

(Translation)

Paper No. HA 45/2000

Minutes of the Annual Special Open Meeting of THE HONG KONG HOUSING AUTHORITY held on Thursday, 1 June 2000

PRESENT

Dr the Hon. Rosanna WONG Yick-ming, JP	(Chairman)
Mr J.A. MILLER, JP (Director of Housing)	(Vice-Chairman)
Mr Daniel LAM Chun, JP	
Mr YEUNG Ka-sing, JP	
Mr Anthony WONG Luen-kin, JP	
Mr Eddy FONG Ching, JP	
Mr Raymond CHOW Wai-kam, JP	
Ms SIU Yuen-sheung, JP	
Mr Walter CHAN Kar-lok, JP	
Dr Anthony CHEUNG Bing-leung, JP	
Mr WAN Man-yee, JP	
Mr CHAN Bing-woon, SBS, JP	
Dr LAU Kwok-yu, JP	
Mr Peter WONG Hong-yuen, GBS, JP	
Hon CHENG Kai-nam, JP	
Hon NG Leung-sing	
Ms Iris TAM Siu-ying	
Mr WONG Kwun	
Prof Richard WONG Yue-chim, SBS	
Hon CHUNG Shui-ming, JP	
Mr Michael CHOI Ngai-min	
Mr Alex CHOY Kan-pui, BBS, JP	
Mr IP Kwok-him, JP	
Mr George NG Sze-fuk, BBS, JP	
Mr CHENG Yan-kee	
Dr the Hon LAW Chi-kwong, JP	
Mr Dominic WONG Shing-wah, JP	(Secretary for Housing)
Miss Jennifer MAK Yee-ming	(Director Corporate Services)
	(Secretary of the Authority)

ABSENT WITH APOLOGIES

Mr NG Shui-lai, JP	(Out of Hong Kong)
Mr Philip Trevor NUNN	
Hon HO Sai-chu, SBS, JP	(Out of Hong Kong)
Miss Denise YUE, JP	(Secretary for the Treasury) (Out of Hong Kong)
Mr R D POPE, JP	(Director of Lands)

IN ATTENDANCE

Prof Patrick LAU Sau-shing	(Member of Building Committee)
Dr Rebecca CHIU Lai-har	(Member of Home Ownership Committee)
Mr WONG Kwok-hing	(Member of Home Ownership Committee)
Mr FUNG Kwong-chung, JP	(Member of Complaints Committee)
Mr Stewart CHENG Kam-chiu	(Member of Complaints Committee)
Mr Kenneth YUNG Kai-tai	(Member of Finance Committee)
Mr Paul CHAN Mo-po	(Member of Finance Committee)
Mr Albert SO Chun-hin	(Member of Home Ownership Committee)
Mr Raymond LAI Wing-cheong	(Member of Finance Committee)
Mr Peter LEE Hoo-tim	(Member of Commercial Properties Committee)
Miss WONG Lai-chun	(Member of Home Ownership Committee)
Ms KO Po-ling	(Member of Rental Housing Committee)
Mr Marco M H WU, JP	(Deputy Director/Management)
Mr R A BATES, JP	(Deputy Director/Works)
Mr Vincent TONG, JP	(Business Director/Management)
Mr K H LAU, JP	(Business Director/Allocation and Marketing)
Mr R J AVON, JP	(Finance Director)
Mr Joseph K C LEE	(Business Director/Commercial and Business Development)(Acting)
Mr David LEE	(Business Director/Development)(Acting)
Mrs Elaine TANG	(Principal Assistant Secretary for Housing (Public Housing))
Mr Joseph KONG	(Project Director/Central)
Mr John CHIU	(Project Director/East)
Mr Simon LEE	(Assistant Director/Legal advice)
Mr K T POON	(Assistant Director/Information and Community Relations)
Mr S K KWOK	(Assistant Director/Management 1)
Mr K N CHEUNG	(Assistant Director/Operations and Redevelopment)
Mr Albert LEE	(Assistant Director/Business)
Ms Ada FUNG	(Assistant Director/Quality Task Force)
Mr Andrew LAI	(Head, Corporate Strategy Unit)
Mr B WONG	(Assistant Director/Management 2)(Acting)
Mr S T CHEN	(Assistant Director/Management 3)(Acting)
Mr N M CHAN	(Project Director/West)(Acting)
Mr S Y WONG	(Assistant Director/Applications and Home Ownership)(Acting)
Mrs S M LAI	(Assistant Director/Applications and Home Ownership)(Acting)
Mr C C HO	(Assistant Director/Tenants Purchase Scheme)(Acting)
Ms Josephine SHU	(Assistant Director/Tenants Purchase Scheme)(Acting)
Mr Lawrence CHOW	(Committees' Secretary) (Meeting Secretary)
Ms Patti HO	(Assistant Committees' Secretary/3) (Assistant Meeting Secretary)

The Chairman opened the meeting at 8:45 a.m. She welcomed Members of the Housing Authority and its Committees to the meeting.

AGENDA Item I

2. Address by the Chairman (English translation) :

“Members and Colleagues,

Over the past week, we have heard harsh criticisms from the community. I have been listening to their views seriously and carefully. At the annual special open meeting two years ago, I talked about the issue of building quality. With some trepidation, I tried to analyse the importance of the issue and identified certain weaknesses in the system for discussion in the hope that improvements could be made. Over the past six months, as problems relating to building quality surfaced in succession, we have faced up to them openly, giving explanations where necessary. Our purpose is to encourage the public, the industry and the staff of the Housing Department (HD) to confront problems squarely so as to prescribe the right remedy for the malady. As a matter of fact, these problems have elicited strong repercussions and discontent in the community, denting public confidence in the quality of public housing. I deeply regret the incidents that have happened. As Chairman of the Housing Authority (HA), I would like to seriously make a public apology.

As a provider of public housing, the HA is well aware of the expectations of the community. For years, we have been committed to improving living conditions and providing the community with better housing. Hence, we should by no means hide or ignore or condone any problems detected or encourage them to fester, or else the hard work of the HA over the years will be brought to naught.

There have been a number of external factors contributing to the recent spate of incidents about short piles and shoddy works. The uneven supply of land by the Government in the past finally brought us an unprecedented period of peak production in the last two years. The volume of housing production triples, from an annual average of some 30 000 flats in the past to about 90 000 flats this year. Most unfortunately, the Asian financial turmoil and the economic downturn have worsened business conditions and the incentive for people to tempt fate increased. These, coupled with the problems of stringent manpower and huge production pressure already in existence, further aggravate the matter.

In any case, these incidents serve to reflect to us some issues that are in the very core and root of our system. With the public's expectations and demands ever greater, and their call for transparency ever louder, some of the long-existing systems and practices employed within the construction industry, and for that matter within the HD, can no longer cope with the changes and demands of the times. I know well enough that the road from the asking of questions to the completion of reform is by no means an easy one. But just as time has it presented to us the problem, so time is it that we have to get it solved. Hence, let me appeal to the Government, to our colleagues in the Department, our partners in the construction industry and the community at large to give full support to the HA. Let us seize the present opportunity and exert ourselves to

take forward and follow through each and every of our recommendations for reform. The success of reform indeed hinges on many factors, but hopes are always on the side of those who would apply themselves with dedication and persistence.

We have been vigorously following up the 50 reform initiatives endorsed by the HA earlier on. Some of them are already underway. The Task Force responsible for overseeing the implementation of the reform initiatives is working out the implementation details of the other initiatives and will submit its proposals to the HA shortly.

In the light of the recent incidents, I have been giving much thought to our system : in the long term, what can the HA do to monitor the operation of the HD more effectively and make the HD as an executive arm more accountable to the HA? I hope we can find a viable way out along this line.

As far as the function of the HA is concerned, the Authority has a large set-up with eight standing committees and more than 80 HA and committee members. Is there any "fat" in the existing structure that can be trimmed? Is there any room for streamlining? Is the workload aptly distributed among different committees? Is any committee so laden with work that it fails to exercise effective supervision and fully utilize human resources? I have no doubt that there is room for improvement.

On the internal operation of the Department, I think due recognition should be given to our staff. Most of the staff of the Department are diligent, dedicated and well-motivated. They have been under great pressure because of the recent incidents. I hope that this will not undermine their enthusiasm towards their jobs and reform. Without support and co-operation from within the Department, it is hard for the reform to attain the desired results or even to succeed at all. Full support should be given to our colleagues, particularly at a time when we have entered a period of peak production activity.

The HD is a large government department with 14 000 staff. Whether in terms of structure, working procedures or even culture, it is easy for the Department to form and acquire bureaucratic practices. In view of this, our reform must specifically address the following:

First, organizational re-structuring should be carried out according to the importance of activities. Further empowerment should be given to officers-in charge and accountability be enhanced. A comprehensive review on staff establishment and division of work related to housing construction should also be conducted with a view to strengthening the role in leadership.

Second, working procedures should be fundamentally simplified. In the past, undue emphasis was placed on paper work. The working procedures and rules were too complicated. Staff tended to spend most of their time on vetting instead of supervision or inspection. We must therefore revamp the structure of the vetting and decision-making committees. Authority should be delegated as appropriate to simplify the decision-making process and reduce unnecessary paper work so that dedicated staff can focus their attention on the supervision and enhancement of works quality.

Furthermore, the Authority's human resource policy must be tailored to matching individual staff expertise with the needs of particular jobs. Promotion must be based on performance and not just on seniority. Underperformers should be dealt with promptly.

At present, the HD takes upon itself the whole production process from construction, project management, supervision to handover inspection, and sets itself to monitor its own work. As such, public queries about the need for placing the HD's operations under the scrutiny of an independent monitoring mechanism are inevitable. In a community where increasing importance is being attached to transparency and accountability, a monitoring mechanism cannot work effectively unless it is given an independence recognised by the public. Hence, putting all newly completed flats of the HA under the control of the Buildings Ordinance is an important and urgent task on which the authorities concerned should start off discussions immediately.

I have said on many occasions that the HA has never taken a soft approach against those involved in corruption. We will not hesitate to report any suspected corruption case that comes to light and are ready to offer assistance for investigations. We will not allow a minority of black sheep to continue to undermine the strength of the Department and of the industry. In addition to taking a hard line on corruption, we will send a clear message to all stakeholders and partners of the HA that we have never lowered our demands for high quality, and that we expect an unyielding moral integrity from our colleagues.

Let me sum up. The reforms we are introducing have wide ramifications. They involve factors both internal and external, problems both superficial and of greater depth. Having set these reforms in motion, the HA will not, and should not backtrack. At the same time, I hope Members and the HD staff would give us more of their views on the problems mentioned above.

I would like to conclude my speech by responding to the question about the supply of HOS flats. Since the financial turmoil and the downward adjustment of property prices, there have been calls from the community for reducing HOS flat production. There have also been queries about whether HOS should exist. I would like to take this opportunity to reaffirm the Authority's position.

The objectives of the HA are clear to all. Apart from providing rental housing for those in need, we also assist low income families and PRH households to buy their own homes. As far as our home ownership policy is concerned, I hope the community will appreciate the following:

First, the HA's policies of rental housing and home ownership are diversified and flexible in order to meet the needs of the public and the society.

Second, we will fully utilize the market forces, where practicable, to meet the housing need of the public as soon as possible.

We are fully aware of the fact that the public demand for home ownership has decreased after the financial turmoil. We also recognize that the public affordability for private properties has been enhanced after the plunge of property prices. Against this background, the two points I have just made are even more important in fully utilizing the market mechanism.

To provide more rungs on the housing ladder and offer more choices to home buyers, the Authority has introduced some new home ownership schemes in these few years to improve the living conditions and satisfy the housing needs of the public. These schemes are Tenants Purchase Scheme, Buy-or-Rent Option (BRO), Mortgage Subsidy Scheme (MSS) and HOS Secondary Market Scheme. This policy of diversity has given us more room and greater flexibility. HOS is no longer the only way to subsidized home ownership. The mobility on the housing ladder has also increased.

In response to the volatile property market, we shall flexibly adjust our home ownership policy and put in place the following initiatives:

First, this year sees the peak of our production activity with the completion of 90 000 flat. Among them, some 34 000 units are HOS flats and two-thirds have been sold in the sale exercises of pre-completed flats. Only 14 000 flats are not yet put up for sale. We shall pay attention to the market situation and adjust our sale programmes accordingly.

Second, in view of the current market situation, we shall reduce the number of flats for sale under the BRO and MSS from 6 000 to below 2 000. The remaining will be let to PRH applicants.

Third, we shall increase the number of Harmony blocks and “non-standard design” blocks in our future projects that are not yet confirmed. This will provide greater flexibility in deciding whether to sell or let.

As the Government has pledged a sufficient and stable land supply, supply of private housing increases. The Authority will avail itself of the opportunity to satisfy the public’s housing need by making greater use of the private market resources. As Members may be aware, the Authority decided in January that a total of 21 000 HOS flats would be reduced progressively in a four-year period starting from 2003/04 and provision of home purchase loans would increase accordingly.

The quota of home purchase loan for this year is 4 500. The application period started the day before yesterday. Consideration may be given to increasing the number of quotas depending on the public’s reaction.

I hope the public would understand that the role and importance of the HOS in the HA’s policy of home ownership have been changing under a diversified policy and in line with the full utilization of market force. The HA has flexibly been responding to the changes and needs of the market, for example, by converting some 10 000 HOS flats into PRH flats in late 1998.

The major objective of the HA is to continue to provide housing for the needy. With the recent increase in supply, we have shortened the average waiting time for public rental housing from 7 years in 1996 to 5.2 years currently. As at the end of March this year, the number of live applications on the Waiting List was reduced to 108 000 households, a record low over the past 19 years. We will continue with our efforts to attain the target of reducing the average waiting time to

3 years by 2005. From 2003/04 onwards, rental housing will be dominant in our housing production, representing over 55% of the total output. We are also exploring other new initiatives, including an increase in the proportion of public rental housing production, for further shortening the average waiting time for public rental housing.

Lastly, I would like to take this opportunity to thank again all the Members, Director Tony Miller and all staff of the Department for their support to the Authority and future reforms especially when we going through a hard and challenging time. Your endeavour and dedication really deserve my deep appreciation.

Thank you.”

AGENDA Item 2

3. Address by the Director :

“Madam Chair,

I would like to address three key areas of reform : housing policy, the outsourcing of management services, and construction.

Housing Policy

With the successful implementation of all of the recommendations in Government’ s Long Term Housing Strategy, we have achieved a fundamental change in housing policy : a move away from rental dependency and towards facilitated ownership. This has been well received by our customers, particularly many long-term tenants for whom the prospect of ownership previously simply did not exist.

Three quarters of tenants offered the opportunity to purchase under Phase One of the Tenants Purchase Scheme bought their flats. Despite the protracted economic recession, over 67% bought in Phase Two. The very warm early response to Phase Three suggests that this will do even better.

Despite the economic downturn, our Home Ownership Scheme flats continue to meet an obvious need. The latest Phase, 22A, is seven times over-subscribed. Similarly, our Home Purchase Loan Scheme remains very popular.

We will continue to provide subsidised rental accommodation for those unable to afford ownership. Indeed, this year more than 60% of all completions will be rental flats. Nevertheless, I believe that we must also continue to explore ways of helping more of our customers achieve the independence which comes with owning their own homes.

Outsourcing Management

Part of the independence which comes with ownership is the right to choose who manages your property. Thus the implications of transforming tenants into owners have been the subject of considerable discussion during the year and have been a source of concern for many staff. The Voluntary Release Package announced earlier this year has helped to address these concerns. The package makes it easy for those staff who wish to do so to move into the private sector as the Authority progressively transfers management of its stock to Private Management Services Agencies.

Staff who wish to remain with the Housing Department are welcome to stay. For some this may mean some adjustment, including re-training and redeployment. This will be handled sensitively and proactively. In the longer term, however, the rise of ownership must inevitably lead to a progressive down-sizing of the Housing Department's management and maintenance arms.

Construction

Two years ago, we set ourselves the task of improving the quality of public housing. The road travelled since then has been a rocky one; the last 12 months particularly rough. All of us expected to find some problems. None of us expected to find anything on the scale of those unearthed at Yuen Chau Kok. That discovery, and other problems encountered during the year, have understandably alarmed the public and tended to overshadow the progress of reform. I join with you, both as a Member of the Housing Authority and Head of Department in seriously expressing my regret.

These incidents, detected late but nevertheless detected by the vigilance of staff, have taught us several painful lessons, both about ourselves and the industry with which we work :

- They have taught us that the systems we operate for procuring and supervising construction services are far from foolproof.
- They have taught us that such systems, however carefully devised, are only as good as the people responsible for operating them.
- They have taught us that some of our systems are overly bureaucratic and that some of our staff place too much emphasis on procedure and not enough on the product.
- They have taught us that some of our staff are too close to the industry that they are supposed to supervise.
- They have taught us that some elements in the industry are unscrupulous.
- They have taught us that where there are vested interests change will be difficult.

- They have taught us that an unprecedented production peak coinciding with economic recession aggravates all of the above.

Reform is clearly urgent and overdue. We have therefore set ourselves an ambitious programme. Following publication of the Consultative Document, agreement has been reached with our partners in the industry on the way forward and we have already begun implementing the key recommendations.

As regards the Department, proposals for streamlining the organisation, simplifying procedures, clarifying responsibilities, reinforcing accountability, upholding professionalism and promoting team work are at an advanced stage. Their implementation will be accompanied by a determined drive to instil a more responsive and responsible culture at all levels. I and my senior colleagues are wholeheartedly committed to achieving these changes. We have also been encouraged by the reaction of the majority of our juniors, who have been shocked by the damage done our collective reputation by the actions of a few, and who are determined to re-build public trust.

That trust is vital. With a growing population, demand for public housing is relentless. We are tasked to build an average of just under 50 000 units of housing a year over the first decade of the new millenium. We need to build a unified team of competent and committed professional and technical staff, capable of designing and delivering quality housing which meets the aspirations of a new generation. With the guidance and support of Members, I am confident that we can do it.

Madam Chair, as part of our reform programme, and in the knowledge that the production peak would impose unusual strains, we went looking for problems. We found them. We must now put them right. We must ensure that they do not recur. There can be no excuse for either sloppy supervision or professional negligence. Nor can we be complacent about corruption. Together with our colleagues in the ICAC, we must continue to be vigilant, to detect, to expose and to root out this cancer whenever and wherever we find it. We have not seen the end of our problems yet, but let me assure you that what you will be seeing over the next couple of months are scenes from the last act of this unhappy drama.”

AGENDA Item 3

4. Address by Individual Members

Hon LAW Chi-kwong delivered his speech as follows (English translation) :

“Following the short pile and settlement issues, faulty reinforcement has been identified at one of the HOS construction sites recently. When I hear loud criticisms of the Housing Authority (HA), I find it a bit unfair to me, being just a new comer. However, I recognize that as a Member of the HA I must commit myself to the Authority’s work in order to enhance the quality of public housing and regain the confidence of the public.

Blocks D and E of Yu Chui Court have to be pulled down after the discovery of short piles in the HOS developments at Yuen Chau Kok. As for another HOS construction site in Tung Chung where sub-standard piles were identified previously, sub-standard reinforcement has been found at the exact location to everyone's surprise. This reflects a big loophole in the Housing c housing projects. Front-line staff such as Clerks of Works and Engineers failed to detect the existence of other structural problems when inspecting foundation piles. They did not realize until the blocks were near completion that the reinforcement was also sub-standard. This shows that there are serious shortcomings in the monitoring of building structure.

As many as 80 000 HOS flats will be completed in the period up to 2002, almost the total production in the six preceding years. However, in view of the series of incidents related to the quality of public housing, it is questionable whether all the HOS flats can be sold out.

The HA should take a pragmatic approach in addressing the recent spate of problems. It should thoroughly investigate into the dereliction of duty of the officers involved in these incidents and call them to account. This is not only to give an account to the public and rebuild public confidence in public housing, but most importantly, to deliver a clear message inside and outside the Department that it shall not tolerate any unruly or lazy staff. On the other hand, the HA should be determined to get rid of the bureaucratic culture and rigid system, review the division of work among all sections, develop forward-looking initiatives on strategic changes, and clearly define the rights and responsibilities of the Housing Bureau, HA and HD to avoid confusion of roles. There is also a conflict of roles of the HD which has all along been responsible for the construction, development and monitoring of public housing. Consideration should therefore be given to transferring handover inspection to the Buildings Department. Resources should be mobilized and policies be developed to urge the departments concerned to ensure the safety and quality of all buildings in Hong Kong.

I would now turn to the reduction of HOS flat production. In view of the abundant supply of 120 000 public and private sector flats in the coming year and the alarming vacancy rate, many people ask the Government to do something to stabilize the housing market. Some even suggest suspending HOS flat production. I have great reservation about this suggestion. That supply is excessive today is partly due to inadequate supply a few years ago. If the supply over the years has been even out, there would not be much problem. Unfortunately, supply has fluctuated dramatically. When supply is too small, property prices soar up and many home buyers have to work for the property developers for their whole life. When there is excessive supply, property prices drop and many owners' assets become negative in value. If we stop building HOS flats today, this will only affect the housing supply in three years. It will not help adjust the existing supply and demand of the property market, but will only make the housing supply in three years drop significantly. The final victims will be the economy of Hong Kong and the prospective home buyers. It is the HA's task to ensure stable housing supply in the next few years. We all know that cessation or reduction of HOS flat production will have significant implications on the finances of the HA. In a word, I do not support the suspension of HOS flat production. Nevertheless, I agree that the future mix of rental flats and flats for sale should be reviewed and adjusted in view of the long waiting time for PRH. I also support Dr Anthony CHEUNG's motion. When we have done something wrong, we must admit it. As the Chairman has made an apology to the public in her speech, I am not going to make it again."

Hon CHENG Kan-nam delivered his speech as follows (English translation) :

“Madam Chairman and Members,

When asked by the press yesterday and before the meeting today whether I would call for the resignation of the Chairman, I said that I was thinking about my own responsibility as a Member of the Housing Authority (HA). As far as responsibility is concerned, all the HA members and indeed all of us here should have their own share of responsibility to bear. While I have to leave the meeting early, I, like Dr LAW Chi-kwong, support Dr CHEUNG Bing-leung’s motion.

The question of responsibility does give much food for thought. Behind it there are many other issues of structure, functions and operations. But the very question that I want to ask is : what will be the way forward of the HA? We are probably the largest landlord in the world and manage several hundred thousands of flats housing 3 millions of people. Surely we are the largest developer in the world as well. However, when we look at our operations, we find that the HA does not operate in the way a typical board of directors does. Although the Committees participate in many substantive affairs of the HA, the actual execution of decisions is taken up by the Housing Department (HD) in the capacity of a government department. With or without the occurrence of the recent spate of incidents, the problems are still there. We are not equal to the role as developer.

These incidents do provide a good opportunity for us to review the position, responsibilities and functions of the Authority. The Strickland Report also mentions about the Department’s culture. This is a deepgoing topic worthy of our study. However, the Report just touches on the operations and procedures of the Department. In response to the motion moved by the LegCo Housing Panel for the establishment of a mechanism to follow up on and review problems of the construction industry, the Chief Executive has established the Construction Industry Review Committee chaired by Mr Henry TANG Ying-yen. Like other Members, I have great expectations of the Committee. However, it seems unlikely that the Committee will discuss the roles and way forward of the HA. At least I cannot expect it to follow up on the problems concerning the culture of the operation of the Department unearthed by the two reports.

Madam Chair, can the problems be solved just by improving the existing system? Will it be that there is something wrong with the system itself? As I have said on many occasions, if we want to hold less meetings, we must hold more meetings in the meantime to discuss how to do that. As the Strickland Report rightly points out, we add one specification to the operation manual whenever we discover a problem. If a specification is not well met, we just add one more. Similarly, when something goes wrong in supervision, A will be assigned to supervise B. When there is something wrong with A, C will be asked to supervise A. And when there is something wrong with C, D will be asked to supervise C. This is our prevailing culture. This is not only a problem with the HD. It is not clear whether the HA is a non-executive director, an executive director, a policymaker or an executor. After all, it is not up to the HA to decide on the housing policy of Hong Kong. I hope that the Authority will initiate a discussion of its role and functions

involving all parties including government departments, the industry and the public. From a deeper and broader point of view, I think any reform had best start with a review of the HA's role and

Hon NG Leung-sing delivered his speech as follows (English translation) :

“Madam Chairman and Members,

Upon the establishment of the Hong Kong Special Administrative Region, the Chief Executive emphasized that housing was a matter of prime importance in Hong Kong. As a provider of public housing and a single property developer, the Housing Authority (HA) has in recent years reached the peak of its production activities. Given its massive volume of production and highly centralised responsibility for project supervision, rare phenomena elsewhere, the pressure the HA has to cope with is conceivable. Hit by recent incidents relating to construction quality, the HA has shown courage to confront problems, willingness to accept external recommendations, and decisiveness in taking timely actions to conduct investigations and seek legal recourse. As such, the HA deserves our understanding, commendation and support. I hope the HA will learn by experience and draw lessons from the incidents both subjectively and objectively. To regain public confidence in the quality of public housing, the HA should implement more effective management initiatives as soon as possible, and properly deal with the agencies and individuals involved in the incidents in the light of their roles and responsibilities.

‘An oak is not felled at one stroke’, as the saying goes. The HA has for long taken upon itself the responsibilities for all aspects of public housing. Unfortunately, it has failed to take into account social developments. It is even seen to be attending to one thing and neglecting the other. Hence, I wish to reiterate the points I made at the last annual special meeting, that the HA should keep abreast of the times and that it should review and renew its responsibilities to tie in with social developments and fulfil public expectations.

On responsibilities, I would suggest that the HA and the Housing Department (HD) should focus on the formulation of the overall policy on the allocation of public housing and its execution respectively. As for housing production, project supervision and after-sale services, they should be undertaken by the private sector on contract terms so that the users and the producers of housing alike will be protected and bound by law.

Regarding public rental housing (PRH) policy, the HD should consider setting a life span for PRH estates to facilitate long term planning. Similarly, consideration can be given to fixing appropriate lease terms for tenants. This will help them understand and accept the need for maintaining healthy mobility of PRH tenants to meet the housing needs of more eligible families. Such a move would also facilitate the planning of renovation and redevelopment of PRH.

In closing, let me say a few words on commercial properties policy. Given the success of the Tenants Purchase Scheme, I would suggest that the HD study the mode of operation and the way forward of commercial facilities ancillary to PRH and Home Ownership Scheme estates, and the financial arrangements for the construction and management of these facilities.”

Mr Eddy FONG delivered his speech as follows (English translation) :

“Madam Chairman and Members,

Seize the Opportunity and Embrace Reforms

I recall that when I spoke at this forum last year, the Housing Authority (HA) was the centre of media concerns following the proposed privatisation of the management and maintenance services of its housing estates. At that time, with Hong Kong still in the adversity of an economic recession, it was predicable that staff would be concerned about their welfare and job security and skeptical of the proposals.

Now, a year later, the HA is again under scrutiny. The focus this time centres on the discovery of sub-standard foundation works in relation to certain building sites of the HA and with far greater impact than the proposed restructuring.

Such, latest, and highly regrettable incident not only has long-term effects that will severely damage the reputation of the HA but further seriously undermine the morale of the entire staff - from the most senior down to the humblest worker in the field.

Now, at first sight it may appear that privatisation and sub-standard work are unrelated issues - **but I see a common thread**. At the very heart of our problem is the very manner in which the HA is structured, the way it conducts itself, and the way it is perceived both within and outside the Authority.

The recent incidents relating to the piling and site foundation defects, mismanagement have substantially affected the safety of tenants and the resources of the HA. **When there are problems, however, apportioning blame could never be the solution**. We should look into the root of the problem. And some of the root causes are no strangers to us. For examples:

- the bureaucratic structure inherent in the Department that stifles personal pride and achievement;
- a lack of interest in job responsibilities because it is easier to manage to the lowest requirement in the book;
- inadequate supervisory controls over laid down procedures because few lead with inspiration;

I said last year that the public expect much of the HA. Members of the public are looking for an institution which cannot only provide good quality housing, but one which is efficient, transparent and accountable in the way it manages its affairs.

To change the situation is by no means an easy task. The HA consists of nearly 14 000 staff and bureaucratic procedures are entrenched in every aspect of its operations, in every grade, and every procedure. We must be aware that the rules and procedures are meant as guidelines only. Members of staff must not reduce their work to merely checking procedures and disregarding objective demands.

Furthermore, the bureaucratic environment makes true accountability difficult to pinpoint as job responsibility is often divided among several different people - if not departments - each with a thick wedge of the rule book to live with.

Madam Chairman, reform is long overdue and, if we want to be taken seriously by people on the outside, we must learn from this painful lesson, and seize the opportunity to try and develop a new culture in the department so as to ensure that our staff are well motivated and proud to work for the HA.”

Mr Daniel LAM delivered his speech as follows :

“Madam Chairman and Members,

The Strickland Report marks another milestone in the development on housing construction in Hong Kong. I look forward to the continuous determination and courage of Members of the Authority, together with staff of the Department, in dealing with such disgusting quality problems. The losses brought to us by these problems are huge, both tangible and intangible. The Building Committee will continue, as it always has, to insist on review and reform, both inside and outside the Department. Despite the extreme public pressure and demands of all sorts, it is incumbent upon us to maintain the momentum in pursuit of safety and quality, and to exterminate all undesirable elements in the industry with absolutely no hesitation. It would not be surprising if there are further discoveries of wrongdoings in this major exercise, and we will face these problems and deal with them with no hesitation at all, criticisms aside. Unless and until the culture of people involved with public housing construction is changed, the reputation of Hong Kong as a modern developed city of international standing remains tarnished. I look forward to all of us in the Authority, and the Department, to go hand-in-hand in wiping these problems away; and take public housing construction into a new era that our next generation can be proud of.

In my capacity as Chairman of the Building Committee, I have been appointed into two bodies on a personal basis – the Private Sector Participation Scheme (PSPS) Tender Board and the Construction Industry Review Committee. As a Member of the Housing Authority I like to take this opportunity to express what I expect of these two bodies.

The PSPS is essentially a land sale exercise. I have experienced dissatisfaction on the present system over the award of tenders. I consider that the present system offers inadequate assurance on quality of design. Quality design is a prerequisite for quality construction. The quality assurance of the end products are now being held to a lower priority than the attraction of cash premium upfront. It is embarrassing for the Housing Authority on the one hand pushing for a major culture change to achieve higher quality, but on the other hand continue to be the guarantor of purchasing flats from PSPS that produce end products which may be of low quality. If the Secretary for the Treasury and Director of Lands are not prepared to support the change of the existing system of tender assessments, which I will deeply regret, then I strongly suggest the immediate setting aside of rectification funds from the cash premium receivable.

As to the high profile Construction Industry Review Committee, I hold high hopes for this body to revolutionize the situation. The Housing Authority has announced its 50 items of immediate and long term actions, but there is a limit to what the Authority can push for. The Authority can only rely on its contractual relationships with stakeholders whom we are partnering with, beyond that it would have to be left to these partners. The changes we are aiming at involve basic change in culture, and this inevitably would have to start with education, reinforced where necessary, with legislation carrying punitive measures on non-compliance. Ideally, in a healthy society brought up with the right culture, we will no longer reply purely on supervision.

Thank you.”

Mr Anthony WONG Luen-kin delivered his speech as follows (English translation) :

“Madam Chairman and Members,

**Concerns arising from
Privatization of Estate Management and Maintenance Services**

The issue of private sector involvement has been explored and discussed for more than a year. As things stand, the Housing Authority (HA) has completed tender exercises for a portion of estate management and maintenance services to be entrusted to property management agents (PMAs). Far from pulling themselves out, the HA and the Housing Department (HD) would keep striving for service excellence and a closer supervision of estate management and maintenance services to ensure that service quality will not slip.

The objective of privatizing estate management and maintenance services is to improve cost-effectiveness. Since the policy amendment will bring with it operational changes, it would do us well to pay attention to concerns arising from such changes. Let me discuss a few concerns here.

Firstly, on supervision. At present, the HD has a more direct working relationship with PMAs. In a PMA-managed estate where there are both HD and PMA staff, it is convenient for HD staff to provide assistance, training and guidance to PMA staff, thereby exercising a direct supervision over estate management. After privatization, HD and PMA staff will not work in the same estate. Upon handover of estate management to PMAs, HD staff will return to district offices where they will discharge supervision duties at the district level. As a result, they can only exercise an indirect supervision over estate management and maintenance services. Meanwhile, the workload of PMAs will increase as they take up additional duties ranging from rent collection, estate management, maintenance services to offering assistance to residents in filling out forms. It will then be difficult for HD staff to assist PMAs as they do now. As PMAs will take up full responsibility for estate management and maintenance services, the rights and obligations of the HD and PMAs will be more clearly defined. How to give the public a clear picture of these changes and help them understand the accountability of the relevant parties, and how to make improvement when management problems arise after privatization are all important considerations. The HD should explore ways of helping frontline staff to cope with the new work environment.

Secondly, on maintenance services. After privatization, PMAs will have to oversee both minor and major maintenance works, some of which require immediate action. Any mishandling will attract complaints. While minor works may not require immediate action, it still takes a sound management of the PMAs to ensure that prices set by the contractors are reasonable, that they carry out the maintenance works effectively, and that they have the capacity to cope with the quantity of works involved. Again, any mishandling will draw criticisms. It goes without saying that effective maintenance works will keep estate facilities in good condition, which in turn will save on expenditure and win the approval of residents. Hence, how well maintenance works are effected

after privatization is a matter of concern. I hope the department will specify all the requirements when drawing up the contracts and while the contracts are being executed, check whether PMAs meet contractual requirements and conduct regular reviews of their performance so that improvements, where necessary, can be made speedily.

Thirdly, we should consider what would become of those estates that remain under the management of the HD after privatization. With the involvement of the private sector, there will be two modes of management producing different effects. If privatized management should prove effective, improvement to departmental management will become necessary. Given the constraints of government policies, such as inflexibility, introducing reforms will meet with certain difficulties and exert considerable pressure on HD staff. Under such circumstances, the HD should consider allocating resources for training and explore the feasibility of amending policies or formulating plans to enable staff to vary the management methods in use, thereby enhancing the efficiency of estate management.

The privatization of estate management and maintenance services is but in its infancy with many aspects of operation warranting attention. In the foregoing discussion, I have only touched on fragments of the subject. It is hoped that the Department would, in the light of the concerns raised, strive for improvement so that the services provided are more cost-effective and are geared to the needs of the community.

Thank you.”

Ms SIU Yuen-sheung delivered her speech as follows (English translation) :

“Madam Chairman and Members,

Home Ownership Scheme into the New Century

In the wake of Hong Kong’s rapid social development and population growth, the aspirations of its community for home ownership have soared. The Home Ownership Scheme, being one of the initiatives of the Housing Authority (HA) to meet the housing needs of different social strata, has much to contribute.

With the advance of the age, there have been rising expectations for housing quality and service standard. In view of this, the HA needs to keep up with the times and seek continuous improvement, particularly in housing production and property management.

(1) Produce high-quality HOS flats

In the new century, it is not enough just to ensure structural safety in the construction of HOS flats. Our housing designs should be freed from the strait-jacket of old ideas and be made user-oriented in the light of local environment and varying demands. The HA should capitalise on other resources in the community and on new technology to produce

HOS flats which are high-quality, elegant, environmental friendly, inexpensive, functional and well received.

(2) Revamp sales culture

With the advent of the new century, the HOS sales service should focus on customers and make them feel at home. To achieve higher efficiency and cost-effectiveness, the Housing Department (HD) should, with the benefit of technological developments, provide one-stop service covering flat selection, mortgage and conveyancing.

(3) Improve estate management

Efforts to encourage and assist HOS flat owners to establish Owners' Corporations (OCs) and manage their own property should continue. Since members of OCs are not property management professionals, the Government should provide additional manpower to advise OCs on the supervision of property management and assist those which have encountered problems. The objective is to enhance the quality of estate management and provide the people of Hong Kong with a quality home.

Lastly, I would like to comment on the recent HOS housing scandals with a story about monasteries. My story is about the Great Master Xuyun from Guangdong Province.

At the age of 78, Great Master Xuyun persisted in building a monastery wherever he went, regardless of the hardships he encountered. As he travelled from one place to another, he managed to build countless monasteries.

I have great admiration for Great Master Xuyun who manifested the spirit of perseverance and toiling without caring about the reward. Like any individual, an organisation should be guided by clear visions and goals and adhere to them. At the same time, it should keep renewing itself and moving forward. Unlike an individual, an organization must focus on the establishment of systems to avoid situations where business thrives while the man in power remains and business ceases when he leaves.

Those who are familiar with the Chairman and the Director would agree that both of them have kept fighting tough battles over the past few years, overcoming numerous difficulties and launching many reforms. It is true that we are in a predicament today. Nonetheless, I do not think the Chairman and the Director should talk lightly about resignation, before wholesome systems are put in place to preclude the situation where business ceases when the man in power leaves. In emulation of the perseverance of Great Master Xuyun, they should hold fast to the good they have chosen and shoulder the onerous tasks before them. Sticking to their visions and values, they should once again lead us as well as the HD staff to overcome difficulties until our mission is completed. Otherwise, our reforms will be abandoned halfway, putting the HD staff who participated in them to a nonplus. Hence, let us shoulder our responsibility single-mindedly and expedite the reforms introduced. Let us get out of our predicament as soon as we can and together forge into the new century.”

Mr Walter CHAN Kar-lok delivered his speech as follows (English translation) :

“Madam Chairman and Members,

The recent spate of incidents involving quality of public housing has made the Housing Authority (HA) and Housing Department (HD) the targets of public criticism. As members of the HA, we should face up to them in a responsible manner. I agree with some of the critics that the incidents were a result of the failure of the monitoring system. The HA and the HD should be jointly responsible for what has happened. Yet, I feel that it is not only the monitoring system that is to blame, but also the entire system of organization which includes (1) the powers and responsibilities of the HA; (2) the uniqueness of the civil service system; and (3) division of responsibilities between the HA and the HD.

- (1) The HA is a statutory or public body set up under the Housing Ordinance from which it derives its powers in the areas of building construction, allocation and marketing of residential and commercial premises, management and maintenance, and formulation of relevant policies, etc. At present, there are hundreds of sites under construction and about half of the population live in public housing.

The responsibilities bore by the HA are tremendous. However, is the power delegated to it proportional to the responsibilities? According to law, the HA has wide power. But when it comes to actual operation, the power becomes very limited in the entire bureaucratic organization of the HD.

As regards the composition of the HA, all members are ‘voluntary workers with no pay’ except the several policy secretaries, the part-time Chairperson and the full time Director of Housing as the Vice-chairman. There are about 1 000 directly recruited staff members, which accounts for about 7% of the establishment of the HD. Therefore, the HA relies heavily on the HD for the execution of its duties. The HA is different from the other statutory bodies like the Kowloon-Canton Railway Corporation, the Consumer Council or the Hong Kong Housing Society in that their staff are employed by them directly on contract or other terms. They are more self-reliant and have more flexibility in staff deployment.

I consider that if the HA is to continue to take up its present role and responsibilities, a reform should be introduced to its present system of organization, making reference to the Urban Renewal Authority, which will soon be set up. Its Chairman of the Board of Directors-cum-Executive Director, as well as the Managing Director are all ‘non-civil servants’ who work on full time basis and are employed on contract terms with attractive remuneration. They are answerable to the public. Their duties include giving response to queries and explaining policies in person at Legislative Council meetings. The other members will all be non-executive directors who provide assistance and advice according to the professional expertise and experience gained in their own fields. The HA should be formed in the same direction and should employ more contract staff where there is such an operational need for better monitoring and execution of duties.

- (2) Though HA is responsible for the personal emolument of the staff of HD, the staff themselves are civil servants. Their recruitment, promotion and disciplinary action are administered and monitored by the Civil Service Bureau in accordance with the Civil Service Regulations. As in any other organizations, some staff in HD are very hardworking and responsible but some are keen on following old procedures without thinking about improvement. However, effective measures like the systems for dealing with reward, punishment, promotion, transfer and dismissal, which are widely implemented in other organizations, cannot be adopted easily by the HD. It is even more difficult to take action against those staff found to have committed misconduct. Disciplinary proceedings against a civil servant are considered serious internal staff matters. During the hearings, the accused staff may be represented by a lawyer. If the offence is punishable by dismissal, the burden of proof on the management will be as high as “beyond reasonable doubt”. This makes the process of disciplinary action extremely time consuming and difficult to carry out. The Civil Service Bureau is now reviewing the procedures. It is hoped that a fair and efficient system can be worked out as soon as possible.
- (3) Division of responsibilities between the HA and the HD is not clearly defined. It is not only that outsiders consider these two organs as a single entity. It is also a reality that there exists unclear division of responsibilities. Example is given that the HD is the executive arm or the contractor of the HA. However, the HD plays an active role in giving advice to the HA on policy formulation, including making recommendations to introduce competition from the private sector. In the circumstances, there is overlapping of responsibilities and contradictions in the two roles. According to the consultancy report on Review of Private Sector Involvement in Estate Management and Maintenance Services conducted last year, it is recommended that the roles of the HA and the HD be clearly defined and that the client-contractor split approach be implemented gradually. As there has been growing demand for transparency and accountability from the public, we shall have no alternative but to work out new measures in this direction.

Madam Chairperson, I do not mean to shift our responsibilities to any person or to any system by putting forward the above. On the contrary, as a member of the HA, I am ready to accept criticism and feel sorry for the affected public housing flat buyers. I consider that “problems will remain unsolved as long as the system stays unchanged.” Even if all we members are replaced en masse, it will only be a change in form but not in material. All I have just said is a preliminary and rough concept. I hope that this will induce discussions among, and opinions from, different departments concerned, fellow members of the HA, staff of the HD and members of the public.”

Dr Anthony CHEUNG Bing-leung delivered his speech as follows (English translation) :

“Madam Chairman,

Last week, the Housing Authority (HA) published the report of the independent Investigation Panel on Accountability on sub-standard piles (so called “short piles”) at Shatin Area 14B Phase 2. The specific comments and recommendations of the Panel will be followed up and seriously considered by the Authority and the Building Committee (BC). It is worthy of our great attention that the spate of short piles incidents associated with Home Ownership Scheme (HOS) developments have aroused strong public reaction, and that there are calls in the press for the Chairman and the Director to take up the responsibility.

Being a member of the HA, I well understand that the Chairman, the Director, the Chairman and members of the BC and HD staff at all levels have made great efforts to deal with the incidents and follow-up on the matter. The short pile incidents not only have exposed the problems of quality and supervision in the construction industry, but also, admittedly, revealed the inadequacy of the Department itself and its works supervision mechanism. Negligence of duty or irregularities of individual officers was not the sole cause of the incident. It involves the inadequacy of processes and failure of the systems.

As a public organisation, the Authority should be accountable to the public. The occurrence of such short pile scandals in the Authority’s HOS projects not only has caused slippage and enormous financial loss, but also seriously undermined the image of the public sector. The Authority can hardly absolve itself from the blame. We should not just emphasis the individuality of these cases (though this may be partly the case). Instead, we should take courage to accept the responsibility, apologize to the public and carry out a comprehensive review as soon as possible.

The document “Quality Housing - Partnering for Change” published by the Authority early this year sets out a series of reform initiatives which aim to build a partnership with the construction industry so as to rectify the problems found in the housing construction system. Though this is a move in the right direction, it is only the first step towards a comprehensive review. The problems we are facing are not solely technical in nature, but also concern management and accountability.

Earlier on, the Department commissioned a consultant to review the cost-effectiveness of EMM functions. A reform package, namely the Phased Service Transfer package, was subsequently put forward to allow greater private sector involvement in the Authority’s services. Another review was then conducted on the Department’s management structure to streamline departmental operations and enhance effectiveness. While the results of this review are yet to be published, it seems that all these reviews focus on cost control and tightening up. After the recent short pile incidents, I think that the Authority and the Department should aim at continuous enhancement of housing quality in its reform of the management system, instead of focusing on cost saving. We should dispel the myth of outsourcing that quality can well be ensured if the services are contracted out to qualified private companies through contractual arrangements. The recent short pile incidents serve to illustrate that outsourcing and multi-layered sub-contracting may bring serious consequences in the absence of an effective quality monitoring mechanism. The prime concern of reform should be how to uphold a quality-oriented management and operational culture within the Department. Otherwise, any reform to enhance management efficiency will end up nowhere.

The Housing Authority was ridiculed by a newspaper as exercising ‘supervision on paper’ and ‘void supervision’ (‘Apple Editorial’ of the Apple Daily on 26.5.2000). This may be a bit exaggerating, but it points to the core question of whether the Authority can ‘in name and in fact’ fulfill its statutory functions in the management and supervision of public housing. In name, the Authority has a large set-up supported by the standing committees. Apart from HA members, we have a large number of committee members drawn from a wide cross section of the community and different professions. In name, the Authority and its committees are decision-makers whereas the Housing Department is only an executive arm. However, we all understand deep down that in fact the Authority is ‘executive-led’. Members have busy schedules and attend to the Authority’s affairs only in their spare time. It is not possible at all for them to supervise effectively the daily work of the Department. On the other hand, the Housing Department, which in reality formulates all policy initiatives, has to play second fiddle. This creates a distorted picture whereby those who are competent find it difficult to take up the responsibility while those who are not in a position to undertake the responsibility are required to do so.

It is time for the Authority to streamline its organization and re-engineer its operations. Instead of maintaining a large set-up and a large number of dedicated committees (which are often led by the Department in their work), why don’t we get to the root of the problem by streamlining the committees and making their members “full-time” workers? Although fewer members will be appointed, the appointees can put more time and efforts on a daily basis to fulfill in name and in fact their roles in steering the work of the Authority. Functions of a business nature (e.g. management, pricing and construction supervision) should be delegated to the Department as far as possible so that it can literally live up to its responsibilities. Competent full-time members should be empowered to do the job so as not to waste time on paper work and in making ‘void’ approvals and supervisory efforts through meetings. In this way, they can give the best of themselves and be held accountable.”

Mr CHAN Bing-woon delivered his speech as follows (English translation) :

“Madam Chairman and Members,

In January this year, the Housing Authority (HA) endorsed the phased service transfer (PST) approach to increasing private sector involvement in the estate management and maintenance (EMM) services of the HA. The award of the first batch of contracts to successful property services companies (PSCs), expected to be made in July, will mark the beginning of a new era of property management operation in Hong Kong.

The HA’s public rental housing (PRH) flats account for one third of the domestic premises in the territory. In the past, the EMM services for PRH flats were solely provided by staff of the Housing Department (HD). Since 1996, the management of new PRH estates has been outsourced to property management agents. The PST approach introduced this year, under which the outsourcing arrangement will be extended to old PRH estates, will carry implications not only in respect of the scale of the services to be outsourced but also, the enhancement of service quality.

Compared with the mode of outsourcing in the past, the new approach introduces a number of new initiatives. They include setting service standards and key performance indicators, establishing a central quality monitoring team which will measure the performance of PSCs objectively against performance indicators, giving due weight to past performance of PSCs in tender evaluation, and establishing more channels for customer participation in monitoring the performance of PSCs. Such initiatives will enable the HA to get a full picture of the quality of services provided by its contractors, and provide data for comparisons with performance indicators of like housing estates in the private sector. When the Task Force thrashed out the implementation strategy and details of the new approach last year, great care was taken to ensure that the reforms would win support from all quarters and achieve satisfactory results.

As far as I know, the PST approach has evoked a fairly encouraging response from the private property services market. Among those service providers who applied to join the new list of PSCs, many have never tendered for the HA's service contracts. As regards the response of the HD staff, over a thousand of them have expressed the wish to join the voluntary departure scheme, while quite a number have shown an interest in transferring to the private sector. With relevant qualifications and wide experience, these HD staff will add to the pool of talents in the private property services market, thereby raising the overall service standard of the industry. Also on offer is the management buy-out option which will not only provide staff with an opportunity to set up their own business, but also create more competition in the property services market. The positive effect such an option produces on service standard and cost-effectiveness will benefit both owners and tenants in future.

That said, we must not lower our guard in monitoring the implementation of the PST approach if we wish to ensure that market forces will be capitalised to enhance economic efficiency and improve the quality of EMM services of the HA. We should bear in mind that the private sector has a totally different concern from that of the public sector. While the former does business for profits, the latter aims at serving the community. As we work to enhance economic efficiency, we must at the same time ensure that we are delivering services to the satisfaction of our customers. Otherwise, we will not get public support and the whole plan will be doomed to fail. Although the HA has now formulated the implementation strategy and details of the new approach and has won the support of the public at large, there remains the most important task of ensuring that PSCs will provide services according to the contract and to the satisfaction of residents. This is an aspect to which we should continue to pay heed. The HA must lose no time in establishing an efficient monitoring system with adequate deployment of monitoring staff and conduct regular reviews so as to meet rising customer demands for quality.

As the HA enters the new millennium, it introduces the PST approach, improves on the existing strategy for outsourcing EMM services, sets up an objective, highly transparent and customer-focused performance assessment system, and assists staff to transfer to the private sector. Such unprecedented moves in the realm of estate management have set in motion market reforms. However, whether the new approach can succeed and whether tenants will find satisfaction in the services provided will depend on the efficient and effective maintenance of our monitoring system, which in turn will depend on the concerted efforts and support of the HD staff.

Lastly, I wish to touch on the issue of accountability in relation to problem HOS blocks. Following the exposure of the short pile incidents, there have been loud calls from the community for the immediate reform of the HD. Many who are dissatisfied that the upper echelon should escape punishment have demanded for a thorough investigation so as to call them to account. I must point out that demanding the upper echelon to take the blame and resign would create a sensation, but might not do good to the situation. Since the HA became more open and transparent, any issue relating to it, be it big or small, has been widely known. The fact that the HA has taken the initiative to expose the incidents tends to arouse public concern more readily. However, it is easy for the public to overlook and forget the proactive reforms being undertaken, both internally and externally, by the HA and the HD. I believe that the most effective solution is to face the problem in a responsible manner, tackling it with perseverance until positive results are produced. The leadership should not, for the pain of the moment, get away from it all. A responsible HA should have the courage to face squarely the crux of the problem, the grace to accept criticisms and the determination to carry through all reforms. I hope our colleagues would make concerted efforts to support reforms in departmental operations, regardless of the immensity of the difficulties, with a view to upgrading building quality and restoring public confidence in us as soon as possible.

If we can be performance-oriented, then we are sure to thrive, get work done and enjoy success in our endeavours. It is really not easy to be an HA Member or an HD employee today, having regard to the tremendous pressure they have to cope with. I would like to join hands with all HA Members and HD colleagues in adhering to our vision and mission. Now is the time to show our perseverance, courage and commitment.”

Dr LAU Kwok-yu delivered his speech as follows (English translation) :

“The annual special open meeting of the Housing Authority (HA) is an occasion when the HA makes public its work and the work of its committees over the past year, and when HA Members raise issues which have not been dealt with or discussed at regular meetings. Today, I would like to put forth some rough ideas on three subjects:

- (1) The need for reviewing the eligibility criteria for Waiting List (WL) applicants;
 - (2) The need for retaining the management of the Housing Department (HD) in certain public rental housing (PRH) and Home Ownership Scheme (HOS) estates for benchmarking, and
 - (3) The need for the HA to make a corporate response to crucial comments from the community.
1. The HA is urged to review the policy under which people who once owned a flat purchased under the subsidised home ownership schemes are permanently debarred from applying for PRH

To tie in with the Government's policy on promoting home ownership in the community, the HA has introduced a number of concessionary measures over the years to assist members of the public to become home owners.

In the wake of the Asian financial turmoil in 1997, property prices have dropped drastically and are now 40% down from their peak 30 months ago. As a result, many people have become owners of negative assets. Those suffering unemployment or underemployment and receiving a substantially cut income have been compelled to drop their burden of mortgage repayment by selling their flats and renting private housing instead.

Anyone among this group whose income level and net asset value have fallen below those prescribed for WL applicants should be allowed to join the WL. Unfortunately, the current policy of the HA debars ex-HOS owners and those who once owned a flat purchased with a loan granted under the Home Purchase Loan Scheme of the HA or the Sandwich Class Housing Scheme or Home Starter Loan Scheme of the Housing Society from applying for PRH.

There must have been some rationale to the foregoing policy when it was formulated. However, times change. There are cases where people who, having bought their flats at high prices and subsequently run into financial difficulties, are compelled to sell their flats even at a loss in the doldrums of the property market. Among this group are those whose circumstances are not distressed enough to qualify them for compassionate rehousing, yet whose income level and net asset value are lower than those prescribed for WL applicants. Since they are not allowed to apply for PRH under the current policy, they have to spend a large portion of their income to rent private housing or live in unsuitable accommodation, with the result that the quality of their living is compromised. I wonder whether people in such circumstances deserve the care and sympathy of the HA. I urge the HA to review the relevant policy and explore whether these people should be allowed to join the WL. As a safety net for the community, PRH should provide accommodation for those who cannot afford the rents of private housing.

Should the HA feel concerned that such families will create an additional demand for PRH which would threaten the fulfilment of the pledge to shorten the average waiting time for PRH to three years by 2005, consideration can be given to meeting such additional demand apart from the committed demand covered by the pledge.

2. Certain PRH and HOS estates should remain under HD management for benchmarking

At the launch of the Tenants Purchase Scheme (TPS) Phase 1 in early 1998, the HA made a pledge to Members of the HOS Committee that should the services provided by the Property Management Unit (PMU) of the HD prove cost-effective, the HD would strive for the support of the Owners' Corporations for keeping their estates under HD management.

At the annual special open meeting of the HA held in June 1999, I pointed out the operating costs for TPS Phase I estates under the new management model. Specifically, the average monthly staff costs for each flat is \$132 (rate for 1998/99), which is 12% lower than the average monthly staff costs of \$148 (see account for 1997/98) for each flat of the four privately

managed PRH estates as quoted by the consultant commissioned by the HA, and 43% lower than the average monthly staff costs of \$189 (see account for 1998/99) for each flat of the 96 HOS estates managed by property management agents (PMAs) appointed by the HA. The foregoing figures scotch the notion that the average staff costs of PMAs are lower than those incurred by the HD in providing similar services.

In a survey among TPS flat owners conducted by the HD in September 1999, 44% of those polled considered that property management services provided by the HD were better than they were before TPS was launched. Another 44% found that services were the same as before. Only 11% said that services had become worse. For staff of the PMU who work for the development of TPS estates, the finding that they are offering an improved service at a low cost should come as an encouraging message.

A few months ago, I learned from the authorities concerned that five out of the six TPS Phase 1 estates had formed OCs. Despite having expressed their wish to the HD in one way or another for a continuation of the PMU's services, these OCs were notified in March this year that the major policy of transferring the estate management and maintenance (EMM) services to the private sector by phases would be extended to all TPS estates, and that the HD would terminate its property management services in these estates at the end of March 2001.

It is baffling why the HD should stop providing property management services in TPS estates when such services are found to have entailed a low cost, shown improvement and won the approval of owners. The HD owes its property management staff, owners of TPS estates and the public at large a reasonable explanation for such a decision.

I wish to reiterate my long-held view that in a pluralistic community like Hong Kong, we should have EMM service providers from both the public and private sectors so as to give consumers a wider choice. Only when there is competition will there be value-for-money services. I believe that retaining the management of the PMU under the HD in certain PRH, TPS and HOS estates will produce the positive effect of quality and price benchmarking. Please do not be fooled by the theories about 'the omnipotence of the market' and 'the impotence of the Government'. Without benchmarks for comparison, the standard and prices of EMM services provided by the private sector would be difficult to control.

3. The HA should make a corporate response to crucial comments from the community

Of the recent comments made by the community on housing, those that have a bearing on the HA, either directly or indirectly, are as follows: (a) Construction of HOS flats should be halted or significantly reduced in the light of an over-supply; (b) The building quality problems of PRH and HOS flats reflect on the inadequate supervision and poor leadership of the HA; and (c) The annual production target of 85 000 flats (of which 50 000 are PRH and HOS units) has led to a persistent market slump. It seems to me that the HA has yet to make an appropriate response to these comments. I hope the HA would hold in-depth discussions on these comments in subsequent meetings and after reaching a consensus, make an early response to clarify its position.

Dr Anthony CHEUNG Bing-leung will move a motion under Any Other Business agenda item urging the Authority to express its sincere apologies to the public for the recent spate of

incidents relating to short piling and building quality of public housing and also for their social implications. Mr Walter CHAN Kar-lok and I have expressed our support and agreed to second the motion before the meeting. I hope you will all support the motion.

Madam Chair, I think that colleagues of the HA and the HD should face up to the challenges and criticisms confronting them recently. Under your leadership, and with the support of the Director of Housing, the HA has launched a series of reviews and reform initiatives. The HA should draw lessons from the recent incidents relating to building quality and carry out a comprehensive review and fundamental reform of the operations of the HA and the HD. The success of the reform hinges on the concerted efforts, mutual encouragement and self-improvement of all colleagues of the HA and HD. External supervision by the public, media and concern groups also plays an important role in our reform. We should continue to value and treasure their views.

A middle-ager usually has to face the crisis concomitant with his age. Since its inception in 1954, the public housing programme has reached middle age. I believe how to assist the HA to handle the midlife crisis faced by its public housing programme is a great challenge to everyone of our colleagues here.”

Mr Peter H Y WONG delivered his speech as follows :

“Madam Chairman,

I had only intended to speak on environmental developments within the Authority’s remit as has been my wont. Now I feel I must speak on what are the root causes of the present problems and trust that action will be rapidly taken to initiate fundamental measures to put our house back in order. The very credibility of one of the major institutions of Hong Kong is a risk.

Inevitably, I have to draw on my experience of our hospital services. I was part of that infrastructure and felt that something was wrong, desperately wrong, but individually, there was little that one person could achieve. What change one managed was always a struggle and one would be rapidly labelled as a rebel or trouble maker. The Administration wisely decided that a total change was needed and a group of like-minded reformers under Sir S.Y. Chung was put together to start to overhaul the mindset and culture of the whole public hospital service sector. The rest is history. Troubles there are still aplenty as with any organisation of over 40 000 staff, but there is little doubt in the mind of the public that those problems will be sorted out.

I would venture that there are a great many similarities in the Housing Authority. We are a monolithic and monopolistic deliverer of one of the greatest public good in Hong Kong – very heavily subsidised housing. Its clout is such that it sets the standard with its vast purchasing power and all those industries and professions that support it generally have to conform to what the Authority lays down as acceptable.

My first real contact with the Authority was as Chairman of the Public Accounts Committee on the Director of Audit's Value for Money Report on the scrutiny of repair and maintenance charges. The findings were not complementary.

My view of the Authority has not changed fundamentally after nearly four years as a Member and has been very much reinforced by the Shatin Investigation Report. There are many in the Authority who want to do a good professional job, but the system will generally defeat them. Each person focuses on his own responsibility and there is rarely any overall view taken. This is the perfect "Yes Minister" stratagem to avoid personal responsibility because it is so easy to pass the buck. This culture inevitably sets the tone for contractors and the rest of the industry.

What I am most concerned about is whether these notorious cases are isolated incidents or whether they are widespread in the Authority. As an appointed Member, I owe a duty to the public at large to ensure that things are as they should be, specially as I cannot plead ignorance on financial and managerial matters.

As a member of the Authority's Finance Committee at its lasting meeting, I queried whether the findings of an Internal Auditor's report was an isolated incident. My skepticism at what was meant to be reassurance was shared by other members. Even now, we do not have an Audit Committee which is quite independent of other committees, and I say that we need that independence because today the Finance Committee, which is charged with reviewing the Internal Audit Reports, does have decision powers. Furthermore, there has never been a meeting with the Director of Audit, who reports independently on the accounts of the Authority. I know that our Corporate Governance is being studied in a consultancy, but in today's climate, change for the better cannot be delayed. Our own credibility is at stake, we must put and be seen to put our house in order.

I am not one for resigning in face of adversity, we must take collective responsibility and put in train changes, and these changes may be painful to some, to restore faith by the public of Hong Kong that we cannot only build housing which are affordable, in the right quantities and on schedule, but houses that are safe.

Now to the environment, and I hope that even with all the turmoil, we do not forget that we also have a responsibility to protect our environment as well as making sure that our housing give our clients the best of quiet enjoyment.

I am pleased to say that some within the Authority are getting the green message but regrettably there are still more than a few that regard environmental protection as a bother that they can do without.

My fear is that for many, this "no change" attitude is too ingrained and short of retiring or removing them, we will never get any improvement. Madam Chairman, I consider you one of them and you have never demonstrated otherwise. Please prove me wrong.

As I said in my speech last year, the Environment Policy and Direction has been set and like an elephant, it will assume a momentum of its own. I am much encouraged by the impending receipt of the Authority's first Environmental Report.

Looking at the overall environmental performance, we have taken a very long time to get started. I just hope that you Madam Chairman will root for our Environmental Team so they can lead us all, especially our tenants, into greener ways of living. Then we can make a difference to Hong Kong to become the World City of Asia."

Mr WONG Kwun delivered his speech as follows (English translation) :

"Madam Chairman and Members,

The Housing Authority (HA) is responsible for implementing the Hong Kong public housing programme and the Housing Department (HD) as the HA's executive arm plans, builds and manages public housing and implements housing initiatives. Today, the HA is still the world's largest developer and management agency. No doubt the achievements of Hong Kong's public housing are widely recognized. However, in the past 2 years, the HA has been facing unprecedented pressure brought about by internal as well as external problems.

Following the endorsement of greater private sector involvement (PSI) in estate management and maintenance services by the HA last year, the HD now introduces the Voluntary Departure Scheme (VDS). It is learnt that up to now more than 1 300 staff have applied for voluntary departure. 90% of them are of management grades and almost 40% are senior managers. The departure of such a large number of management staff within a short period will lead to shortage of manpower and inevitably affect the quality of service. Those who opt to stay will be under even greater emotional stress and heavier strain of work. If works grade staff are just redeployed to property management sections, surely their efficiency at work will be affected. Both management and works offices will turn out to be ineffective. It will be the PRH tenants who have to pay the price eventually.

With the implementation of Tenants Purchase Scheme (TPS) in 1998, the HD established the Property Management Unit, showing its commitment to reform with the support of the staff. Great efforts have been made in the hope of securing renewal of contracts upon the expiry of the two-year contracts. However, when owners of TPS Phase 1 asked for renewal of management contracts, the Department only agreed to renew the contracts for one year and asked the owners to engage their own property management agencies. By contrast, the Housing Society (HS), which is also a provider of subsidized housing, is re-structuring its organisation in an attempt to secure the HA's management contracts.

While the HS is ambitious to expand its scope of service so as give a living space to its staff, the HD is doing the exact opposite. How can it gain staff's commitment to reform?

I think that the HA should review the implementation of TPS this year. It should also strengthen the communication with the staff and listen to them seriously so as to take forward the reform and avoid the emergence of internal problems in the course of reform.

There were a number of incidents related to public housing projects in recent years. While some involve corruption or negligence, other point to lax supervision or incompetence. The Department's reform should aim to eliminate bad elements and retain talented staff.

The spate of scandals over public housing have brought financial loss to the HA, not to mention the loss of reputation which is beyond estimation. Some developers make things worse by calling for a suspension of HOS flat production on the pretext of the sub-standard quality of public housing. What they are doing is "trimming the toes to fit the shoes". They claim to help revive the market, but their real intention is to monopolize the property market and push up property prices.

The quality problem of public housing has aroused unease among the public. The HA and the HD, which are being held responsible for the incidents, are the major victims and the ones to face criticism. Their staff are under enormous pressure and greatly upset. As responsible organizations, the HA and the HD should draw a lesson from this painful experience. We should apologize to the public, face up to public censure and impose severe punishment on those staff who have neglected their duty and cut corners. Efforts should be made to practically take forward the 50 recommendations on the enhancement of public housing quality. We should also seize the opportunity to reform our bureaucratic culture and keep pace with the times.

"Genuine gold fears no fire", as the saying goes. We must bear the consequences of our own act. Those who are innocent should not be implicated. In fact, the vast majority of HD staff have been performing their duty steadfastly and contributing to the well-being of the community. Their efforts should be recognized. However, the paramount policymakers of the HA and the HD should accept their responsibilities and facilitate the investigations initiated by the Panel appointed by the Chief Executive through the Housing Bureau and the Ombudsman in order to give a clear explanation to the public on the issue."

Prof Richard WONG Yue-chim delivered his speech as follows :

"Madam Chairman and Members,

The defects and shabby quality of many newly built units in the public housing sector have become the focus of severe public criticism in recent months. I welcome the Chair's apology for these sad developments and the measures the Director of Housing has outlined regarding changes now being contemplated by the Housing Department. The cause of this most unfortunate state of affairs has been identified by the Strickland Report as the result of a management culture where effective responsibility and accountability are apparently absent in the operations of the Housing Department (HD).

I welcome the findings of the Strickland Report. It is time for soul searching and for action. Obviously the public expects us to tackle and change the management culture of the HD and to review the governance of the Housing Authority (HA) to improve management effectiveness and accountability. For this to happen fundamental changes in the way the HD and the HA operate in the future must take place. But this alone will not be enough because it still fails to go deep and far enough. The problem is not merely a matter of management or governance, but goes to the very root of our housing policy. It is time for the government to reflect deeply on what is wrong with our housing policy and the role of public sector housing.

The HA today is landlord to more than half of the residential housing stock in Hong Kong and the Housing Department is its operating arm. This is a vast establishment. Although their role is to provide affordable housing to those who cannot afford market housing, its real tasks are multifarious and complex, with many objectives, some of which are conflicting and inconsistent, and it serves too many clients. With such a complex and difficult task, operating under largely bureaucratic rules, is it surprising that it cannot perform its task well? Do not misunderstand me. I am not trying to take attention away from the failures of the HA and the HD that have recently commanded so much public attention. I simply wish to point out that whatever management and governance reforms to be implemented can only be part of the solution.

It is far more important for the government and the HA to re-evaluate the role of public sector housing policy, to set sharper and more focused objectives, to serve a more targeted and genuinely deserving group of clients. In so doing we shall see a revitalized HA becoming responsible for a limited set of strategic tasks and a HD implementing a set of streamlined tasks with greater effectiveness. Only when we become smaller and more focused can we succeed in our task in helping those without means to enjoy affordable housing.

Let me illustrate my point with one example that is of great concern today.

The HA has always been a major provider of housing units in the market. Since the economic recession of 1997/98 this role has become even more prominent as the private sector has rolled back its production flow, but we at the HA have reached a peak level of production in its recent history, especially in Home Ownership Scheme (HOS) units. This is a serious development, not only for the short run housing market situation, but also for the longer run development. If the HA continues to become an ever larger property developer it will dominate totally the housing market with many detrimental consequences for efficiency, market volatility and housing quality. I dread the prospect of having a construction industry that works primarily for a single public sector property developer. Indeed I venture to say that the low productivity of the construction industry is a result of the dominance of a public housing sector. I dread further the prospect that the HA will become the primary price setting agency in the housing market, a task for which it is poorly suited to perform. For the more immediate run it is time to review the 70% house ownership target which is currently a policy, and following that the targeted production of HOS units, the mix between HOS and public rental units, and ultimately remove the distinction between rental and HOS units. I believe in the future the task of helping those without means to gain access to affordable housing have to be achieved via financial subsidies rather than through bricks and mortar.

My final message is a simple one: Downsize. We can only achieve our objectives of serving more clients better by doing a more focussed job.”

Mr Michael CHOI Ngai -min delivered his speech as follows (English translation) :

“Madam Chairman and Members,

HOS flat production should be reduced but not suspended

The supply, value of existence and building quality of Home Ownership Scheme (HOS) flats have been much talked about recently. I would also like to take this opportunity to express my personal views on the issues.

In view of the recent serious short pile incident, the sagging property market and the apparent drop of private property prices, some people have queried the functions and role of HOS flats. However, most of those who hold this view have overlooked the contribution of HOS to the enhancement of living standard over the past two decades.

Hong Kong has witnessed significant improvement in housing over the past two decades. In the 1960s and 1970s, it was quite common for low income families to squeeze in one small cubicle with 6 or 7 persons, and share one toilet by 20, 30 or more, or live in illegal structures. In comparison, there are now significant improvements in living space, environment and supporting facilities. This is not only attributable to the robust economic development of Hong Kong in the past two decades. The improvement of the living standard of people, particularly the lower income families, is mainly attributed to the provision of different types of subsidized housing by the HA to help those who have little economic means to rent PRH more cheaply and buy HOS flats at a more affordable price.

As a result of the financial turmoil, Hong Kong has experienced an economic downturn in the past two years. The income and job opportunities of the public are not as good as before. Transaction volume of the property market has shrunk and property prices dropped significantly. Over the past year, voices have been heard urging the Government to reduce HOS flat production. Given the oversupply of housing and the decreasing demand as a result of the economic downturn, I agree that the supply of HOS flats should be reviewed in order to reduce HOS flat production and increase the provision of HPLS loans.

Recently, there are even calls for the suspension of HOS flat production. I don't quite agree with this. Most of those who support this argument think that potential HOS buyers are already able to buy their own homes in the private property market given the affordability of private properties resultant from a sagging property market. The quality of recent HOS developments also comes into question. They therefore call on the Government to build more rental housing, suspend HOS flat production and provide more HPLS loans instead.

There is no doubt that excessive supply is one of the main reasons for the sagging property market recently. However, the downturn of the economy is much more a deciding factor. As the public are worrying about the prospect of the economy and employment, the demand for housing has decreased. The number of purchasers and volume of transaction have also decreased and property prices dropped. On the other hand, the property market has to run its course of ups and downs. We should not stop building HOS flats merely because the property market has been going through its downs in the past year or so. HOS provides greater opportunities for people with low income to buy their own homes and there has always been a strong demand for these flats. If we stop building HOS flats, what can the prospective buyers do when the property market recovers or blooms?

Regarding the quality of HOS flats, the recent short pile incidents are intolerable. The public have lost their confidence in the HOS. Nevertheless, it was the Authority and the Housing Department which initiated to disclose the problems and are willing to face them. They have shown their determination and endeavour in strengthening the supervision and improving building quality. I believe the public's confidence in HOS will be back soon.

Lastly, I think the supply of HOS flats in the past few years was indeed excessive. The Authority should conduct a review in the light of the market demand, reduce HOS flat production and increase the provision of loans. There is no doubt that rental housing and HOS have contributed significantly to improving the living condition of the people of Hong Kong in the past two decades. Long term considerations rather than market condition in the short run should be taken account of when dealing with housing matters. The continuation of the HOS will ensure continuous improvement of the living condition of the people of Hong Kong, provide more access to home ownership for families with low income and contribute to the long-term stability of the property market.”

Mr CHOY Kan-pui delivered his speech as follows (English translation) :

“Madam Chairman, Members, Director of Housing,

When I first joined the Housing Authority as a new member last year, it was a time when a new millennium was about to dawn, when Hong Kong was at the lowest side of an economic downturn. At the same time, the Housing Authority was at its critical moment of management reform. After this short span of a year, I have generally familiarize myself with the tasks that a member of the Housing Authority is supposed to do. He not only has to participate in the formulation of policies, but also has to play an indisputable role in the day-to-day operation. He has to review policies from time to time, and to locate problems in the implementation aspect to ensure consistency at all levels so as to provide residents with quality services. I would make further elaboration later.

Today, about half the population of Hong Kong are living in homes rented or purchased from the Housing Authority. This remarkable achievement of Hong Kong, may I say, is the result of the dedicating and concerted efforts of the Housing Authority and other related departments in the

past quarter of a century. My gratitude to all colleagues and officers who have made their contributions.

However, with the occurrence of a series of substandard works in the past one year, the credibility of the Housing Authority has been severely battered. Though the Housing Authority has not yet sacrificed what it has established with years' efforts, it would be impossible for her to recover shortly what she has lost and regain the reputation and status she has earned in the past quarter of a century. The most important task for the Housing Authority at the moment is to rebuild its public image and to win back their confidence. If support from the public, especially in the form of residents' participation, is absent or inadequate, the Housing Authority will have a difficult time moving along and making advancement in the new century. Now, the first and foremost task that the Housing Authority has to deal with is to face the short pile incidents with courage, to be accountable and to carry out thorough investigation so as to bring justice to the public and herself as well.

In recent years, in response to series of economic blows, it has been pointed out in newspaper headlines that private property prices are approaching the level of the HOS. It is little wonder therefore that HOS applications have come to a record low in the last few months. I would make bold to suggest that the Housing Authority should suspend the production of HOS flats for a period of time. The Authority has the responsibility to save the property market and the general public.

Even if the economy of Hong Kong has shown signs of recovery, actual improvements are to be seen. As far as the latest data are concerned, the future is not promising, at least in the short term. First, the pay trend in the private sector has indicated that the rate of salary growth, if any, for the middle and low strata employees is still in the negative. Further, the civil servants will continue to have their salaries frozen in the coming year. In addition, we have followed the United States in raising our interest rate. The pressure for further increase will still be around for quite some time. These would only weaken the interest and undermine the affordability of the prospective home buyers.

Hence, no matter how much we would be doing to improve the public image of the Housing Authority, if we do not heed other objective factors, if we do not consider ways to attract more people to buy their own homes and boost the incentive for them when we improve building quality and management, people may have the false impression that the Housing Authority is still unbelievable and hence remain hesitant about buying.

This time last year, the local unemployment rate was high at 6.2%. After the lapse of one year, the figure has fallen to 5.5%. This does not suggest that the employment or income of the public have been improved. Hence, it is not yet the right time to increase the rents of our public rental flats for this year. To do otherwise is not only to subject our tenants to great burden, but also to do a disservice to the revival of the consumer market.

Concerning the rental adjustment for tenants of public housing, the picture will not be complete without mentioning the commercial tenants. In addition to the weak purchasing power of the public housing tenants and the ageing of many estates, the size of public housing population with better consumption power is ever shrinking. In the face of deflation and competition from major

supermarkets, many commercial tenants are already fighting an uphill battle to stay in the business. Additional rental burden will render their business unprofitable and force them to close down. This will in turn affect the residents of the estates. The more commercial premises and stalls in an estate are left vacant, the more the Housing Authority will suffer in terms of real income. Commercial tenants from five estates have expressed their difficult situation a fortnight ago. It is time for the Housing Authority to review its policy on rent adjustment for the commercial tenants.

Having talked about the short pile incidents, the production of HOS flats and the rental policy, I would like to turn to some of the policies on allocation that deserve our review. According to a recent consultancy report, although public housing applicants have been offered “three options in one go” since April last year, for various reasons vacant flats continue to be left vacant and would cost the Housing Authority a rental loss of some 15.6 million dollars a year. This is indeed regrettable. But what makes us uneasy is the absurdity that we have “both people waiting to be housed/and flats left vacant”. To achieve cost-effectiveness and cater for the actual need of the community, perhaps we should give further consideration in order to tackle this problem.

As to our commitment to realize the Chief Executive’s pledge by shortening the waiting time for public housing to three years by the end of 2005, I don’t think our colleagues would have any doubt about that. In the contrary, I hope that we could step up our efforts to resolve the problem of overcrowded households. We are not only tasked with providing housing for those people and families in need, but also have to give them sufficient living space and better living environment. Only by doing so can we have equal emphasis on quality and quantity. In Hong Kong such an international metropolis, how can we accept having 11 people living in a 200 square feet public housing flat.

Many elderly and single residents have pointed out that the present allocation for 2-person elderly household is not fair while the flats for single person are too small in area. I have personally visited such flats and found that there is genuine need for improvement.

The message from the North Point Estate incident is that the goodwill of the Housing Authority may not be well received by residents. Hence, if there is any redevelopment programme in the future, it would be advisable for the Housing Authority to consult views of the residents and the relevant district councils in advance.

I started this speech by saying that a Housing Authority member is not only a policy-maker. More important, he is also a monitor and an examiner in the course of policy implementation.

The recent corporatization of the Housing Department has not only caused anxieties among the staff but also worried many of the residents. Residents of a number of estates are complaining that though the privatization of estate management is yet to take off, there is already signs of deterioration in the day-to-day management of their estates.

As a policy maker, benevolent policies are useless if he could not appreciate the views of the residents and the sentiments of the Housing Department staff and allow his benevolent policies to be misinterpreted and wrongly implemented.

To this end, I am going to pay personal visit to the PRH estates and HOS courts in various districts and meet the frontline staff there starting from this June. I hope that this will create a new culture and unfold a new chapter, remove any obstacle to the implementation of HA policies, and encourage our staff to dedicate to their work.

Before I end my speech, I would like to parody the popular slogan by saying “Housing Authority for Sure!” Let this be our common belief.

Thank you very much.”

Mr IP Kwok-him delivered his speech as follows (English translation) :

“Madam Chairman,

In the twinkling of an eye, it is already the second time I speak at the annual Special Open Meeting of the Housing Authority (HA). The past two years have been eventful years as far as housing affairs of Hong Kong are concerned. There are always news about housing in the newspapers every day. Hong Kong is a tiny place with a dense population and land is expensive. Besides, housing is a necessity of life and the majority of the community are aspiring for a cozy home of their own. It is therefore inevitable that housing continues as a major subject of public concern.

Throughout the years, people have spent their life-time savings on the purchase of flats to give their family a warm and comfortable home. The Tenants Purchase Scheme (TPS) introduced in 1998 should no doubt be acclaimed for its objective to fulfill aspirations for home ownership. Unfortunately, since the inception of the Scheme, participants have never been able to enjoy a life of ease. They are deeply worried about the conditions of their TPS flats given the quality of PRH flats sold under TPS. The immediate need for maintenance and the way the Department follows up on the maintenance of estate flats further discourage PRH tenants from joining the Scheme. Over the past two years, I have received many complaints from tenants and have visited a number of estates personally. A case in point is Wah Kwai Estate sold under TPS Phase I. Owners suffer loss of property because the improper design of sewerage gives rise to frequent blockage, causing soil water to rush into flats on the lower floors through toilet bowls. Up till now, there are still outstanding maintenance works which are part of committed programmes to address ceiling seepage, drainage problem, rusty toilet ducts and damage of smoke doors etc.

Actually, the HA and the HD can play a more active role. They should consider providing better post-sale service for the residents. HOS buyers not only have to worry about the building quality such as short piles and sub-standard reinforcement, but are also upset by the maintenance problem. In Tung Chung, aluminum windows of HOS flats go out of joint while the window sills are susceptible to seepage. In the case of Tin Chung Court in Tin Shui Wai, cracks appear on the wall stretching from ceiling to floor in many flats of the same number at different floors just 3 months after intake. The installation of salt water pipes inside the HOS flats in Tseung Kwan O has led to occasional bursting of pipes on the middle floors, causing loss of property to the residents. In view of all this, how can we rebuild residents’ confidence in our home ownership schemes?

Madam Chair, we must get at the root of quality and maintenance problems of public housing and change the culture of our construction industry, which is the crux of the problems. As the largest landlord and developer in Hong Kong, the HA cannot shirk its responsibility. I fully support the reform initiatives proposed in the consultative documents titled “Quality Housing - Partnering for Change” published by the HA. The initiatives should be implemented as soon as possible so that the HA can set an example for all in the industry.

The publication of the investigation report on the short pile incident at Yuen Chau Kok has aroused much public concern and discussion recently. As the saying goes, “an oak tree is not felled at one stroke”. The spate of short pile incidents exposed the bureaucratic culture of the Department - one that is inflated and self-centered, without any regard for general interests. Of course, to resign by way of apology could mean being accountable. If resignation from the HA could root out the long-standing malpractices in the HD, I will do so without hesitation.

To be truly accountable to the public, all of us, as HA Members, should take undaunted courage to rectify the abuses and reform the bureaucratic structure in a resolute manner. Officers who have committed blunders should be punished severely, irrespective of their rank. We reproach whom we care about. The public have great expectations of the HA and the HD and we must not disappoint them. Enhanced transparency and accountability, public scrutiny, organizational reform and regaining public confidence are challenges that we now have to face.

Thank you.”

Mr NG Sze-fuk delivered his speech as follows (English translation) :

“Madam Chairman and Members,

Strive to Regain Public Confidence in Public Housing

Last month, the Housing Authority endorsed a two-phased implementation plan covering 50 initiatives to improve the quality of public housing. Priority will be given to issues of immediate concern to the community, including the revamp of piling process, enhancement of customer service, reinforcement of site supervision and re-engineering of departmental operations. Initiatives in the second phase will focus on the strengthening of partnership with the construction industry.

The public housing policy has been serving Hong Kong well over the years. It is a benevolent policy to provide ‘a roof overhead’ for the lower and middle income families. However, incidents from the big issue of ‘salt water buildings’ in the 1960s to the repeated occurrence of short pile problems recently all demonstrate that there are loopholes in the works supervision and inspection process of our public housing programmes. As the housing policymaker of the Government and the largest housing provider in Hong Kong, the Authority has a compelling responsibility to rectify the problems. The recent spate of short pile incidents in public housing all point to the Authority’s lack of supervision over management quality and corruption prevention. It

has come to a point where the Authority must show its determination to initiate a fundamental reform.

The 50 recommendations announced by the Authority can provide effective solutions to the problems commonly found in the existing system. These recommendations include inter alia a 10-year structural guarantee to all new and existing developments (20-year for projects in Tin Shui Wai), an in-take hotline for residents to report building defects, requirement for piling contractors to strengthen their site supervisory staffing resources, and the tightening up of the control on sub-contracting. Though only time will tell us the results, the Authority's determination and sincerity in taking forward the reform is for all to see.

It should be noted that most of the problems the Authority now facing have existed for a long time. To make the reform a success, we must adopt a progressive approach, strengthen the fundamentals, and make long-term commitment. Reform cannot succeed overnight. We should identify every and each problem and root them out. We should not just put the blame on individuals. If the Authority and the relevant government departments still try to pass the buck without making any efforts to improve their system or strengthen the co-operation with their partners, then the so-called reform will just be empty words and any improvements made will not last long. The golden opportunity to reform will be missed. Public confidence in public housing cannot be rebuilt. The governance of the SAR Government might also be adversely affected.

Given the complexity of the problems in the public housing production process, the Authority and the government departments concerned must shed their prejudices and build up a partnership based on mutual trust so as to root out the problems. This is the only key to a truly successful reform and the only way to rebuild public confidence in public housing.

In 1990 when Iraq invaded Kuwait, foreign nationals were prohibited from leaving the country. Some senior corporate staff working in Kuwait refused to leave though they had the opportunity to do so. As their subordinates were still in danger, they insisted that like a captain they must not abandon the ship before the crew did in the face of danger. This is the moral obligation of a leader.

As the Department is embarking on a course of reform, we, being the housing policymakers, must fulfill our responsibilities and take courage to pledge our commitment to reform. We must put the overall interests before all else and dare to accept challenges. When critical moments come, we must demonstrate a strong sense of mission and support the Departmental staff in driving through the reform with great determination and steadfastness. We should not shirk our own responsibilities and put the blame on individuals. We must not confuse the difficulties encountered with the objectives of the reform. Otherwise, our reform will fail in the end and all the efforts we have made will come to naught.”

Mr CHENG Yan-kee delivered his speech as follows :

“Madam Chairman and Members,

My appointment to the Housing Authority coincides with the implementation of the “40 + 10” initiatives towards enhancing public housing quality.

These are all useful reform measures entailing considerable change, going back to basics, and addressing problems at the root. One has to be prepared to accept that not all will be smooth sailing. Success demands resolution and a will to win, and I wish the Housing Authority and the Housing Department the very best as we embark on the needless to say long journey to bring vision to reality.

My training as a civil and structural engineer places safety above everything else, and we have all learned practical lessons that safety should never be compromised in any way by time, cost, and even housing production targets.

Quality is not manna from heaven. It is not something that comes automatically. Quality is the culmination of hard work and right policy. Almost in all instances, it comes with a price. The difference between “extraordinary” and “ordinary” is that little “extra”. No doubt the extra expenditure in paying consultants well, engaging quality and qualified resident site staff, accepting tenders that are not necessarily the lowest, and deploying additional departmental resources will pale into total insignificance when compared with the overall project costs, and will help the Authority in restoring the public’s confidence towards public housing.

I am delighted to see one of the 4 “P”s devoted to Professionalism. Professionals, be they consultants or departmental staff members have to have autonomy, and the system should be such that it has the flexibility for them to exercise discretion. One of the satisfaction of professional practice is to be delegated the authority to supply professional judgement. Professionals cannot be controlled by manuals; rather they should be encouraged to work creatively within a broad framework of established guidelines.

I am an advocate of the use of Engineer’s Design in ground engineering work in view of the inherent risk involved. In addition to achieving quality foundations and equitable risk sharing, it gives the design professional opportunities to take ownership of his design, to better motivate himself towards quality site supervision and to immerse himself in the state-of-the-art. Engineer’s Designs, re-measurement contracts and resident supervision go hand in hand. The likely scenario is that for sites with straightforward ground conditions, the costs will even come down, because the contractors know that they will be remunerated in a much fairer and squarer way. Foundation contracts in lump sums lull laymen into a sense of false economy, the dire consequence of which is that additional funds have to be spent on the many shortcomings arising therefrom.

The peak production period which the Authority is currently going through helps to identify those contractors whose performance is less than satisfactory and do not share the Authority’s commitment to quality and excellence. I fully appreciate that current Government procedures do not permit the way private sector projects sometimes work, and that is, we have all the freedom in the world to select our own contractors. The Preferential Tender Award System and the Bonus Scheme is a sensible step forward, and I feel that the performance weighting of 20 can be increased to 25 or even 30. Among those contractors whose tenders are rendered unsuccessful as a result of this arrangement, there will be sour grapes I am sure, and there will be

constant disquiets. So long as the ground rules are fair and transparent, it does send a strong signal that the Authority means business.

I am happy to see a partnering culture being established. I tend to look at partnering from a very wide and macro view, and not restricting it to a relationship between the Building Committee and the Housing Department, or simply among the project team members. The concept should extend “vertically” and “horizontally” to all directions as far as practicable and even to other government departments and policy bureaux. Partnering between project staff and site staff is particularly important. People at the frontline has a special place in my heart. You have to give them credit for having to walk 30 storeys two times a day under this sort of temperature. We need to give them training, and most of all, encouragement and support. That little “extra” effort will go a long way in enhancing quality.

There are growing concern in some sectors today about the standard of conduct in life generally. One feature of that concern is the proposition that some societies may be moving not towards immorality, but towards amorality. All of this have prompted professional institutions worldwide to review their own codes of ethics.

Ethical dilemma is an issue construction professionals face everyday. I am not here to preach ethics, but ethics in our modern age is rarely, if it ever was, a choice between good and evil. Ethical issues are painted in shades of grey, and they lack the definitive solutions that are available in nearly all cases of mathematical analysis. It is for this reason that there should be frequent seminars and counselling on ethics, reminding those associated with housing production of corruption prone situations so that they can avoid having themselves placed in positions of obligation that may lead to conflicts of interest. After all, the basic ingredient to quality housing is the quality of people associated with its production.”

Mr WAN Man-ye delivered his speech as follows (English translation) :

“Madam Chairman and Members,

In his investigation report, Mr John STRICKLAND has done us the service of a review by giving a detailed analysis on the operation of the Housing Department and a clear explanation on the methodology of site works. However, media coverage has made light of the unlawful deeds in the process of works. The report of Mr STRICKLAND’s panel calls for the government as a whole to straighten up the construction industry and an array of related organizations. I would like to see that, on account of the seriousness of the incidents, the Secretary for Housing would urge the Chief Secretary for Administration to instruct the Works Bureau, the Kowloon-Canton Railway Corporation, the Mass Transit Railway Corporation, the Lands Development Corporation and the Airport Authority to respond openly to Mr STRICKLAND’s recommendations. While I am not an expert in law, I feel that there may be criminal considerations. I also hope that the Secretary for Justice will study the case from the point of view of criminal law and find out whether there is a case for criminal prosecution.

I forecast that the disturbances surrounding public housing are not over yet as more problems will come to light as a result of the Department's "vertical" and "horizontal" investigations. I think that we should insist on and continue with such disclosures to deal with the problems of the construction industry. At the last HA open meeting, I mentioned that we were but consumers (although the largest, as Professor Richard Wong said just now) and were incapable of dealing with the operation of suppliers. Hence, I also hope that the Secretary for Works would assist the investigation panel headed by Mr Henry Tang Ying-yen to bring about a thorough reform to the construction industry.

Both our colleagues in the Housing Department and their counterparts in the construction industry have to fill out many forms in the daily tours of their work. Mr STRICKLAND has also raised the issue of excessive documentation. Do we really need a special unit to look after the ISO 9000 matters? From the ballustrade failure in Ping Ting Shopping Centre to the misjoining of fresh water pipes with salt water pipes in a public housing estate and the successive short piles incidents, we cannot find any solutions from the ISO 9000 system. Why is it that while we have a system in place we could not achieve good quality control? Should we continue to believe in such a system? Or is it a case of a good system being misplaced in the hands of the Hong Kong people who are too dumb to make it work? We should give serious consideration to it.

I would also like to respond to the announcement made by some staff unions in yesterday's newspapers. On the surface of it, it seems to me that they are rendering support to those colleagues named and criticized in the STRICKLAND Report. However, from the point of view of a member of the public, I feel that they are adding fuel to the criticisms. I have to point out that Mr T C YUEN, who is also mentioned in the Report, is a Business Director. It is reasonable for Mr STRICKLAND to hold him responsible. But I hope that the panel under the Secretary for Housing will take into consideration how much support has been given to Mr YUEN by his supervisors and subordinates in his work. Mr YUEN is able to handle pragmatically when other Members and I raise critical questions in the discussion of papers during Building Committee meetings. I approve of Mr YUEN's performance. I hope that an officer who works pragmatically will not be given a blow like this. I also hope that the investigation will do Mr YUEN justice.

Madam Chairman, I have served the Housing Authority for six years. Under your leadership, the Authority has taken a neutral stand in politics and implemented the policy of reasonable allocation of housing resources in the light of market and social demands. We have more or less made our contributions to the community. When things have come to such a pass, I agree with most of the Members that we must hold on. Madam Chairman, I believe that most of us will stand by you.

Thank you."

Submission from Mr NG Shui-lai before the meeting (English translation) :

"Madam Chairman and Members,

The business of the Housing Authority comprises many different facets. They range from housing construction to allocation, marketing, maintenance and management and involve a lot of urgent tasks. Apparently, the issue that I would like to focus on today is not the most urgent; but in essence, it is extremely fundamental. It is about setting up of a tenant-oriented network so as to build a community with sustainable development.

In my contacts with residents, many of them have reflected that they are not sure of the policies of the Housing Authority. Of course, whether they really don't know about our policies and what are the reasons behind are issues that warrant study. Nevertheless, such a phenomenon of unawareness is already a subject that we have to deal with and tackle.

Another phenomenon is about the colossal and complex organizational structure of the Housing Authority and the Housing Department. Very often members of the public have no idea of which offices they should go to in order to deal with their problems. On some occasions, they have to take the same matter to different offices before they can have it properly dealt with.

The weak sense of belonging that residents of public rental housing estates feel towards their communities is not only undesirable to estate management, but has also given rise to many community problems. At the Housing Authority's annual special meetings in recent years, Members have rightly advocated and urged the Housing Authority to subscribe to commitments of environmental protection. I totally agree to such idea. However, in order to become a community with sustainable development, the building up of neighbourhoods where there are recognition and where people protect and help one another is also indispensable in addition to more environmental architectural initiatives.

To deal with the above three issues, we must strengthen our work on "people". We must endeavour to provide one-stop customer services to residents in the community and to step up our work on community building within the estates. We may choose one or two estates as trial points, where we can form a team of Tenants Relations Officers on the model of the Patient Relations Officers in hospitals to provide one-stop services to handle enquiries and problems of the residents, and to carry out community building work.

If a spirit of good neighbourhood can be fostered among our residents in the estates and all their problems solved effectively, our estates will really be comfortable homes to them."

Any Other Business

Reports for the year 1999/2000 by Chairmen of HA Committees

5. The Chairman informed Members that the reports of the Committees for the year 1999/2000 were tabled at the meeting for Members' perusal.

Special Motion

6. The Chairman informed the meeting that a special motion was moved by Dr Anthony CHEUNG Bing-leung and seconded by Mr Walter CHAN Kar-lok and Dr LAU Kwok-yu. The motion was as follows :

“The Housing Authority expresses its deep regret and sincere apologies to the public for the recent spate of incidents relating to short piling and building quality of public housing and also for their social implications.

We shall draw lessons from these incidents and carry out a comprehensive review and fundamental reform of the operation of the Housing Authority and the Housing Department.”

7. Dr CHEUNG Bing-leung noted from the speeches by Members and the Department that all recognized the need for the Authority to reform. He proposed to “carry out a comprehensive review and fundamental reform” in his motion because the problem was not partial. It involved the overall management operations and system of the Authority. A fundamental reform should therefore be conducted on the functions, role, structure, culture and system of the Authority. He added that the Authority should attach importance to partnership in carrying out reform. Discussions should be held with the Department (including the management and frontline staff), the industry (including the construction industry and contractors from related business). He stressed that the reform should be taken forward on the basis of a high degree of mutual trust and partnership with staff and geared to the needs of the community. The staff and the public should be consulted before the introduction of any reform initiatives in order to achieve a common understanding among all sectors and draw public support.

8. Mr WONG Kwun found that the decision-making and monitoring roles of the Authority were not clear since some of the housing policies were currently formulated by the Housing Bureau. He considered that the relationship among the Housing Bureau, the Housing Authority and the Housing Department should be reviewed. He suggested that the above motion should be amended to read :

“We shall draw lessons from these incidents and carry out a comprehensive review and fundamental reform of the operation of the Housing Authority, the Housing Department and the Housing Bureau and the relationship among them.”

9. There being no seconder, Mr WONG Kwun’s amendment motion was not tabled.

10. After voting, Dr Anthony CHEUNG Bing-leung’s motion was carried unanimously.

Closure of Meeting

11. There being no other business, the meeting closed at 11:40 a.m.

Date of the Next Meeting

12. The next meeting would be held at 8:45 a.m. on Thursday, 6 July 2000.

CONFIRMED on

(Dr the Hon Rosanna WONG Yick-ming, JP)
Chairman

(Lawrence CHOW)
Meeting Secretary

File Ref. : HA/COM/2/2 VIII

Date : 30 June 2000