Of the 3,049 applications received, some 30% are filed from managerial and professional grades, and some 70% are from front-line and technical grades. The VDS appeals to staff from different age groups, with 30% of the applicants aged 50 or above, 50% aged 40 to 49, and 20% aged below 40.

6. Some 1,500 applications were submitted with preferred departure dates, while the rest have indicated their option to leave the civil service subject to the availability of job opportunities in the private sector. The applications of some 950 staff with departure dates from September 2000 to May 2001 have been approved. Other VDS applications are being processed in batches according to the preference indicated by staff.

7. It is worth noting that response to the VDS is more enthusiastic in certain ranks than others, which, depending on the pace of EMM service transfer, may result in a mismatch problem in individual ranks. The Department is actively identifying redeployment opportunities for staff wishing to stay on, and planning training programmes to enhance their capability to take on a wider range of job roles. Other options such as hiring outside services will also be explored. While the Department will facilitate staff's departure under the VDS, applications will only be approved subject to the Department's operational requirements not being unduly affected.

## **PHASED SERVICE TRANSFER (PST) PROGRAMME**

8. Under the PST approach, the HA has approved vide Paper No. HA 7/2000 a pace of EMM service transfer of no less than 25,000 and 50,000 units from the existing public rental housing (PRH) stock in years 2000/01 and 2001/02 respectively, in addition to the new PRH estates coming on stream. Accordingly the PST programme has been drawn up for the two years as detailed in **Annex A**.

9. A new and expanded list of property services companies has been established. So far 25 companies as listed in **Annex B** have demonstrated that they possess the experience and expertise in both property management and maintenance services as required by the listing rules. The service standards of these property services companies will be assessed by a central quality monitoring team. Tenants will also be playing an active role in monitoring the performance standard.

10. The first two batches of a total of eight PST contracts have already been awarded. The first batch of four contracts commenced on 1 October 2000, and the second batch will commence in December 2000. Feedback from these tendering exercises indicates enthusiastic response from the property services companies. Successful tenderers have in fact offered to take up more HD staff than the minimum requirement. A comparison of the tender prices with in-house staff costs indicates a saving of some 20% to 30% through outsourcing these EMM services. The overall financial implication would be reviewed in due course when relevant information is available for analysis.

11. Based on the Department's current manning scale, outsourcing some 75,000 PRH units from the existing stock under the PST programme would result in a surplus of some 630 departmental posts. The VDS applications indicated in paragraph 6 have out-numbered the estimated surplus. Subject to careful management of the possible mismatch problem as referred to in paragraph 7, there is scope for outsourcing the EMM services under the MBO option as set out in the following paragraphs.

## MANAGEMENT BUY OUT (MBO) OPTION

12. Members agreed to provide the MBO option as an additional avenue for HD staff to cross over to the private sector. The ground rules were approved vide Paper No. HA 7/2000, and eligible MBO entities may participate in the open tendering exercises in respect of established outsourcing programmes for EMM services, or they may come forward with MBO proposals, in which case restricted tendering or exclusive negotiation may be arranged.

13. An MBO Selection Panel was set up vide Paper No. HA 41/2000 to consider MBO submissions under restricted tendering or exclusive negotiation arrangements before recommending to the relevant HA Committees for the award of the EMM service contracts.

14. Some 50 MBO applications have been received since April 2000, involving proposals covering the EMM services of some 70 estates or 280,000 PRH units from the existing stock. It is obvious that staff's overwhelming response to the MBO option may accelerate the pace of EMM service transfer at an undesirable rate. While the Department would facilitate capable MBO entities to take on the HA's EMM services, it is necessary to ensure that the services are transferred at a controlled pace which maintains service standards and does not result either in operational problems or any potential staff surplus.

15. The number of staff opting to leave the Department under the VDS is therefore one of the most important considerations when setting the pace for the MBO option. Taking into account the approved pace of transfer under the PST programme, and the number of outgoing staff at individual ranks under the VDS as referred to in paragraphs 6 and 7, transfer of EMM services under the MBO option has to be carefully managed. Initially around 30,000 PRH units from the existing stock will be considered, and a selective number of proposals has accordingly been offered for MBO entities to submit their bids as detailed at **Annex C**.

16. Some 30 MBO applicants have already expressed interest on the selected proposals. Restricted tenders would be invited from eligible MBO companies before the end of this year. Provided the offers meet our

requirements and criteria, it is anticipated that the MBO contracts will be awarded within the first quarter of 2001.

17. The pace of the EMM service transfer (including the PST programme and the MBO option) will be reviewed within 2001.

## **FINANCIAL IMPLICATIONS**

18. Potential cost savings from the transfer of services are anticipated as detailed in Paper No. HA 7/2000, arising from the difference between the staff cost of providing the service in-house, and the remuneration paid to the service providers plus HA's contribution to the VDS, etc. A review of the cost savings would be conducted in due course. The cost effectiveness of the PST and MBO contracts and the actual payment borne by the HA in respect of the enhanced pensions and incentive payments (e.g. sign-up bonus) will be included in the review.

## **INFORMATION**

19. This paper is issued for Members' information.

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