Report of Study on Owner-occupiers’ Involvement in Managing Public Housing Estates

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# Owner-occupiers’ Involvement in Managing Public Housing Estates

## Table of Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Content</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A Summary Report</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Introduction</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>Methodology</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Literature Reviews on Owners’ Involvement</td>
<td>16</td>
</tr>
<tr>
<td>4.1</td>
<td>Overseas (UK, USA, Australia and Canada) and local experience</td>
<td>19</td>
</tr>
<tr>
<td>4.2</td>
<td>The development of Owners Corporation in Hong Kong</td>
<td>28</td>
</tr>
<tr>
<td>4.3</td>
<td>Legal aspect of Owners Corporation (OC) in building management</td>
<td>28</td>
</tr>
<tr>
<td>4.4</td>
<td>Management of HOS and TPS Estates</td>
<td>37</td>
</tr>
<tr>
<td>5</td>
<td>Theoretical framework</td>
<td>40</td>
</tr>
<tr>
<td>5.1</td>
<td>Concepts</td>
<td>40</td>
</tr>
<tr>
<td>5.2</td>
<td>Theories of Residents’ Participation</td>
<td>41</td>
</tr>
<tr>
<td>5.3</td>
<td>New theoretical perspectives in understanding owners’ involvement in managing housing estates</td>
<td>45</td>
</tr>
<tr>
<td>6</td>
<td>Findings</td>
<td>46</td>
</tr>
<tr>
<td>6.1</td>
<td>Policy and departmental practice on Owners Corporations</td>
<td>41</td>
</tr>
<tr>
<td>6.2</td>
<td>Results of interviews with Owners’ Corporations and their management agents</td>
<td>49</td>
</tr>
<tr>
<td>7</td>
<td>Discussion</td>
<td>60</td>
</tr>
<tr>
<td>8</td>
<td>Conclusion and Issues for future studies</td>
<td>72</td>
</tr>
<tr>
<td>9</td>
<td>References</td>
<td>76</td>
</tr>
</tbody>
</table>
1. A Summary Report

Background
1. In recent years, the management reform of Housing Department has further turned on the reform engine to other policy venues and administrative mechanisms. Tenant participation has been transformed from informal base to a formal mechanism. Estate Management Advisory Committees (EMAC) have been established in all public rental housing estates in 1995.

2. The enlargement of public sale estates through Tenant Purchase Scheme (TPS) and expanded Home Ownership Scheme (HOS) has made more tenants of the public rental housing and applicants of the HOS to become homeowners.

3. At the same time, these new owner-occupiers, under the Deed of Mutual Covenant, have to take up their responsibility to manage the common parts of their estates by forming Owners’ Corporations. Moreover, property management services of a majority of the existing HOS estates and all new intake HOS estates and PRH estates were contracted out to the Private Management Agents (PMA). The occurrence of these incidents has further enhanced “tenant participation” and “owner participation” in managing public housing estates.

4. This study tried to trace the similarities and difference of Owners’ Corporations and other resident organizations in terms of owner-occupiers’ involvement in property management in public sales estates. Facilitating and discouraging elements for owner-occupiers forming Owners’ Corporations will be identified. Views of property management staff and owner-occupiers regarding owners involvement in estate management will also be studied.

Methodology
5. Documentary review on residents/owners participation in housing management, the establishment and development of the Owner Incorporation, relevant public housing policies particularly on the home ownership and property management sector in both printed and electronic form have been conducted.

6. Interviews were conducted with the selected Owners’ Corporations (OC) of the Tenant Purchase Scheme Estates (TPS) and Home Ownership Scheme Estates (HOS), the Housing Managers of Hong Kong Housing Department (HD) who were responsible for the management of the TPS Estates and the managers of Private Management Agents (PMA) who were responsible for the management of the TPS Estates as well as the HOS Estates. 18 face-to-face qualitative in-depth interviews were completed: 8 OCs; 8 PMAs and 2 PMU/HD Housing Managers. One OC of the selected TPS estates and one OC of the selected HOS estates declined our request for interview.

7. In keeping up the development of owner’s participation in public housing estates, the researcher arranged two visits: the Property Management Unit (PMU) of the Hong Kong Housing Department (HD) and Building Management Resource Centre (BMRC) (Hong Kong Island) of the Home Affairs Department (HAD), for further data collection.
Literature Reviews

8. Owner’s Involvement and Participation in Housing Management
8.1. Industrialization, urbanization, migration and the increase of the population as well as the need for accommodation and alleviation of urban problems have contributed to the rapid development of high-density blocks of flats, particularly the condominium housing, in urban areas over the world. There has been increasing concern on the management and maintenance issues of these blocks.

8.2. Hong Kong, due to the scarcity of land and large population, tends to adopt high-density and high-rise building blocks development. It can be said that the form of home ownership in Hong Kong is a “condominium ownership”. The increase rate of home ownership is a result of both the “Home Ownership Scheme” (HOS) and “Tenant Purchase Scheme” (TPS). The issues in estate management and the disputes among the owners and the private management agents, owner-occupiers and tenants as well as among the owners are reported.

Home Ownership
9.1. Two forms of housing tenure have been established under the English Common Law: freehold and leasehold. “Freehold” refers to absolute possession of the property including the right of using air space over the land and perpetual ownership of ground land where the housing block is sit.

9.2. Freeholders, under the property law, as the absolute possessors of the property, are entitled with the right in providing the management and maintenance services to the common parts of the building blocks and all the related charges are borne by all flat owners without any consent or consultation.

9.3. The leasehold system of flat ownership via the clauses of Deed enshrined the statutory requirement to the flat owners on the obligations and responsibilities for the management and maintenance of the common elements of a residential block of flats. It has finally forced the flat owners to get involve and organize their collective power to protect their own rights.

Forms of Tenure
10.1. It is known that owning and renting are the two simple classifications of tenure forms. Person who entitles ownership rights over his/her flat has the unrestricted possession and disposal rights while person who seeks the right of possession through renting the flat from the homeowner does not have the right of disposal over that property. In short, the apparent difference of these two forms of tenure is whether one can entitle the right of disposal over the property.

10.2. Within the home owning tenure, there may be individualised home ownership that can be distinguished from condominium and collective forms. An individualised home owning unit can be bought and sold individually, this applies to cases of freehold house owners. An owner of individual unit within condominium housing or within the collective housing sector has a different ownership rights.
10.3. Cooperative home ownership is a kind of collective form in which rights of disposal are held in common ownership. No individual except the collective has the right of disposal of the collective home ownership. In the cooperative home ownership, all the blocks of flats are owned by the cooperative. All occupants should be the members of the cooperative and they lease their flats from the cooperative. Occupants could only sell their flats back to the cooperative through the cancellation of their own membership.

10.4. The condominium, also known as common interest developments ownership encompasses two basic components. Firstly, it involves individual and common ownership within the building block of flats. Individual owns each flat unit and those undivided and uncompartmentalised areas and facilities of the building blocks belong to common area and common facilities. Secondly, some statutorily administrative mechanisms like owners’ corporations needed to be established in order to facilitate the flat owners taking management responsibility to the common elements of the building blocks.

10.5. Condominium has becomes the most popular form of housing development around the world. It has been rapidly grown in Canada, UK, US, France, Sweden, South Africa, and Hong Kong from the 1970s to 1990s. (Wekerie et al., 1980; Cole and Robinson, 2000) The trend of large-scale high-density high-rise condominium development has occurred and overwhelmingly dominated the owner occupation sector.

10.6. A very limited number of studies, literatures, books and journal papers covered this topic as compared with the enormous publications and researches on “tenant participation or resident involvement”.

**Overseas Experience of Owners Involvement in Housing Management**

11.1. With long historical development of public housing, western countries like UK and US, did contain rich experience on tenant participation in housing affairs. It was obviously noted that academics of Europe and North America are more concerned with the issues of tenant participation in public housing than in private housing.

11.2. The movement of resident participation in housing affairs was originated from the resident’s dissatisfaction on the problems and deficiencies of public housing management. Poor management, low efficiency and effectiveness of maintenance and repairs services, decayed and non-renewal facilities, unpromising and indefinite schedule renovation of those ageing building blocks and flats, the increase of rent and management fee, lack of participation, low transparency and bureaucratic administration of the housing department, etc.

11.3. The UK public housing residents do have a long history and reputation in participating in home affairs. The movement originated from the social movement, union movement, political reform, the awareness-raising of resident rights, conflicts in housing provision and financial arrangement between Central and local government, the sale and transfer of public housing stocks, the establishment of the mass and active resident organizations within public housing sector including the advocacy of Government’s housing policy and statutory
11.4. In the United States, resident management movement started from 1971. Similar to UK, public housing residents were dissatisfied with the management performance and maintenance quality of the Public Housing Authorities (PHA). There were concerns on the problems such as lack of education opportunity, drug-abuse, crimes and security issue, poverty occurred in their housing estates. Residents of public housing estates located in Boston and St. Louis had initiated their pioneer project, establishing Resident Management Corporation (RMC) to tackle these management and community problems.

With subsequent National Tenant Management Demonstration Project, the RMC experience in Boston and St. Louis has thus facilitated the resident of public housing estates elsewhere in US to form their own RMC. In 1975, the US Department of Housing and Urban Development has also given full support to the formation of RMC in public housing estates. The HUD has decided forming RMC as the Department’s priority task in improving the public housing environment. Residents have equal opportunity to participate in RMC. They have the rights to make decision on the estate’s management and maintenance, set rent amounts, collect rents, manage tenancy and monitor the vacated flats as well as develop community economy. RMC is an independent corporation with the support of the employed housing professionals and related staff. (ICF Incorporated, 1992)

11.5. Condominium becomes the main form of housing in US from 1970s. This form of housing involves individual ownership of their flat units and collective ownership of the common parts within the building blocks. The statutory provisions of condominium does require all flat ownership to establish owner organizations like Corporation to take up the responsibility in managing the common parts of the buildings.

11.6. The private housing sector of Canada is dominated by condominium housing. Canada government changed its role as the producer of public rental housing and through the Assisted Home Ownership subsidized its citizens for home purchase. Owners of condominium established their Condominium Corporations to carry out the management responsibility. It was found that condominium housing tends to employ professional management agent to implement the daily management service. Only a small numbers of condominium adopted the self-managed model with a high degree of flat owners involvement.

**Hong Kong Situation**
12.1. Indeed, it is appropriate to say that the resident participation was started from the public housing sector and the main participants were the tenants of the Public Rental Housing (PRH) estates and the residents who were encountered the rehousing issues. Tenant participation in private housing sector was rare.

12.2. The rising living standard and the demand for better living environment of the public housing residents have challenged the old and decayed public housing
facilities and poor services as well as the bureaucratic management of the responsible housing authority. Apart from opposing rent increase, public housing residents at times complained the management and maintenance services provided by the Housing Department.

12.3. Resident participation in PRH in the past decades was ad-hoc basis, interest-oriented, loosened and un-organized. With the establishment of City and New Territories District Office in the late 1969 and the implementation of Mutual Aid Committee scheme (MAC) since 1973, apart from private building, the PRH estates residents have formed its own MACs. MAC is a self-help resident organization of the building blocks organized and sponsored by the District Office. MAC leaders are elected by residents who live in the area or building blocks. The main functions of MAC were to act as the bridge for communication between government and people, to support government’s community campaigns on cleaning Hong Kong, fight crime or fire prevention, and other government’s publicity activities, to provide social and recreational programs, to concern the neighbourhood or community living environment.

12.4. Except the private buildings, the residents of public housing also got involved in the formation of MAC in their own estates. As Housing Department was unsure the advantages of the MAC establishment in PRH estates and the possibility of conflicts exist in estate management between MACs and HD, the government was reluctant to see MACs to be a highly independent organizations with strong representation among the residents. MAC was finally proved as a good consultative mechanism and a positive supplementary organization for the estates under the management of the Housing Department.

12.5. Regarding the resident participation in housing affairs, only occasional consultation papers on housing policy and development were published by the government for public consultation. The Hong Kong Housing Authority, without resident representation and low administrative transparency, is an important statutory body which are responsible for the planning, development and implementation of public housing policy and the members were appointed by the Chief Executive. Usually only those community leaders and professional elites were appointed. No opportunity was provided for resident to take part in the decision-making of the housing affairs. MAC has become the primarily block-based resident organization and recognized as the formal representative involving in providing feedback on management and maintenance of the housing blocks in PRH estates.

12.6. The opening up of the Hong Kong political system since 1981, the District Administration did facilitate the existence of the election democracy in district level. A number of elected District Board Members were the previous or existing leaders of the MACs. MACs have become an important political platform and its status has been furthur recognized by the concerned government departments. Officials of Housing Department would attend the District Board meeting to deal with the agenda items related to public housing issues. Even so, they also held regular meeting with Area Committees within the district and informal meetings with MACs within the estates.
12.7. Afterward, a bi-monthly formal meeting with the Estate’s Joint MACs Meeting has been scheduled. In this meeting, issues related to the estate management were raised and discussed. Participants were given the opportunity to express their views or opinion on the estate management. In the meantime, the manager of the Housing Department reported the new development or up-dated information about HKHA and the Housing Department or its own estate and consulted the participants regarding the maintenance, hawker and driving vehicle management, and the service performance of the contract or PMA staff.

12.8. In response to the demand for public accountability, a new mechanism, Estate management Advisory Committee (EMAC), was launched. By replacing the existing Joint MACs Meeting, this mechanism was trying to formalize the resident involvement in the estate management. It was firstly run as a pilot project in 8 PRH estates and then extended to all PRH estates from 1996.

12.9. The Housing Authority (HA) implemented the Home Ownership Scheme (HOS) in 1976. A total of 302,700 HOS flat were sold out. Unlike the tenants of PRH estates, the owner-occupiers of HOS flats have the responsibility in managing the court’s common parts outlined in the Deed of Mutual Covenant (DMC) and Crown Lease (CL). It also required the owner-occupiers to set up their own organization: Owners Corporation (OC) in order to carry out the management responsibility. However, the response of flat owners was generally not enthusiastic and positive.

12.10. Lack of knowledge and skills about OC formation and operation, fear of bearing legal liability, reluctance of owners to contribute personal time and effort, no urgent management issues needed to be addressed and the willingness of HD to continue providing management service are the reasons of the HOS flat owners unenthusiastic response in OC formation. They would prefer to set up other forms of owner organizations like MAC or Owners Committee to continue their involvement in estate management.

12.11. Starting from 1987, HA employed Private Management Agents (PMA) in HOS estate management and extended to all new HOS estates in 1989. HD on behalf of the flat owners has taken up the supervision duty. (HKHA, 1999:33) HOS flat owners were still not the key players in estate management. The PMA has become the up-rising players and began to replace HD for the routine management works while HD maintained the decision making power of the overall estate management matters. The owner-occupiers were still inactive at that stage.

12.12. The Departmental reforms in recent years, such as Private Sector Involvement (PSI), the Property Management Agents (PMAs) Scheme and Management Buy Out (MBO) has further strengthened PMAs’ roles in HOS and PRH estates management. Furthermore, a policy endorsed by the HA in 1999 to speed up the OC formation in all pre-phrase 18A HOS estates. (HKHA, 1999) and the amendment of relevant provision in the Government Lease which required HOS flat owners to form OC within one year and to take up the estate management responsibilities all contribute to expedite the formation of owners’ corporations.
Legal Aspect of Owners’ Corporation in Building Management

13.1. Deeds of Mutual Covenant (DMC) specify the rights and responsibility of the collective ownership for the common parts of the building blocks.

13.2. However, DMC did demonstrate its inadequacy and problems. The terms or the clauses of some DMCs were deliberately vague. The real estate developers tended to incorporate their own interest or favourable clauses into the DMC as DMC were drafted by the developers. In some cases, DMC had granted the permanent rights to the estate developers in managing their estates or building blocks. The developers could employ its own management team or assign the management responsibility to its own subsidiary management agent without any tendering. The management status of the developers could not be challenged even flat owners are dissatisfied with their services. Likewise, some plots of land within the estates prescribed in DMC belonged to the developers and flat owners had no right to intervene.

13.3. Multi-storeys Buildings (Owners Incorporation) Ordinance (Cap. 344)

Multi-storeys Buildings (Owners Incorporation) Ordinance, also known as Chapter 344 Ordinance, was adopted in 1970. It provided a legal framework for the flat owners to establish their own organization, usually the Owners’ Incorporation to manage their building blocks.

13.4. Faced with much criticism, several new clauses had been inserted in trying to address the problems generated from the Ordinance related to the building management. The title was also renamed to Building Management Ordinance 1993 (BMO). The revision included the release of some restrictions and simplify the procedure in forming Owners’ Corporation; provided allowance to the respect the key office bearers (Chairman, Secretary and Treasurer); amended the work procedure and developed an operational guideline for building management as well as the facilitation of more tenants involvement in management affairs. More importantly, Clause IIA was deleted from the Ordinance.

13.5. Based on the 1993 BMO, amendment has been conducted. Building Management (Amendment) Ordinance 2000 was enacted on June 27, 2000. HAB, 2002a) The new Ordinance contained the restrictions for the formation of OC has furthur been relaxed and making the OC formation easier for the owners. It added the requirement on employing qualified accountants in OC account audit; and revised and re-issued Code and Practice on Building Management and Maintenance (HAB, 2002b) plus a new clause on the implementation mandatory employment of professional management agents to take up the management for those buildings with serious management and maintenance defects.

13.6. Regarding the formation of OC, with 5% of the shares, owners can convene an owner meeting and with 30% of the shares to pass the resolution to set up the OC. In addition, if having the approval form the Lands Tribunal, an owner meeting for the establishment of OC can be convened with only 10% of shares.
Management of HOS and TPS
14.1. Home Ownership Scheme: After the introduction of the public housing sales scheme (Home Ownership Scheme, HOS) in 1976, Housing Department staff provided management services to owners. In 1986 a pilot scheme to contract out property management services of two HOS estates to property management agents (PMAs) started. From 1989 onwards, property management agents were appointed by the Housing Department to carry out management functions of all newly-completed HOS estates while Housing Department charged the owners to render supervision services on the work of PMAs.

14.2. Tenant Purchase Scheme: Property Management Unit of Housing Department was assigned to provide management services for the first two years. PMU has adopted a new management approach to manage these TPS sale estates which modeled from the private management companies. At the same time, PMU staff has assisted the flat owners to form Owners’ Corporations (OC). Once the OC was established in the estates, owners could determine whether they wanted PMU to continue the management or employed a private management agency to take up the management responsibility. Owners’ corporations of TPS estates are free to choose between private management agents or Housing Department staff to continue the management services.

Concepts and theories of Owner-occupiers’ Involvement
15. Owner-occupiers’ involvement can be defined as “a two-way process involving sharing of information and ideas, where owners are able to influence decisions and take part in what is happening.” It exhibits two dimensions of the course of action: the right to gain access to information and the right to participate in decision-making.

16. The classical “Ladder of Participation” theory derived by Arnstein has always been used by the scholars and housing practitioners to illustrate resident involvement and tenant participation. The level of participation as a ladder runs from bottom to the top: manipulation, therapy, informing, placation, partnership, delegation of power and citizen control. The top-down level of participation may not necessarily induce the degree of power to be acquired. As scholars commented that at the bottom of the ladder it may not imply loss of power. It can be elaborated as the opportunities for residents to get involved at a level appropriate to their needs and wishes. It could also be argued that partnership or delegation of power may means a placate or manipulation on those active resident leaders.

17. Cairncross, Clapham and Goodlad (1997), based on three components: structure (methods), process and objectives, had developed a framework to analyse resident participation.

18. They have derived a 3 Models of Local Authority Roles in resident participation: Traditionalism, Consumerism and Citizenship. Traditional Model is built on the ideology of representative democracy and professionalism. The local authority is playing the paternalistic and authoritarian role in interacting with tenants. Focus will be placed on the general issues and the needs of tenants. While the
Consumerist Model focuses on the issues of the individual tenants with emphasis on right of ‘choice’ and tenant is acting as a consumer instead of an easy-going dweller. The Citizenship Model is built on the combination of the ideology of consumerism and citizenship.

20. Wekerie and his Canadian fellows made use of Pateman’s framework which analyses the workers participation in the workplace and constructed a framework of resident involvement in management. Three types of resident involvement in the management of condominium housing are identified: (i) professional management company; (ii) partnership management; and (iii) resident management.

21. Construction of new theoretical framework
It is the intent of the researcher in trying to develop a new theoretical framework for the analysis of the Owner-occupiers’ involvement in management. A 3C perspective is proposed for initial discussion. The 3C Perspectives: Control, Check and Balance and Co-produce.

Policy and departmental practice on Owners’ Corporations
22. It is clear that Home Affairs Department (HAD), though holding the sole responsibility and significant role in developing OCs and providing constant supports, refused to directly intervene in the OC formation process no matter residents were capable to organizes themselves or not. HAD will only perform the observer role rather than an organizer role when getting involved in the OC formation process. Compared with the expectation of the residents, the work of HAD was quite limited in the process of OC establishment.

23. Home Affairs Department respondent remarked at it was the responsibility for the Housing Department staff to be more proactive to assist HOC / TPS owners in the formation process of OC. The division of labour between HAD and HD staff on private and public buildings resident affairs was clear: it should be the HD and not the HAD to take the main responsibility in assisting owners to form OCs. Lack of manpower in HAD was also cited as a reason for HAD not to offer help.

24. PMU officers introduced the scheme of TPS and its management arrangement. As it was the departmental policy that it required PMU to take up the first two years management service for TPS estates. After that OCs have to look for private management agency to provide management service.

25. PMU respondents were not satisfied with the performance of HAD staff for the matter of the formation of TPS OCs. They criticized that HAD staff only performed an observer role and were reluctant to give opinions or comments in regard to the ways in addressing the problems encountered by owners in the formation process.

Findings
26. It was found from the study that the existing OC members of the public sale estates were also the previous core and active members of the MACs or EMACs within their estates. EMACs, a HD run advisory organization in estate management similar as the shadow of the future OCs did absorb the MACs leaders
to get involved in the estate management affairs. Apparently MACs and EMACs had served as a good training ground for these OC members in enriching their experience in the involvement in estate management.

27. The change of the public housing policies coupled with the management reform of HA did enhance their commitment in assisting owner-occupiers of the public sale estates to form their own OCs. With the concrete assistance from the HD staff, owners successfully established their OCs.

28. The management contract has already stipulated that PMA should assist owners to form their OC within a particular time frame and if PMA failed to do this, it is likely to affect their chance of receiving another new management contract from the HA. In addition, an incentive payment in form of a cash bonus of $50 per unit was also given to the PMAs to pay for the expenses incurred in the OC formation.

29. HA had endorsed a series of disincentive and incentive measure (the ‘stick and carrots’ approach) to expedite owners to form OCs. These measures composed of both facilitating and threatening elements.

30. The OC leaders regarded their involvement a positive step to user satisfaction in property management services. They observed that their statuses and power were increased. They also gained support of the enthusiastic fellow owners. Through participation in OC, they knew more about the problems and priority of the estate management and maintenance. Having a full control over the estate’s management resources, they had achieved some substantial improvement in the estate’s environment.

31. The PMA managers interviewed by the researcher affirmed that the owner-occupiers involvement in managing public sale estates through the setting up of OC had generated the positive consequence to enhance the quality of property management.

32. Helping OCs to get involved in managing public estates was often seen by property management agents as a way to make the owners happy and satisfied. The management agents were less concerned with the results of OCs involvement in terms of service quality. In other words, if owners’ involvement will co-produce better management services, it is more than ideal. If their involvement does not produce good results, as long as OCs bear the responsibility, management agents would be happy to assist the owners. Involving owners in managing public estates is therefore seen as a means to the desirable ends (either it is for the co-production of better services or for a more satisfied owners’ organization). Management agents perceived that helping owners to get involved in managing the estates and to meet owners’ expectations have become their job duty and their ‘rice-bowl’ concern (to seek continuation and renewal of management contract for the survival of company).
Limitations of this exploratory study

33. The study is classified as an exploratory one, the findings therefore should only be used as some pointers for future more in-depth research. Owners and property management staff representatives from four TPS estates and six HOS estates were the targets of our interview.

34. There were a total of 18 estates categorised as TPS estates in the first three phases (1998, 1999 and 2000). In each TPS phase, there were six estates. The researcher has successfully completed three interviews with three TPS OC representatives (the original plan was to interview four but one declined to be interviewed) and four representatives from PMU / PMAs.

35. In June 2001, there were 122 HOS estates. They were further divided into two groups. The first group were 93 HOS estates affected by the mid 1999 policy on expediting the formation of OC in all pre-Phase 18A Home Ownership Scheme estates. The researcher has selected three HOS estates completed in 1978 (among the first few HOS estates), 1986 and 1987 respectively and conducted interviews with their OC and PMA representatives. In these HOS estates, Owners’ Corporations were only formed in 2000 and 2001, that is, formed after HKHA has implemented its policy on expediting the formation of OC in all pre-Phase 18A Home Ownership Scheme estates. Through the interviews, the researcher intended to explore factors facilitating their OC formation and to understand why owners’ corporations were not formed earlier. The second group were 29 HOS estates. In these estates, owners corporations were formed irrespective of that policy. Among these, there was the first HOS estate owners’ corporation (in Yat Nga Court, completed in 1991) formed in December 1993. These six choices are located in urban (Hong Kong Island and Kowloon) and in the New Territories.

36. The study did not include interview with owners in HOS estates which are yet to form owners’ corporations. This in effect will affect the findings which are unable to shed light on understanding those who hold strong views on taking on the role of office-bearers of Owners’ Corporation.
Issues identified for future studies

37. Through the study of owner-occupiers involvement in managing public sale estates, a number of issues were identified and deserved attention in future studies relating to owners’ corporations. They are listed below:

- To examine why many Owners’ Corporations were formed in public sales estates after 1999 within a short time span? Are they attributable to the disincentive and incentive (‘stick and carrots’) policy of the Housing Authority in expediting owners to form owners’ corporations in public sales estates? Are there other more significant factors?
- To contrast the policy and practices of the Housing Authority with those of the Home Affairs Department regarding assistance given to owners in the process of forming owners’ corporation.
- To appraise the 3C Perspectives (Control, Check and Balance and Co-production) of owners involvement in managing housing estates through Owners’ Corporations. To find out the facilitating and discouraging elements for Owners’ Corporations to perform these three Cs functions.
- To assess the training needs of the leaders of Owners’ Corporations in order to provide relevant training programme to help them to fulfil their responsibility in managing the buildings.
- To compare and contrast the legal, policy and institutional arrangements in facilitating owners’ involvement in managing their own properties adopted in Hong Kong with those used in overseas countries.
- To find out if tenants’ views are given a fair hearing in the deliberations of Owners’ Corporations. To examine if government has allocated any resources to encourage tenants’ participation in public or private sales estates.
2. Introduction

The trend of world democracy and the rise of consumerism have raised people’s awareness in their own rights and motivated them to actively get involved in the affairs that affect their lives. Customers’ rights and user satisfaction are the key facilitating elements for people to seek the improvement of the service provisions and request a better quality of service. User satisfaction also becomes the catalyst to activate the management changes in both public and private institutions.

In the public housing sector, the position of tenants is insignificant in terms of status and power in the housing institution. They are entitled for public housing because of their eligible personal background. They are the beneficiaries of the public service benefits. In the eyes of the housing authority, tenants deserve no more rights and benefits as they are enjoying a better accommodation as compared with other homelessness. Since 1960s, democracy and consumerism had been taken root in public housing spheres. Tenants have learned to seek for their tenant rights and tried to gain control measures or policies proclaimed by housing authority which affect their enjoyment of a decent living environment.

The change of public housing policy has created a new class of residents whose housing tenure has been changed to owner-occupiers. The public housing owners’ positions are similar to other owners of private housing. Their properties are protected by the Property Law and their rights and entitlements are already enshrined in the deed and lease agreements. With the new development in the real estate construction, the change of land planning, the need for accommodating more people has fostered the emergence of “condominium housing”. However, there are broader debates on owners’ involvement in the management of high-rise building blocks as there are complications in management and maintenance of common areas.

The home ownership rate in Hong Kong has reached 52%. High-density living is a common phenomenon in Hong Kong and families are typically housed in high-rise buildings of 20 to 38 storeys. The need for proper management and maintenance is obvious. Since 1970, the Hong Kong Government introduced the Ordinance in building management (Chapter 344) to provide a legal framework and to facilitate the formation of a resident self-managed organization, owners’ corporation, to manage their own buildings. In addition, the authority to manage a building is mainly derived from the Deed of Mutual Covenant (DMC), which is a legal document with binding effect on all signatories, assignees and successors. The objective of a DMC is to set out clear rules for the owners, residents, tenants and property management agents as regards the use of common facilities and private areas of the building concerned as well as the formation of an owners’ corporation to make all parties understand their rights and responsibilities.

An owners’ corporation or a property management agent authorised by the DMC is responsible for the control, management and general administration of the building as stated in the DMC. Yet, owner-occupiers have shown little interest in managing their properties.

Property management has existed for over 30 years, until the past two decades, it had finally been recognized as a young profession and a new academic area in Hong Kong.
The earliest and largest private housing estate, which had property management, was Mei Foo Sun Chuen in Hong Kong. Yet, it was the public housing sector drawing the property management concept and experience from Britain, started the property management service in its public rental housing estates in 1970s.

Large private housing estates like Chi Fu Fa Yuen, Tai Koo Shing, and City One Shatin have been under professional property management. Following with the property boom from 1970s to mid 1990s, property management in private sector had experienced rapid development. Both public housing and private housing had launched their large scale real estate development projects.

Housed over one half of the Hong Kong population, public housing has been playing an important role to provide the decent housings for its fellow citizens. Research study on the management of public rental housing was almost non-existed in the past few decades. In recent years, the management reform of Housing Department has further turned on the reform engine to other policy venues and administrative mechanisms. Customer care is one of the prime business plans of Housing Department. Public housing residents and applicants are treated as customers rather than as tenants. Tenant participation has been transformed from informal base to a formal mechanism. Estate Management Advisory Committees (EMAC) have been established in all public rental housing estates in 1995. The enlargement of public sale estates through Tenant Purchase Scheme (TPS) has made more tenants of the public rental housing and applicants of the Home Ownership Scheme to become homeowners. At the same time, these new owner-occupiers, under the Deed of Mutual Covenant, have to take up their responsibility to manage the common parts of their estates by forming Owners’ Corporations. Moreover, property management services for the majority of the existing HOS estates and all new intake HOS estates and PRH estates were contracted out to the Property Management Agents (PMAs). The occurrence of these incidents have further enhanced “tenant participation” and “owner participation” in the public housing estates.

This study tried to trace the similarities and difference of Owners’ Corporations and other resident organizations in terms of owner-occupiers' involvement in property management in public sales estates. Facilitating and discouraging elements for owner-occupiers forming Owners' Corporations will be identified. Views of property management staff and owner-occupiers regarding owners involvement in estate management will also be studied.
3. Methodology

As a new research area, the researcher adopted a multi-faceted approach employing multiple methods for the collection of research materials. In-depth interview was the primary method of the study, other methods like visiting relevant government departments & officials, reviewing electronic & printed documents and participant observations were also employed in order to have an up-dated and comprehensive understanding of the issues.

Documentary review on (a) residents/owners participation in housing management, (b) the establishment and development of the Owners’ Corporations and (c) relevant public housing policies particularly on the home ownership and property management sector in both printed & electronic form have been conducted.

Interviews were conducted with the selected Owners’ Corporations (OC) of the Tenant Purchase Scheme (TPS) and Home Ownership Scheme (HOS) Estates, the Housing Managers of the Property Management Unit (PMU) of the Housing Department (HD) who were responsible for the management of the TPS Estates and the managers of Property Management Agents (PMAs) which were responsible for the management of the TPS Estates as well as the HOS Estates. 18 face-to-face qualitative in-depth interviews were completed: 8 OCs; 8 PMAs and 2 PMU/HD Housing Managers. One OC of the selected TPS estates and one OC of the selected HOS estates declined our request for interview. The interview were mainly completed in the summer months of 2001. Details on the selection of interview samples are listed in Appendix 4.1.

In keeping up the development of owner’s participation in public housing estates, the researcher arranged two visits: the Property Management Unit (PMU) of the Hong Kong Housing Department (HD) and Building Management Resource Centre (BMRC) (Hong Kong Island) of the Home Affairs Department (HAD), for further data collection.
4. Literature Review on Owner’s Involvement

Introduction
In the old day, single detached house was the principal form of privately owner-occupied dwelling. Owner-occupiers did not have to concern about the issue of “housing management”. They only needed to have a proper management of their own houses. There were no such clearly defined common areas or common elements within their neighboring area and no legal responsibility was set to the house owners for its upkeep and maintenance.

As the form of dwellings has been changing from single detached, semi-detached house and terraced dwellings to the low density and low-rise building blocks, and finally to high density and high-rise purpose-built blocks of flats, the concern of management was generated and the disputes arisen from management and maintenance have been increased. Industrialization, urbanization, migration and the increase of the population as well as the need for accommodation and alleviation of urban problems have contributed to the rapid development of high-density blocks of flats, particularly the condominium housing, in urban areas over the world.

In many countries, providing accommodation for its citizens becomes an important national policy in order to eradicate the problem of homelessness. Many countries have been responsible for the construction of public housing and rented it to their citizens. Thus, the low income and the poor are entitled to have a basic shelters provided by the government. Yet, the bureaucratic and poor management of the public housing did cultivate tenant’s dissatisfactions and request for change.

In the 1960s and 1970s, political democracy, civil rights movement have been further consolidating the citizen rights and the right of participation in the affairs which affect the live of the people. Public housing tenants or residents become the pioneers to get involve in the housing management.

Housing privatization in many countries coupled with the affordability to buy due to the growth of personal wealth and the desire to own a home have facilitated the development of home ownership. As legally defined private realm, person who owns his/her house is having absolute right and disposal of their own property. As a homeowner, he/she is entitled to have more say on the issue related to their property. Yet, flat or condominium form of ownership, owners not only entitle the legal ownership of their purchased individual units, they also entitle to have a share of the common areas (entrance areas, hallway, external walls) and facilities (lifts, piping, water pumps, anti-fire equipments) within the building blocks. It thus creates the issue for the owners in bearing the legal obligation and responsibility of managing this common element. Thus, owners involvement in managing common elements seemed cannot be avoided.

Hong Kong, due to the scarcity of land and large population, tends to high-density and high-rise building blocks development is inevitable. It can be said that the form of home ownership in Hong Kong is a “condominium ownership”. Though, providing rental public housing is still the on-going and primary objective of the Government housing policy, promoting home ownership becomes the alternative strategy to disengage the government responsibility in housing provision. Statistics showed that
the home ownership rate was only 28 per cent in 1980 and under Government various schemes on promoting the purchase of public housing units and loan schemes, it has been climbing to nearly 50 per cent in 2001.

The increase rate of home ownership is a result of both the “Home Ownership Scheme” (HOS) and “Tenant Purchase Scheme” (TPS). Issues in estate management and the disputes among the owners and the private management agents, owner-occupiers and tenants as well as among the owners have aroused interest among housing researchers and policy makers.

Indeed, there is apparent relationship between ownership and management. To accurately describe, it is a triangular relationship of ownership, management and owners participation. The following sections will address the issue of home ownership with reference to the forms of ownership and the leasehold system. It further explores the responsibility of the owner-occupiers in common elements of their building blocks and its management arrangement. Reference of resident involvement in other countries will be introduced.

**Home Ownership**

**Tenure**

In discussing the form of home ownership, it firstly has to start from the clarification of the concept of “tenure”. Tenure, as Cole and Robinson define, “is a condition, or form of right or title under which property is held.” (2000, p.599) Two forms of housing tenure have been established under the English Common Law: freehold and leasehold. “Freehold” refers to absolute possession of the property including the right of using air space over the land and perpetual ownership of ground land where the housing block is sit. Freeholders are as similar as the government, big landlords or real estate developers. “Leasehold” is a fixed period contractual arrangement (usually granted for 99 or 125 years) in which a property is transferred by a freeholder to a tenant (Cole and Robinson, 2000, p.599) For example, individual homeowner who purchases his/her dwelling from the real estate developers is called a leaseholder. All land in Hong Kong is Crown / Government Land and belongs to the Government. The real estate developers purchased the land plus granting 99 years of leasehold for flats construction from the Government. Blocks of flats are built on the sold land and sold to the people. Indeed, the flat owners are actually the leaseholder of the land where their blocks of flats sit.

The boom of privately owned blocks of flats in UK has further posed more management problems under the weakening leasehold system. The dual entitlement as the flat owners and leaseholders plus the unfair leasehold clauses and deeds of condition, owner-occupiers are always exploited by their freeholders (landlords) like over-charging the maintenance and repairs, abuse of management fund, provide low quality of management services. (Cole and Robinson, 2000; Dixon and Pottinger, 1997; Wekerie et al., 1980) Freeholders, under the property law, as the absolute possessors of the common parts of the building, are responsible for providing management and maintenance services to the common parts of the building blocks and the all related charges are borne by all flat owners without any consent or consultation.
Furthermore, the leasehold system of flat ownership via the clauses of Deed enshrined the statutory requirement to the flat owners on the obligations and responsibilities for the management and maintenance of the common elements of a residential block of flats. It has finally forced the flat owners to get involve and organize their collective power to fight for their own rights.

**Forms of Tenure**

It is known that owning and renting are the two simple classifications of tenure forms. Person who entitles ownership rights over his/her flat has the unrestricted possession and disposal rights while person who seeks the right of possession through renting the flat from the homeowner does not have the right of disposal over that property. In short, the apparent difference of these two forms of tenure is whether one can entitle the right of disposal over the property.

Within the home owning tenure, there may be individualised home ownership that can be distinguished from condominium and collective forms. An individualised home owning unit can be bought and sold individually, this applies to cases of freehold house owners. An owner of individual unit within condominium housing or within the collective housing sector has a different ownership rights.

Cooperative home ownership is a kind of collective form in which rights of disposal are held in common ownership. No individual except the collective has the right of disposal of the collective home ownership. In the cooperative home ownership, all the blocks of flats are owned by the cooperative. All occupants should be the members of the cooperative and they lease their flats from the cooperative. Occupants could only sell their flats back to the cooperative through the cancellation of their own membership.

The condominium, also known as common interest developments ownership encompasses two basic components. Firstly, it involves individual and common ownership within the building block of flats. Individual owns each flat unit and those undivided and uncompartmentalised areas and facilities of the building blocks belong to common area and common facilities. Secondly, some statutorily administrative mechanisms like owners’ corporations needed to be established in order to facilitate the flat owners taking management responsibility to the common elements of the building blocks.

Condominium has becomes the most popular form of housing development around the world. It has been rapidly grown in Canada, UK, US, France, Sweden, South Africa, and Hong Kong from the 1970s to 1990s. (Wekerie et al., 1980; Cole and Robinson, 2000) The trend of large-scale high-density high-rise condominium development has occurred and overwhelmingly dominated the owner occupation sector.

The above discussion apparently showed that the ownership, management responsibility and the owners involvement did create a triangular relationship and induce mutual affection. Compared with the rental housing and single detached dwellings, the privately owned building blocks of flats (cooperative or condominium) do require owner-occupiers’ involvement in managing their own properties.
4.1. Overseas and local experience of Owners Involvement in Housing Management

Housing management was the less important agenda in the past few decades. Before 1990s, the main objective of housing policy in public sector was to construct as many housing units as possible to accommodate those needy while the private real estate developers were free to develop its own housing stocks or projects based on the demand and supply rule and the profitability of the market.

Regarding the discussion and debate on “owner-occupiers participation” in housing management, it is apparent to demonstrate that only a few studies, literatures, books and journals covered this topic as compared with the enormous publications and researches on “tenant participation or resident involvement”. It may be due to the reason that “owners involvement” is still a fresh agenda in housing studies. Therefore, not much attention has been given to this area by the academics. Academics who teach housing study, social policy and public administration would rather put their interests on privatization, deregulation, decentralization, financial arrangement, costing, operational efficiency and effectiveness of housing than this slim and non-attractive “owner-occupiers’ participation” discourse.

In the early day, national housing policy was simply a dual nature of housing: public and private housing. The planning, construction and development of public housing was the main objective in the state’s housing policy. On the other hand, private developers were free to develop their private housing in the free private market based on their market assessment of housing demand and supply. With public revenue the government built the public housing to accommodate the low income and the poor who have the housing needs and cannot afford private sector dwellings. For the rest who are financially affordable will purchase or rent their accommodations from the private market.

The change in the political, economic and social environment has impact on housing policy. On the one hand, the regional and global economic downturns have deterred the rise of parliamentary democracy and the advocacy of universal welfare policy in many countries. On the other hand, free-market advocates criticized the public housing oriented housing policy could not be sustained. Some suggested to re-engine the state housing policy by making use of the private market. Home ownership was one of the demonstrations by using the private market products. It not only raised the people’s need for home purchasing but also lessened the Government long-term commitment in providing subsidy to tenants of public rental housing. The development of privatization in recent decades further makes the distinction of public and private sector housing blurred.

In the early decades, the policy focus of Government’s public housing was on the mass production of rental units in order to satisfy the citizen housing needs. And now, the agenda has been moved to the issue of admission criteria of public housing; the entitlement of public housing subsidy; the concern of public spending on housing and its subsequent issues on the levels of rent for rental flats. And yet, building management was not the main policy concern in public housing sector.

More critiques on the deficiencies of public housing generated from the long-standing
administrative bureaucratization and the recent development of private sector participation in public housing provision (production and management) have re-addressed the concern of “resident/tenant choice” and “tenant rights” in public housing sector. Without the above-mentioned factors, resident/tenant participation would never become a policy concern.

With long historical development of public housing, western countries like UK and US, did contain rich experience on tenant participation in housing affairs. It was obviously noted that academics of Europe and North America are more concerned with the issue of tenant participation in public housing than owners’ involvement in managing private housing. It may due to the reasons that concerns will apparently focus on public housing tenants than private housing in term of the numbers of occupants and problems existed. The management issues of private housing generally receive less attention as these are normally seen as falling within the private domain.

Overseas and local experience of resident participation

The movement of resident participation in housing affairs was originated from the resident’s dissatisfaction on the problems and deficiencies of public housing management. Poor management, low efficiency and effectiveness of maintenance and repairs services, decayed and non-renewal facilities, unpromising and indefinite schedule renovation of those ageing building blocks and flats, the increase of rent and management fee, lack of participation, low transparency and bureaucratic administration of the housing department, etc. (Cooper and Hawtin, 1998, 1997; Cairncross, et al, 1997; ICP Incorporated, 1992). Coupled with the social movement, and civil rights campaigns, thus enhanced the resident participation in housing affairs.

**United Kingdom**

The UK public housing residents does have a long history and reputation in participating home affairs. The movement originated from the social movement, union movement, political reform, the awareness-raising of resident rights, conflicts in housing provision and financial arrangement between Central and local governments, the sale and transfer of public housing stocks, the establishment of the mass and active resident organizations within public housing sector\(^1\) including the advocacy of Government’s housing policy and statutory support\(^2\) plus funding backup\(^3\). The professional housing organization like the Chartered Institute of Housing (CIH) has also played an advocacy role in resident involvement. (Chartered Institute of Housing, 1994, 2001). With the “Right To Buy” public housing policy, a growing numbers of owner-occupiers does exist in Social / Council Housing. They have also joined with the majority public housing tenants to participate in the housing management. (Kearns, 1994).

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\(^1\) Housing Associations/Registered Social Landlords, Estate Management Boards, Housing Co-operatives, Tenant Management Organizations (TMO), Local Housing Companies.


\(^3\) Housing Corporation’s Funding and Grants; Housing Association Grants-HAG, Social Housing Grants-SHG, Housing Management Training Grants; Housing Action Trusts
The scopes and areas of resident participation in housing affairs are very broad. They are not just confirming their participation on their building blocks but also cover the area of whole community. Their participation includes the management and maintenance of the estates, the construction of new estates or building blocks, the transfer of their estates from the Local Authorities governments to their formed registered resident organizations, (Zitron, 1997, CIH, 1999) approved budget and decision making on funds allocation, monitor and control tenancy and applications, setting rent and management fee, collection of rents, forming community organizations, establishing community facilities and providing community services. It even touches on the macro level of the community building. Organizations set up for resident participation are multi-dimensions and facets with the statutory footing and funding support. The Housing Corporation, a statutory organization, gives funding and advice for the operation of these resident organizations. (Cooper and Hawtin, 1998; Cope, 1999)

Organizations set up for resident participation, likes Housing Associations are registered a charity body or non-profit making organization. They have to get the registration from Housing Corporation in order to be a “registered social landlords” (RSL) Some resident organizations registered as Industrial and Provident Society or limited companies as prescribed in the Company Law. Because of their non-profit nature, these limited companies can be operated in “limited by guarantee” or “limited by share”. Residents participated as members in these organizations with equal share and rights (voting Board members or to be elected as the directors of the Management Board). As from 1995, central government has even approved some RSLs such as Local Housing Company (LHC) to seek private corporations as their business strategies partners and using business loans for its housing development. (Zitron, 1997; Cope, 1999)

In public housing sector, it is apparently witnessed the active participation of public housing tenants and owners-occupiers in housing management. It has to be reminded that this favourable result has not come from a particular policy, it has generated from various factors like the change of housing policies, legislative protection, funding supports, active resident organizations with long history and experience of resident participation.

Regarding the private housing sector, the leasehold system determines the ownership rights of the landlords (freeholders who have the absolute possession of the building blocks and land) and flat owners (leaseholders who are only entitled to use the air space of the land-their flats where the building block is located). Under the present leasehold system, the private landlords reserve the sole privileges in managing the common parts of the building blocks and the management expenses are charged to the flat owners (leaseholders). Dissatisfactions arisen due to the poor management and over-charge of fees. In addition, the management agreement made by the landlord and flat owners will be ineffective once the building blocks are resold. The new landlords could initiate a new management contract with the flat owners or the new landlord may not be the same as the previous landlords to provide the existing management service or even not to carry out the previous agreed service with the same management charges. It has aroused a great deal of complaints and dissatisfactions among the flat owners. Conflicts between landlords and flat owners have taken places in the privately-owned building blocks. (Cole and Robinson, 2000; Dixon and Gaye,
In tackling these conflicts, the Central government has made several changes on the leasehold ordinance. Solutions include allowing flat owners to have the priority to purchase the sold building blocks through the collective buy-in by the flat owners of that building block and to establish a new organization like Flat Management Company (FMC) to replace their landlords to take care of the management and maintenance of their building blocks. (Dixon and Gaye, 1997) The flat owners participation of UK’s privately owned buildings of flats enriched the owner-occupiers involvement in future housing management.

Robertson and Rosenberry (2001) state that Britain has long had problems accommodating individual home-ownership within multi-residential property. “The leasehold reforms in the Commonhold and Leasehold Reform Bill will result in leaseholders gaining greater control over their homes, should they wish to do so, by being given the Right to Manage their building and an easier means of buying out the freehold. The commonhold, when enacted, will establish a new home-ownership system, which mirrors very closely the governance systems operating in both Australia and the United States.” (cited in Joseph Rowntree Foundation Findings, see www.jrf.org.uk/knowledge/findings/housing/061.asp).

**United States and Australia**

Resident management movement started from 1971. Similar to UK, public housing residents were dissatisfied with the management performance and maintenance quality of the Public Housing Authorities (PHA). There were problems such as lack of education opportunity, drug-abuse, crimes and security issue, poverty occurred in their housing estates. Residents of public housing estates located in Boston and St. Louis has initiated their pioneer project, establishing Resident Management Corporation (RMC) to tackle these management and community problems.

With subsequent National Tenant Management Demonstration Project, the RMC experience in Boston and St. Louis has thus facilitated the resident of public housing estates elsewhere in US to form their own RMC. In 1975, the US Department of Housing and Urban Development has also given full support to the formation of RMC in public housing estates. The HUD has decided forming RMC as the Department’s priority task in improving the public housing environment. Residents have equal opportunity to participate in RMC. They have the rights to make decision on the estate’s management and maintenance, set rent amounts, collect rents, manage tenancy and monitor the vacated flats as well as develop community economy. RMC is an independent corporation with the support of the employed housing professionals and related staff. (ICF Incorporated, 1992)

The evaluation of RMC showed that RMC could provide better estate management and maintenance services with low cost than the Public Housing Authority. In the meantime, RMC, thus helped to equip resident’s skills and knowledge in estate management, to cultivate community leaders and build up a responsible and stable

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Condominium becomes the main form of housing in US from 1970s. This form of housing involves individual ownership of their flat units and collective ownership of the common parts within the building blocks. The statutory of condominium does require all flat ownership to establish owner organization like Corporation to take up the obligations and responsibility in managing the common parts of the buildings.

Robertson and Rosenberry (2001) point out that in both Australia and the United States, “commonhold ensures an individual freehold interest in the flat as well as a defined collective interest in the common parts of the buildings. Homeowners in multi-ownership housing developments generally have a freehold interest in their individual property, plus an ownership interest in the common parts or a compulsory interest in the community association that legally owns and controls these common parts. A board composed of elected owner-directors governs the homeowners’ associations. All owners share a direct interest in the governance of the building and associated grounds. Collective control is exercised through their direct participation in the community association (the homeowners’ association).” (cited in Joseph Rowntree Foundation Findings, see www.jrf.org.uk/knowledge/findings/housing/061.asp).

Canada
The private housing sector of Canada is dominated by condominium housing. Canada’s government changed its role as the producer of public rental housing and through the Assisted Home Ownership Scheme subsidized its citizens for home purchase. Owners of condominium established their Condominium Corporations to carry out the management responsibility. It was found that condominium housing tends to employ professional management to implement the daily management service. Only a small numbers of condominium adopted the self-managed model with high flat owners involvement. (Wekerie, et al , 1980)

Hong Kong
Under an executive-led political structure (Hong Kong was a British colony before 1 July 1997) and the lack of foundation in cultivating democratic participation, people’s participation in public affairs has been neglected in the past few decades.

Yet, we have witnessed a series of social movement taken place in Hong Kong. The resident movement and the social conflict, particularly related to public housing issues during the mid-1975 to 1990s laid down a platform for the future development of resident participation in Hong Kong. (Ho, 2000; Lui and Chiu, 2000; Cheung and Louie, 1991) In addition, 1966 and 1967 Riots furthur alarmed the Hong Kong Government on people’s discontent. They started to carry out reforms to address public dissatisfaction and set up mechanism to absorb public opinion.

Indeed, it is appropriate to say that the resident participation was started from the public housing sector and the main participants were the tenants of the Public Rental Housing Estates (PRH) and the residents who were encountered the rehousing issues.
Issues took place in private housing sector was rare and resident participation was almost non-existent. Only the issue of rent increase in public housing sector had attracted residents’ concern and participation in the late 1970s. In the past decades, the urgent concern of the Hong Kong residents was to have a basic accommodation rather than the provision of a good standard of building management. (Yip and Li, 1997)

As economy continued to see growth in 1970s and 1980s, the government spent more on the construction of public housing for its citizens. About half of Hong Kong’s population are accommodated in the public housing estates built for rent or for sales. The Hong Kong Housing Department was also involved in the management of public housing estates. Hong Kong Government is not only the biggest landlord but also the biggest property management agent in the world (Walker, 2001). The rising living standards and the demand for better living have posed many challenges to those responsible for managing the old and out-dated public housing facilities. Apart from opposing rent increase, public housing residents also expressed dissatisfaction on management and maintenance services provided by the Housing Department (Fung 1993:151) At times, public housing was labeled as dwellings only for the poor and the breeding ground of social problems.

Resident participation in public rental housing in the past decades was limited and organized on an ad-hoc basis. The housing authority often ignored residents’ opinion. The awareness and sensitivity of the housing officials toward resident dissatisfactions were very low. With the establishment of City and New Territories District Office in late 1969 and the implementation of Mutual Aid Committee scheme (MAC) since 1973, apart from some private buildings, the PRH estates residents had formed its own MACs. MAC is a self-help resident organizations of the building blocks (or a locality with squatter housing) organized and sponsored by the District Office. MAC leaders are elected by the residents who live in the same area or building blocks. The main functions of MAC were to act as the bridge for communication between government and people, to support government’s community campaigns on cleaning Hong Kong, fight crime or fire prevention, and other government’s publicity activities, to provide social and recreational programs, to concern the neighbourhood or community living environment.

Except the private buildings, the residents of public housing also got involved in the formation of MAC in their own estates. As Housing Department was unsure the advantages of the MAC establishment in PRH estates and the possibility of conflicts exist in estate management between MACs and HD, the government was reluctant to see MACs to be a highly independent organizations with strong representation among the residents. They worried about a powerful MACs coalition would be formed within the public housing estates to oppose the HD. As a result, the forming of MAC in PRH estates was a bit slow. Meanwhile, the District Office also worried that MAC would become a pressure group. (Leung, 1981) After several years of experimentation, MAC was finally proved as a good consultative mechanism and a positive supplementary organization facilitating estates management of the Housing Department

It has been known that channels for residents participation in housing policy are lacking. Regarding the resident participation in housing affairs, only occasional consultation papers on housing policy and development were published by the
government for public consultation. The Hong Kong Housing Authority, without resident representation and low administrative transparency, is an important statutory body which are responsible the planning, development and implementation of public housing policy and the members were appointed by the Chief Executive of Hong Kong. Usually only those community leaders and professional elites were appointed (one PRH resident and some elected Legislative Councillors were appointed in 1992). Therefore, no opportunity was provided for resident to take part in the decision-making of the housing affairs. MAC has become the primarily estate based resident organization and recognized as the formal representative involving in providing feedback on management and maintenance of the housing blocks in PRH estates.

The opening up of the Hong Kong political system since 1981, the District Administration did facilitate the existence of the election democracy in district level. A number of elected District Board Members were the previous or existing leaders of the MACs. MACs has become an important political platform and its status has been further recognized by the concerned government departments. Officials of Housing Department would attend the District Board meeting to deal with the agenda items related to public housing issues. Even so, they also held regular meeting with Area Committees within the district and informal meetings with MACs within the estates. (Yip et al, 2002; Li and Yip, 1997, Tang, 1999 and Kam, 1996)

Afterward, a bi-monthly formal meeting with the Estate’s Joint MACs Meeting has been scheduled. (HKHA, 1999; Kam, 1996; Fung, 1993) Each MAC within the estate has the right to send its Executive Committee members attending the meeting. In this meeting, issues related to the estate management were raised and discussed. Participants were given the opportunity to express their views or opinion on the estate management. In the meantime, the manager of the Housing Department reported the new development or up-dated information about HKHA and the Housing Department or its own estate and consulted the participants regarding the maintenance, hawker and driving vehicle management, and the service performance of the contract or PMA staff.

In response to the increasing need for public accountability and the policy on Public Sector Reform, HKHA and the Housing Department had also undergone its management reform. ‘Responsiveness to the customers’ was one of the issues addressed in the reform package (Walker, 2001). A new mechanism -- Estate Management Advisory Committee (EMAC) was launched. By replacing the existing Joint MACs Meetings, this mechanism attempts to formalize tenants’ involvement in estate management. It was firstly run as a pilot project in eight PRH estates and then extended to all PRH estates from 1996. Enhancing resident participation in estate management is a key function of EMAC. The membership of EMAC is extended to include the representatives from MACs, other resident organizations based in the estate and the District Councillors. (Yip et al, 2002) EMAC has been allocated some funding resources for estate improvement works and social activities. It seems that resident participation has been enhanced. Li and Yip note that “It is also the first time the government has involved users or consumers of public service to participate in the co-production of the service, a sharing of power between officials and citizens on the delivery of service” (Li and Yip, 1997:3)
The Housing Authority (HA) implemented the Home Ownership Scheme (HOS) in 1976. It was the first public housing sale scheme targeted at the better off tenants of PRH estates and those lower-middle income households who could not afford to purchase a flat from the private housing market. By September 2001 a total of 302,700 HOS flat were sold (Hong Kong Housing Authority 2002d). Unlike the tenants of PRH estates, the owner-occupiers of HOS flats did have the responsibility in managing the estate’s common parts outlined in the Deeds of Mutual Covenant (DMC) and Crown Lease (CL). It also required the owner-occupiers to set up their own organization: Owners Corporation (OC) in order to carry out the management responsibility. However, the response of flat owners was not positive. They were not prepared for organising OC. On the other hand, HA had not compulsorily forced owners but just encouraged them to form OC. (HKHA, 1999:33) It would be useful to find out why owners from many HOS estates not willing to take up the management responsibility.

Lack of knowledge and skills about OC formation and operation, fear of bearing legal liability, reluctance of owners to contribute personal time and effort, no urgent management issues needed to be addressed and the willingness of HD to continue providing management service are the reasons of the HOS flat owners unenthusiastic response in OC formation. They would prefer to set up other forms of owner organizations like MAC or Owners Committee to continue their involvement in estate management.

Starting from 1987, HA employed Property Management Agents (PMAs) in HOS estate management and such arrangement was extended to all new HOS estates in 1989. On behalf of the flat owners Housing Department has taken up the supervision duty (HKHA, 1999:33). HOS flat owners were still not the key players in estate management. The PMA has become the main actors and began to replace HD for the routine management works while Housing Authority maintained the decision making power of the overall estate management matters, like setting the levels of management fees.

The Departmental has launched a number of reform programmes in recent years. Other than using PMAs, more services have been taken up by private contractors under schemes such as Private Sector Involvement (PSI) and Management By Out (MBO). Furthermore, HA endorsed a policy in July 1999 to speed up the OC formation in all pre-phase 18A HOS estates. (HKHA, 1999) The amendment of relevant provision in the Crown / Government Lease has required HOS flat owners to form OC within one year and to take up the estate management responsibilities. (HKHA, 1999:35) As a result, the HOS flat owners can never avoid establishing their OCs and bearing their responsibility in court management.

Despite the changes, the owner-occupiers were still inactive at prior to the adoption of the 1999 policy because owners knew that the power of management by the Housing Authority continues to come from the Lease and Deed of Mutual Covenant. The Deeds of Mutual Covenant stipulate that the HA shall manage Home Ownership Estates for at least five years for Phases 1 to 3A estates and ten years for Phases 3B to 17B estates. For HOS estates sold from Phase 18A onwards, the Government Lease stipulate that HA shall manage the estates for 12 months from the date of the Completion Certificate or until the formation of Owners’ Corporation (OC),
whichever is the earlier. HOS flat owners would be encouraged and assisted to form OCs within 12 months from building completion / intake and to take over the management of their properties eventually (Hong Kong Housing Authority, 2001b).

The implementation of a new sale scheme for the sitting tenants of the selected PRH estates: Tenant Purchase Scheme (TPS) in 1998 has made more public housing tenants to become owner-occupiers. The change in housing tenure means that the participants of TPS are no longer different from the HOS flat owners in terms of their rights to take over the management responsibility. (Lau, 2001; HKHA, 1999) Hence, more owner-occupiers are expected to become involved in managing their public housing estates.
4.2. The Development of Owners Incorporation in Hong Kong

With scarcity of land and vast population in Hong Kong, the construction of residential housing is tended to be high density and high rise development in Hong Kong. In the 1960s, majority of Hong Kong people were accommodated in rental flats located in the 3-7 storeys building blocks. Owning a dwelling was a dream for many people and only the rich could afford to purchase. Indeed, co-ownership and cooperative housing in the multi-family residential building blocks existed in the 1950-60s. These forms of housing arrangement required a contractual agreement which outlined the occupation rights and the collective responsibility for management of common parts by each flat owner.

As the size of the building blocks and the numbers of housing unit increased with frequent conveyance, it apparently created difficulties for the building management. (Yip & Forrest, 2001). Meanwhile, all land in Hong Kong belonged to the government and were called Crown/Government Land. Under the leasehold system of Hong Kong, the landlords or estate developers were only provided a land lease of 99 or 75 years by the government. Flat owners based on the lease’s terms of condition had to bear the obligations and responsibilities for the collective management of the building blocks.

Following the pace of economic growth of Hong Kong since 1970, rapid development in both the public and private housing sectors had taken place. More and more multi-ownership tenure in private building blocks had occurred. As Yip & Forrest commented that “Housing policy in the last few decades in Hong Kong has been skewed towards the promotion of home ownership.” (2001:14) In order to resolve the issue of collective management responsibility, a new contractual agreement: Deeds of Mutual Covenant (DMC), similar to Strata Title Act (Singapore and Australia), was adopted.

The Deed of Mutual Covenant (DMC) becomes effective when the covenant prepared by the real estate developer has been signed by the first flat buyers. It will have legal binding once the DMC is registered in the Land Registry and will be applicable to the rest of the buyers. DMC is a legal document governing the obligations and responsibilities of the flat owners (buyers) and exhibiting the management arrangement of the building blocks.

The practice of building management was often perceived as simple and not well organized. The normal practice was to hire a watchman and a amah to take care of the security, cleaning, repairs & maintenance, collecting and handling management fee. Building’s repairs and maintenance were done by ad-hoc arrangements.

No specific type of management was required by the Government. Flat owners could either set up their own resident organizations such as Mutual Aid Committee, Owners Liaison Committee, Resident Association, Resident Mutual-help Association or assign to other persons or agents to carry out the management responsibility.

As an alternative, large housing estate developers normally would assign the management to its subsidiary management agents or the management team directly set up by the developers as allowed in the DMC. Conflicts between flat owners and the management agents could be avoided as long as the management agents provide a
good service for the flat owners, like those in Mei Foo Sun Chuen, Tai Koo Shing, Chi Fu Fa Yuen, Telford Gardens, etc. However, for those single building blocks, to enforce the DMC, an organization has to be established by the flat owners to handle the management issues and make decisions on the related management matters. A separate legislation of ordinance to govern the establishment and its activities was necessary.

Under such circumstance, in 1970, the Multi-storey Buildings (Owners Incorporation) Ordinance (Cap. 344) was enacted by the Government. It provided a legal framework for owners to form Owners' Corporations (OCs) and to manage their own buildings. Unfortunately, the practice of self-management within the private buildings was not as successful as the Government expected. Conflicts between the flat owners and the management agents regarding the management matters were frequent. Complaints made by the flat owner were intensified particularly around the issues on increase in management fees, poor financial control, absence of or long delay in repairs and maintenance, over-protection of the developer’s interest, etc. As the conflict intensified, flat owners threatened to expel the management agent and hire a new one.

However, DMC, drafted by the real estate developers, has already laid down the special interest or protection clauses for the developers. In addition, within the clause of Multi-story Building Ordinance, there was an exempted clause in the 1970 Ordinance: Clause IIA which re-affirmed the developer’s interest particularly the permanent right to manage the building. Under IIA, flat owners could not fire the management agent even though they were strongly dissatisfied with its services. Following the same line of argument, flat owners could not oppose the increase of management fee. The dominance and the power of the management agents had greatly affected owner-occupiers involvement in managing their own estates. There was a group of educated middle class home owners who set up an organization to concern about housing affairs and to fight for the amendment of the special clauses (Lee, 1988).

The previous District Office of the City and New Territories Administration was responsible to assist the flat owners of private building to form Owners Corporation. Yet, without any pressing need, limited effort was spent on assisting owners to form OC in the private buildings. As OC is a self-reliant and self-managed independent organization, the District Office did not consider it appropriate to provide further support once the OCs had been formed. Meanwhile, District Office staff continued to play an observer role and it is therefore inappropriate for them to intervene in the affairs of the OCs. In short, OCs were expected to solve their problems by themselves and should not expect Government officers to offer help.

The Building Management Coordination Team was set up in 10 districts by the City and New Territories Administration with the backup of the housing professionals from the Housing Department. The main tasks of BMCT were to assist the residents of the selected “targeted buildings” to tackle the management and maintenance problems of their building blocks. Works done by BMCT had demonstrated that they had achieved its tasks in helping residents of private buildings in the improvement of their living environment. (Lau, 1991) The District Offices did organize training to the residents to equip them with the knowledge and skills of the works of OC.
It was observed that the inactive and apathetic mentality of flat owners together with the lack of support & the unenthusiastic response of the concerned department, thus, made the formation of OC less impressive. Only a small number of OCs were formed in the private buildings. Does it mean that private flat owners were not eager to get involved in building management?

Regarding the public housing sectors, a small proportion of estate owners benefited from the sale of public housing. In the Home Ownership Scheme (HOS) estates, owners felt no urgent need in forming OC to take up the management responsibility. Same as the private building flat owners, they would prefer to set up Mutual Aid Committees.

The implementation of District Administration alongside the elected District Boards since 1982 had facilitated the progress of citizen participation in public affairs. The subsequent elections of Urban Councillors and Regional Councillors had acted as the catalyst in turning Hong Kong citizens in the new political participation era. The first Legislative Council Election in 1991 had exerted momentum of citizen involvement to a higher level in Hong Kong.

In pursuing an open, fair and accountable government under the governorship of the previous Governor Chris Patten, government departments had undergone a series of departmental reforms in order to provide better public service to the citizens. To a certain extent, this could be seen as the fertilizer in cultivating the culture of citizen participation.

With the government’s active home ownership promotion policy, more and more Hong Kong citizens have become homeowners. By June 2001, 6,464 OCs have been formed covering 12,000 private buildings (less than 30% of 42,000 private buildings in Hong Kong). (Secretary for Home Affairs, 2001)

In 1993 the 1970 Ordinance was substantially amended and retitled as the Building Management Ordinance (BMO) and parts of the content were revamped in order to facilitate the incorporation of owners of flats and to provide owners with specific powers and responsibilities for the management of the common parts of the building blocks. The on-going incidents of the death or casualties caused by the falls of the illegal structures and the decayed structure of the private building blocks together with a series of tragedies particularly the fire accidents occurred in 1990s in the private buildings had alarmed the flat owners and the government departments. They were forced to take more initiative to address the problems of building management.

More resources were pooled and allocated to tackle the building safety issues relating to fire-prevention, repairs & maintenance and illegal structures. A Task Force was set up to review and make recommendations on the improvement of private building safety and maintenance in 1999. A proposal “Building Safety and timely maintenance” was put forward and implemented in 2001 (Planning and Lands Bureau, 2000)

To enhance flat owners’ involvement in OC, the Home Affairs Department has established three Building Management Resource Centres (BMRC) in assisting them to get involved in the management of their building blocks. (HKSAR Government,
The Building Management Ordinance was again amended in 2000. The major amendments were to lower the requirement on the numbers of owners for the formation of OCs; auditing of OC accounts, compulsory purchase of third party liability insurance and promulgating a Code of Practice on Building Management and Maintenance. A new section has been added in the Building Management (Amendment) Ordinance 2000. It stated that the Secretary for Home Affairs can grant an order to require the owners of the building blocks to hire a professional management agent if they “failed substantially to perform the duties of a corporation” or if “there is a danger to the occupiers or owners of the buildings” (Building Management (Amendment) Ordinance 2000, Section 40B). It seemed that the BMO has built in a control mechanism to address the poor performance of the OCs and offered an alternative to solve the long-standing problems.

Information extracted from HKHA Paper HA 67/2000 issued on 9 November 2000 serves as good reference: In meeting the rising aspiration for home ownership in the community, Housing Authority had provided more home ownership opportunities in the 1990s. The housing stock under Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) doubled, from 129,000 units in March 1991 to 269,000 units in March 2000.

Information from HKHA Corporate Plan 2002/03 further shows that as at 30 September 2001, the HKHA attained a home ownership rate of 37% in the public sector through various subsidized home ownership schemes, including:

- 302,700 flats under Home Ownership Scheme (HOS)/PSPS;
- 7,600 flats under Mortgage Subsidy Scheme (MSS)/Buy-or-Rent Option (BRO);
- 69,200 flats under Tenants Purchase Scheme (TPS);
- granted 46,000 loans under HPLS to applicants for purchase of flats in the private sector or the HOS secondary market;

Apart from increasing the numbers of home owners, HA has amended its DMC clauses of provision to make more HOS owner-occupiers to form OCs and to take up the management responsibility of their own estates. (HKHA, 1999) Moreover, a proactive approach in assisting the pre-phrase 18A HOS flat ownership to establish OCs was endorsed and implemented from 1999. (HKHA, 1999)

It is appropriate to conclude here that the SAR Government made many attempts to encourage flat owners in both private and public housing sectors to form OCs and shoulder the management responsibility of their own estate or building blocks. Government departments had adopted a proactive approach to assist flat owners to improve the standard of living environment, safety and management & maintenance through law amendment, enactment of new laws and administrative intervention. On top of these governmental efforts, we need to understand the views of owners and their experience in managing their estates. This study is targeted to fill this knowledge gap.
4.3. Legal Aspect of Owners’ Corporation in Building Management

In the early decades, no clear and specific ordinance governed the flat purchase of the multi-ownership properties. As all land of Hong Kong is Crown/Government Land, it means that the landlords do not have the absolute possession of the land. To legally recognize the right of the landlord in using their purchased land, a leasehold system has been applied. Under the Crown/Government Lease, it defines the duration and the rights of the leaseholders for using the “air space” of the sold land, as owner-occupiers of the building blocks. Furthermore, a contractual mutual agreement attached in the sale agreement laid down the interests, rights of occupation and the obligation for management in the shared parts for the flat owners of building blocks.

The high-density, high-rise and multi-ownership building block of flats entailed dual characteristics: individual ownership and collective responsibility. It is assumed that except the absolute possession & disposal of owners’ units, a habitable living environment shall compose of common areas & spaces, common facilities, undivided land and physical structure of the building blocks. Therefore, owners of the flats are entitled equal right to utilize the shared common parts as well as to bear the obligation and responsibility in the management and maintenance of the building’s common elements.

However, the frequent turnover of the flat ownership had created the confusion and further complicated the enforcement of management responsibility of the building blocks. A new legal document had to be made for correcting the management problems.

Deeds of Mutual Covenant (DMC)
For specifying the rights and responsibility of the collective ownership for the common parts of the building blocks, the Deeds of Mutual Covenant (DMC) has been adopted. In time of the sale of flat, the first flat purchaser will sign this covenant: the DMC prepared by the real estate developer. It would have binding effect for the subsequent buyers once the DMC is registered with the Land Registry. It means that DMC ensures the enactment of the restrictions and obligations detailed in the land lease to the subsequent purchasers. It is the most important legal document, which laid down the rights and responsibilities of the flat owners within its building blocks.

Based on the terms of Crown/Government Lease, the DMC outline the details of the usage for the units, the rights and obligations of the flat owners, the procedure to handle the repairs and maintenance, etc. Basically DMC:
1. define and elaborate of special terms or phrases regarding home owners, building, common place (space), common facilities and the undivided share, etc.;
2. affirm the common places attached in the internal and external of the building blocks or estate;
3. indicate the numbers and proportion of un-divided shares for each flat owners;
4. outline the obligations and responsibility of each flat owners toward the building blocks or estate; specify the payment of management & maintenance charge;
5. restrict the usage of the flat units and prohibit flat owners in the occupation of the common parts;
6. specify the terms of reference and the duties of the management agent;
7. state the jurisdiction in the formation of Owners’ Corporation including its format,
approach and operation.

Prior to the introduction of the Building Management Ordinance in 1993, if a commitment to bear the management responsibility was stipulated by the developers at the time of the sale of land and was registered in the Land Registry. Then, the developers entitled the right to decide the ways and the duration of the management arrangement as long as it preferred. In that situation, flat owners had no right to set up the Owners’ Corporation unless the developers relinquished its right in taking over the management responsibility. Such unfair clause was amended in 1993 so as to lift the exemption of veto power of large property developers in the formation of OCs.

However, DMC did demonstrate its inadequacy and problems. Due to different consideration for the development of different real estates or building blocks, a standardized DMC is infeasible. The terms or the clauses of some DMCs were deliberately vague. The real estate developers had tended to incorporate their own interest or favourable clauses into the DMC as DMC were drafted by them. The developers could employ its own management team or discharge the management responsibility to its own subsidiary management agent without any tendering. The management status of the developers could not be challenged even flat owners were dissatisfied with their services. Likewise, some plots of land within the estates prescribed in DMC were assigned to the developers and flat owners had no right to intervene. Estate developers had maintained a certain portion of un-sold parts of the estates or building blocks in order to protect their special interest. (Lee, 1988)

4.3.1. 1970 Multi-storey Buildings (Owners Incorporation) Ordinance (Cap. 344)

Multi-storey Buildings (Owners Incorporation) Ordinance, also known as Chapter 344 Ordinance, was adopted in 1970. There were legal provisions affecting the development of Owners’ Corporations. It provided a legal framework for the flat owners to establish their own organization -- the Owners’ Incorporation (normally called Owners’ Corporations in recent government publications) to manage their building blocks.

The formation of OC was detailed in this Chapter 344 including the source of power, organization structure, composition, method of formation, operation matters (procedure of the meeting and decision making), handling of financial account, the appointment of management agent, etc.

Regarding the formation of Owners Incorporation, the 1970 Ordinance had specified at least 50% of shares held by the flat owners in favour of the formation would be required in forming the Owners Incorporation. Under an exceptional circumstance, and only with an approval from the court, flat owners with 20% of the shares could be allowed to establish Owners Corporations. For the matter regarding termination of the management agent, there should 100% of the share agreed as held by the flat owners. Yet, in some circumstance, this resolution was ineffective if the estates developers who held the monopoly of the management right.

To ensure the enforcement of the obligations to the flat owners prescribed in the land lease, an exemption clause, known as Clause IIA, was enshrined in the Multi-storey Buildings (Owners Incorporation) Ordinance by the government. Clause IIA granted
the veto power to the developer in dealing with the OC formation. It became a charm for the developers with special power to determine whether the developers would favour the OC formation or not. It was quite unfair to the flat owners because their right to form OC was exploited by the developers. (Li, 1988; Yip & Forrest, 2001)

Under the criticism from the flat owners, academics and the housing professionals, this inequitable Clause IIA had finally been cancelled in the 1993 legislative revision on the building management

4.3.2. 1993 Building Management Ordinance 1993 (BMO)
Faced with much criticism, an Advisory committee on Private Building Management was established in 1988 to review the management of private building. A draft Multi-storey Buildings (Owners Incorporation) (Amendment ) Bill was published in May 1991. Several new clauses had been inserted to address the problems of the Ordinance relating to the building management. (Lau, 1991) The Ordinance was substantially revamped in 1993 and re-titled as the Building Management Ordinance (BMO) to facilitate the incorporation of owners of flats and to provide owners with specific powers and responsibilities regarding management of common parts of the buildings. The revision included the release of some restrictions and simplify the procedure in forming Owners’ Corporation; provided allowance to the key office bearers (Chairman, Secretary & Treasurer); amended the work procedure, developed an operational guideline for building management, and made provisions to facilitate more tenants involvement in management affairs. Clause IIA was also deleted from the Ordinance. The BMO also extended the jurisdiction of the Lands Tribunal to adjudicate building management disputes.

A number of features of BMO 1993 are highlighted below:

1. The requirement of the proportion of share agreed for the setting up of OC was lowered from 50% to 30% of the total share held by the flat owners. With the Court approval, the number of shares could be as low as 20%;
2. the operational procedure of the OC was re-structured and specified;
3. the required number of share agreed and held by the owners to terminate the management agent was lowered from 100 % to 50 %;
4. the management responsibility of common parts of the building blocks was detailed;
5. BMO 1993 extended the jurisdiction of the Lands Tribunal to adjudicate building management disputes; and
6. BMO 1993 allowed tenants’ participation in OC through the registered resident organization.

The BMO 1993 further enhanced and promoted the owners’ involvement in OC and in the management affairs. The deletion of the unequal clause (Clause IIA) was a step forward to restore the right of the flat owners to form OC. It also gave better protection to the flat owners, required OC & the management agent to perform in the interest of the owners regarding their rights, powers, duties, and liabilities in managing the common parts of their building blocks. More detailed guidelines and reference on the OC operation were provided to the members of the OC Management Committee.
Though the government has put more effort and resources on the private building, yet, it is disappointing to find deaths and injuries caused by the collapse and falls of the concrete canopies, signboards, external finishes, ceiling and other dilapidated structures attached on the external wall of the private buildings. A number of big fires had caused severe casualty. A total of 143 accidents occurred and caused 101 fatality and 435 injuries (Task Force on Building Safety and Preventive Maintenance, 2001). Public and the government were alarmed by these accidents and highly concerned about the safety and the management problems of the private buildings.

It was found that majority of accidents were taken places in the poor managed private building blocks where there are no OC or OC is not active and non-performing. Most accidents occurred in the old and dilapidated, single building blocks in the old urban areas. Besides, the immense numbers of illegal structures including rooftops of the private buildings posed a potential risk for accident. Debate on the issues of mandatory building inspection for those private building blocks over 20 years old and compulsory formation of Owners’ Corporations in private buildings had exacerbated government’s determination to tackle the risky and long-standing problems of private building.

To tackle the fire accidents occurred in private building, Central Steering Committee on Fire Safety and District Fire Safety Committees were established by Home Affairs Department in 1998 and 1999 respectively (Secretariat of Legislative Council, 1999). Apart from the improvement work on the “targeted buildings” by the Home Affairs Department, a series of new schemes have been implemented upon the recommendations of the Task Force on Building Safety and Preventive Maintenance in 2000. Thus, owners of the private buildings will have to involve more in these schemes in order to improve the safety and environment. The district officers of Home Affairs Department took more initiative in assisting private building owners and OCs to tackle their management problems.

In the meantime, Task Force also proposed the revision and amendments of the corresponding Ordinances or Acts or Regulations in tackling private buildings with hazards. BMO was one of the Ordinances requiring amendments in 2000.

4.3.3. Building Management (Amendment) Ordinance 2000
In view of the above, Building Management (Amendment) Ordinance 2000 was enacted on June 27, 2000 (HAB, 2002a). The new Ordinance contained the following provisions:

1. restrictions for the formation of OC has further been relaxed and making the OC formation is easier for the owners.
2. adding the requirement on employing qualified accountants in OC account audit;
3. revised and re-issued Code of Practice on Building Management and Maintenance

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5 The Co-ordinated Maintenance of Building Scheme; Preventive Maintenance of Building Scheme; Building Safety Loan Scheme; Building Coordinator; and Upgraded the Building Management Resource Centre.
4. Installing a new clause on mandatory employment of professional management agents to take up the management for those buildings having serious management & maintenance defects;
5. Requirement of OCs for the mandatory purchase of third party liability insurance.

Regarding the formation of OC, with 5% of the shares, owners can convene an owner meeting and with 30% of the shares to pass the resolution to set up the OC. In addition, if approval is obtained from the Lands Tribunal, an owners’ meeting for the establishment of OC can be convened with only 10% of shares. (HAB, 2000)

Experiencing several amendments over the past three decades, the content of BMO has been improved and re-shaped as a substantial and pragmatic legal document in governing the owners of private buildings to get involved in building management through the formation of Owners’ Corporation.

Building Management Ordinance does not only set the framework for owners of private building blocks. It also covers the owner-occupiers of the public housing estates including HOS. Following the implementation of TPS and the increase in number of HOS sales units, Housing Authority has been taking proactive steps in facilitating owner-occupiers to form their OCs and to take up the management responsibility.
Chief Executive Mr. Tung Chee Hwa announced in July 1997 that the SAR government aims at assisting 70% of the Hong Kong population to acquire their own homes by 2007. As Chiu (1998:35) analyzed that “assisted home ownership opportunities offered by the SAR Government at the end of 1997 is about five times of that provided by the previous government, increasing from about 18,735 annually to more than 88,030”. The actual number of Home Ownership Scheme units sold out was 300,000. (Lau, 2001) With the implementation of Tenant Purchase Scheme (TPS), 74,000 public housing tenants have changed their housing tenure from tenants to the owner-occupiers since the first launched in 1998. (HA, 2002b) Like the owners of private building blocks, the TPS flat owners do have the same obligations and responsibilities in the management of the common parts of their own estates. One should note that, the land area, the number of households, the common area & space, common facilities of the TPS estates are much larger than the private building blocks. As a result, the management of common area is much more complicated and conflicts between the flat owners and the management agents are likely to be generated.

4.4.1. Home Ownership Scheme (HOS)
Apart from the provision of public rental housing to the low-income families, government has implemented a new scheme: Home Ownership Scheme. It was the first scheme to put the public sector housing for sale. The target was the better-off tenant of the public rental housing estates and the lower-middle income families who on the one hand, could not afford to buy their flats in the private market; and on the other hand, incomes were over the income limits stipulated in the public rental housing.

In the public sector rental housing estates, the Housing Department management staff carry out property management functions. Since the introduction of the public housing sales scheme (Home Ownership Scheme, HOS) in 1976, Housing Department staff have continued to provide management services to owners. A special clause stipulated in the Government Lease and the Deed of Mutual Covenant (DMC) that Housing Department will only manage the sold estates for the first 12 months after intake. It have to mention the sold HOS estates as other sold estates in the private sector are classified as private properties so that the owners shall take up their responsibility in the estate management. Up to 30 September 2001, 302,700 HOS flats, approximate 52% of the home ownership rate, were sold to the Hong Kong citizens. (HKHA, 2002/03 Corporate Plan)

In 1986 a pilot scheme to contract out property management services of two HOS estates (Yue Shing Court and Shun Chi Court) (HKHA, 1996) to private management agents (PMAs) started and owners were encouraged to form owners’ corporations to take over the management responsibilities from the Housing Department. From 1989 onwards, private management agents were appointed by the Housing Department to carry out management functions of all newly-completed HOS estates while Housing Department charged the owners to render supervision services on the work of private management agents.

Owners of most HOS estates only formed owners' committee to provide advice to the
property management agents and were not interested to take over the supervision and control responsibilities from the Housing Department. To avoid HOS owners' 'over-reliance' on the Housing Department, it was decided to insert a new clause in the DMC of new HOS estates completed after 1966 – in these HOS estates, the Housing Department would only provide supervision and control services on PMAs for a maximum of 12 months. As at mid 1999, out of 118 HOS estates, only 18 had formed owners' corporations. In order to push the owners to take up their responsibilities, penalty provisions were introduced in late July 1999. (HKHA, 1999)

If the owners fail to form owners' corporations within the stipulated 12-month period and request the Housing Department to continue its management service, a commercial rate on the supervision cost for the ensuing 12 months will be charged. The commercial rate will be based on 10% of the monthly expenditure of each of the estates in lieu of the current lump sum supervision cost of $30.3 per flat per month. Where HOS owners have been paying the commercial rate for one year but still refuse to form an owners' corporation, the Housing Department, as a last resort, considers the relinquishment of the management rights and obligations under the DMC by assignment to a PMA.

4.4.2. Tenant Purchase Scheme (TPS)

In 1991, Housing Authority implemented a pilot scheme to sell the public rental housing flats to sitting tenants. The sale prices were 10% lower than those of HOS flats. However, the issues of the post-sale management responsibility and the security of tenure of those remaining as tenants had yet to be resolved. Finally, this scheme had been dropped by the Housing Authority as only 7.4% of tenants indicated their intention to buy. The percentage was much lower than the set threshold of 50%.

Housing Authority re-packaged the previous “sale of flat to sitting tenants scheme” and launched a new Tenants Purchase Scheme (TPS) in 1998. About 250,000 households living in rental housing estates will be given an opportunity to buy their existing flats at exceedingly low prices (30% of the market price). (Tang, 1999) All sale flats had been inspected and the defect items had been fixed by the HA staff. In addition, HA promised to provide 10 years structural guarantee for all repairs and maintenance works. A maintenance fund ($14,000 per unit) was also set up by HA for the future major maintenance works and additional income generated from the management fees ($1 per square meter of saleable floor area) would be contributed to the maintenance fund.

About 25,000 households from six rental estates each year between 1998 and 2007 will exercise their right to buy. Owner-occupiers of TPS estates are encouraged to form owners' corporations. Regarding the management arrangement, the Property Management Unit (PMU) of Housing Department was assigned to take up the management responsibilities for the first two years. PMU has adopted a new management approach to manage these TPS sale estates which modeled from the private management companies. At the same time, PMU staff has assisted the flat owners to form Owners’ Corporations (OC). Once the OC has been established in the estates, owners could determine whether they wanted PMU to continue the management or employ a private management agency to take up the management
responsibility. After that, owners' corporations of TPS estates are free to choose private management agents or Housing Department staff to continue the management services.

4.4.3. The Incentive and Disincentive Approach
Under the TPS, HA through its Property Management Unit (PMU) provided the owner-occupiers of TPS estates to set up their OCs. After OC formation PMU helped OC to prepare and conduct the tendering exercise regarding the management contract. Other than these HA provided 7 years of guarantee on the building blocks’ structure; offered six-month consultancy service to the OCs to help solve the problems and operational arrangement on the management and maintenance; and set up a Maintenance Fund and allocated one-off cash of $14,000 per unit into the Fund. Moreover, the fitting-out and renovation service to OC office will be provided free by HA including basic office furniture and equipments. PMU, in cooperation with the HAD officers, guides the flat owners of the TPS estates in the formation process of the OC. The Housing Manager from the Tenancy Management Unit of the Housing Department, as the owners of the unsold unit, will sit in the OC Management Committee and represent the interest of the tenants of the estates. A registered tenant organization is allowed to send its representative to sit in the meeting of OC Management Committee. However, none of the interviewed TPS estates had such organization.

A resolution on the formation of Owners’ Corporations in Pre-Phase 18A Home Ownership Scheme Estates was passed in the Home Ownership Scheme Committee of the HA in July 1999. It outlined HA’s measures in facilitating the HOS flat owners to form their OCs. At the same time, HA, with the agreement of the Lands Department, amended the provision of the DMC to confine its management responsibility of the HOS estates for only 12 months within the first year intake. (HA, 2002b; 1999)

HA also gave the incentives and disincentives to HOS flat owners such as touch up and fitting out the OC office with a budget capped at $30,000 per OC office; handing over basic office furniture & equipment; providing a Estate Management Office for each HOS estate; waiving supervision charge ($30.30 per unit per month); offering 6 months free consultation on the management and maintenance after the transfer of the management responsibility and one-off tendering can be provided by the HA in helping OCs to appoint the management agent. (HA, 2002b)

If HOS owners are reluctant to form their OC after 12 months, HA will continue to provide management service but will charge the owners a supervision management cost on commercial rate (at 10% of the total monthly management expenditure of each estate): charge will be increased from $30.3 per unit to $35.77 to $67.05 per unit (charges vary according to total monthly expenditure). If HOS owners still refuse to form OC after paying the commercial rate of Supervision Charge for 12 months, HA may consider to relinquish its management obligations & rights and assign it to the third party, usually the existing management agent of the estates. The result is that the PMA will replace the HA as the manager under the DMC and the PMA will be directly answerable to the owners.

The above mentioned incentive and disincentive approach has encouraged and forced owners of the HOS estates to get involved in the formation of their OCs.
5. Theoretical framework on Owner-occupiers’ Involvement

5.1. Concepts
In reviewing the literatures, it is very rare to find out the studies on “Owner-occupiers’ involvement”. Most of the housing literature focus on “Tenant Participation” or “Resident Involvement”. Indeed, when scholars and housing practitioners addressed the issue of “resident involvement”, it actually means and denotes involvement of “tenants”.

It must be emphasized that the different types of tenure do confer different rights and obligations on the occupants and thus engender different forms of resident involvement in the housing affairs. Different forms of home ownership can generate different types of involvement. In addition, the terms “participation” and “involvement” connote and carry similar meaning.

As suggests by the Chartered Institute of Housing/Tenant Participation Advisory Service/Joseph Rowntree Memorial Trust:

“Tenant participation can mean different things to different people and sometimes is used to mean different things at different times by the same people” (CIH/TPAS/JRMT, 1989:19; Cooper and Hawtin, 1998)

It is under this circumstance, the focus of discussion carries a lot of confusion and ambiguity. It can be discussed at the macro-level in term of the political and social ideologies or at the micro-level in term of the formats of participation. It has also been enshrined in the discussion of the social movement, political participation and community development. For example, As described ed by Castells, participation is seen as a means of redistributing power and resources in society. (cited in Cooper and Hawtin, 1997)

Therefore, it is necessary to clarify the meaning and concept of “owner-occupiers’ involvement”. For discussion in this section, the terms “owner-occupiers’ involvement” and “resident involvement” tended to be used interchangeable by the researcher.

“Owner-occupiers’ involvement” in management can be defined as “a two-way process involving sharing of information and ideas, where owners are able to influence decisions and take part in property management.” It exhibits two dimensions of the course of action: the right to gain access to information and the right to participate in decision-making.

However, this precise and all-inclusive definition ignores the difference between various forms of owners’ involvement. Placed in the context of owners’ involvement, it makes the interpretation much more complicated as there are variation in the forms of home ownerships, leasehold system as well as legal requirements.
5.2. Theories of Residents’ Participation

5.2.1. Arnstein’s model of Participation

The classical “Ladder of Participation” theory derived by Arnstein has always been used by the scholars and housing practitioners to illustrate resident involvement and tenant participation. The level of participation as a ladder runs from bottom to the top: manipulation, therapy, informing, placation, partnership, delegation of power and citizen control. (1969:218), the level of participation at the bottom started from ‘manipulation’ & ‘therapy’ where there is little or redistribution of power, through to the top of ‘delegation of power’ and ‘citizen control’, where more power is in the hand of the residents. However, the Participation Ladder theory has been criticized as a simplistic and stagnant. The top-down level of participation may not necessary induced the degree of power to be acquired. As scholars commented that at the bottom of the ladder may not necessary imply loss of power. It can be elaborated as the opportunities for residents to get involved at a level appropriate to their needs and wishes. It could also be argued that partnership or delegation of power may means a placate or manipulated those active resident leaders. (Cooper and Hawtin, 1997)

5.2.2. Cairncross et al.’s Model of Resident Involvement

Cairncross, Clapham and Goodlad based on three components: structure (methods), process and objectives has developed a framework to analyse resident participation. (Cairncross, Clapham and Goodlad, 1989). The first component is the methods. Different methods of communication may engender different participation categories. The second component is the process of the resident participation. The Models of tenants participation show that the different process may create different forms of participation. (Cairncross, et al., 1997: 33; Cooper and Hawtin, 1997)

To avoid the misunderstanding of this framework, the writers stress that the process does not constitute any particular order or any form of ‘ladder’ of participation. Sometimes, tenants may experience different process at different time in different places and more than one process of participation at the same time. (Cairncross, et al., 1997: 33; Cooper and Hawtin, 1997:137)

The last component is the objectives of participation. It includes 5 objectives: community development, better living and housing management, more choice or power to tenants, tenant satisfaction, helping councillors or committee members. (Cairncross, et al., 1997: 35; Cooper and Hawtin, 1997:139) Again, tenants may pursue multi-objectives in the involvement of housing affairs.

Meanwhile, Cairncross and fellow scholars have derived Three Models of Local Authority Roles in resident participation: Traditionalism, Consumerism and Citizenship. Traditional Model is built on the ideology of representative democracy and professionalism. Councillors, housing manager are the key players. The local authority is playing the paternalistic and authoritarian role in interacting with tenants. The communication channel between tenants and local authority will mainly rely on the respective elected councillors and the professionals. Focus will be placed on the general issues and the needs of tenants. While the Consumerist Model focuses on the issues of the individual tenants with emphasis on right of ‘choice’ and tenant is acting as a consumer instead of an easy-going dweller. The Citizenship Model is built on the combination of the ideology of consumerism and citizenship. Focus is placed on tenants as individuals and a collective involvement with emphasis on the tenant’s as

well citizen’s rights and obligations. A tripartite dialogue among the local authority, consumer and citizen is established and replace the two-way flow of information. (Cairncross, et al., 1997: 26-35)

**Models of tenant participation in local authorities**

**Traditionalist Tenant Participation**

<table>
<thead>
<tr>
<th>Structures/Methods</th>
<th>Processes</th>
<th>Expressed Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters</td>
<td>Providing information</td>
<td>(Councillors, Officers)</td>
</tr>
<tr>
<td>Leaflets</td>
<td>Listening</td>
<td>Better housing management</td>
</tr>
<tr>
<td>Handbooks</td>
<td>Seeking Information</td>
<td>Tenant satisfaction</td>
</tr>
<tr>
<td>Tenant Survey</td>
<td>Choice</td>
<td>Community Development</td>
</tr>
</tbody>
</table>

Most participation around:
Modernization, Difficult-to-let estates

**Consumerist Tenant Participation**

<table>
<thead>
<tr>
<th>Structures/Methods</th>
<th>Processes</th>
<th>Expressed Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters</td>
<td>Providing information</td>
<td>(Councillors, Officers)</td>
</tr>
<tr>
<td>Leaflets</td>
<td>Seeking Information</td>
<td>Better housing management</td>
</tr>
<tr>
<td>Handbooks/ information packs/advertisements/ newsletters</td>
<td>Listening</td>
<td>Expand choice</td>
</tr>
<tr>
<td>Tenant surveys</td>
<td>Choice</td>
<td>Tenant satisfaction</td>
</tr>
<tr>
<td>Meeting with individual tenants</td>
<td>(Tenant)</td>
<td>Better housing</td>
</tr>
</tbody>
</table>

Most participation around:
Issues which impact on individual tenants rather than general policy

**Citizenship Tenant Participation**

<table>
<thead>
<tr>
<th>Structures/Methods</th>
<th>Processes</th>
<th>Expressed Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters</td>
<td>Providing information</td>
<td>(Councillors, offers)</td>
</tr>
<tr>
<td>Leaflets</td>
<td>Seeking information</td>
<td>Community development</td>
</tr>
<tr>
<td>Handbooks</td>
<td>Listening</td>
<td>Better housing management</td>
</tr>
<tr>
<td>Newsletters</td>
<td>Consultation</td>
<td></td>
</tr>
<tr>
<td>Tenant representation</td>
<td>Dialogue</td>
<td>Empowered tenants</td>
</tr>
<tr>
<td>Regular meeting</td>
<td>Joint management (Control)</td>
<td>Tenant satisfaction</td>
</tr>
</tbody>
</table>

Most participation around:
Covers whole range of issues from practical to policy

Source: Bengtsson and Clapham (1997:135-136)
Cairncross et al’s model is more inclusive and applicable in understanding the resident involvement in housing affairs. Indeed, the Consumerist Model can serve as an analytical framework to analyse the owner-occupiers’ involvement in managing public housing estates.

5.2.3. Wekerie et al’s Model of Resident Involvement in Management of Condominium Housing

In making use of Pateman’s framework to analyse the workers participation in the workplace, Wekerie and his colleagues have constructed a framework of resident involvement in management. (Figure 1) (1980:180) Three types of resident involvement in the management of condominium housing are identified: i. professional management company, ii. partnership management and iii. resident management.

Figure 1    Typology of resident involvement in management

For the professional management company, all the management responsibilities are taken up by the professional housing manager. Residents have shown low participation in both decision-making and implementation of their estates. Housing manager takes charge of all the management matters while residents almost relinquish their responsibility in managing their building blocks. Owners place their complete trust to the management company in assuming that the management company will provide the best service in the interest of the owners. For the second type of resident involvement: partnership management, the owners contracts out its management services like cleaning, garbage collection, repairs and maintenance to the small sub-contractors and hire their own staff. They hold majority of the decision-making
power in estate management and leave the daily management routine to the sub-contractors. The last one is the resident management mainly located in the low rise building blocks. A high degree of participation in decision making and implementation by the owners is existed. Majority of the members of the owners corporation are voluntarily involved in the management of their building blocks. (Yip & Forrest, 2001; Wekerie et al, 1980)

It is found that the Consumerist Model and the Wekerie et al’s typology are useful references. It will be further tested in this study.
5.3. **New theoretical perspectives in understanding owners’ involvement in managing housing estates**

It is the intent of the researcher in trying to develop a new theoretical framework for the analysis of the Owner-occupiers’ involvement in management. The 3C Perspectives (Control, Check and Balance and Co-produce) is proposed.

**The 3C Perspectives of Owner-occupiers’ Participation**

1. **Control**
   1.1. power from legal rights : BMO
   1.2. with high power: “Fire” and “Hire” of the PMA; control OC financial resources; employ own staff, etc.

2. **Check and Balance**
   2.1. The final decision making power is rested with the OC
   2.2. OC delegates parts of its own decision making to PMA (mainly based on the Code of Practice of BMO) and give full implementation power to PMA
   2.3. The professional image of PMA—gained trust from OC
   2.4. Based on BMO and Code of Practice of Building Management and Maintenance, OC will perform the check and balance to monitor the performance of the PMA
   2.5. PMA is more likely to base on its own professional judgments to deal with the issues while OC will be more likely to use its power as a “Boss” to check on the work of PMA.
   2.6. If issues cannot be solved by OC and PMA, it is likely that OC will fire the existing PMA.

3. **Co-produce**
   3.1. Positive effect in co-production of quality service with PMA.
       Managing with more efficient, more effective and more economical results.
       Therefore, owner-occupiers are satisfied with their living environment.
   2.2. Negative effect in co-production of services with PMA.
       Managing with less efficient, less effective and less economical results.
       Therefore, owner-occupiers are not satisfied with their living environment.

These 3C Perspectives will be further discussed in later sections.
6. Findings

6.1. Policy and departmental practice on Owners’ Corporations

6.1.1. Home Affairs Department
The researcher has conducted a visit to the Building Management Resource Centre (BMRC) and had a discussion with two Senior Executive Officers (SEO) of the Home Affair Department (HAD) regarding the Owners’ Corporation (OC) and the work of HAD in promoting and assisting owners to form OCs.

The HAD respondent stressed that it was the responsibility of the homeowners to get involved in the management of their buildings through the formation of OC. Owners were expected to take initiative to form OC. HAD will promote and assist, but not to be responsible for organizing residents to form OCs. The respondent explained that the meaning of “assisting role” was to provide information on OC through various means: distributing pamphlets on BMO/OC, organizing briefing sessions or seminars to introduce the procedures and regulations on the formation of OC; providing owners’ corporation preparatory committee a Land Registry list of registered owners to ensure owners’ eligibility in election meeting. It was mentioned that residents may have a wrong perception about the role of HAD. Once OC has been established, they have to manage their OCs and should not rely on HAD to provide on-going supports.

HAD, though given the building management policy enforcement responsibility, is not ready to directly intervene in the OC formation process no matter residents are capable to organizes themselves or not. HAD will only perform the observer’s role rather than an organizer’s role. Compared HAD’s actual work with those expected from residents, the function of HAD was quite limited in helping OC establishment.

It was explained that amendments in BMO were initiated by HAD staff from time to time to meet the changing needs of the residents and the new situations in the private buildings. The BMO (Amendment) 2000 was the new version and constituted new amendments and clauses.

He was confident that government will amend the BMO in order to facilitate more private building owners to form OC. He further introduced a new government proposal in tackling those private buildings at risks. A proposal prepared by the Task Force on Building Safety and Preventive Maintenance suggested a series of measures to help private building owners in tackling building’s repairs and maintenance, fire hazard, illegal structures and the advertising signboards problems in those “targeted buildings”. He elaborated that this new proposal will make owners of the private buildings to care for the building safety and concern about their building management. In cooperation with other departments HD also got involved in implementing these new measures. For example, HAD will establish the District Building Management Liaison Team to replace the old mechanism.

The two HAD respondents also introduced the idea, operation, resource and activities of Building Management Resource Centre (BMRC). Apart from the existing centers at Yau Ma Tei and Central, a third BMRC will be established shortly in Tsuen Wan. One special service provided by BMRC is the free professional advice by seven professional organizations including lawyers, accountants, professional property
managers, architects and engineers. BMRC has a good collection of court cases and their court judgement on building management disputes and OC establishment. These have served as useful references for law firms and OC organisers.

Lastly, the HAD respondents stated that as the public housing estates were under the management of Housing Department (HD), so it was the responsibility for the Housing Department staff to be more proactive in assisting owners to form OCs. He explained that the division of labour between HAD and HD staff on public and private buildings resident affairs has been quite clear: it was HD not the HAD to take the main responsibility in assisting owners in the formation process of OCs in public estates. The HAD respondent made a further remark that lack of manpower was a reason for HAD to refuse to offer help.

6.1.2. Property Management Unit of Housing Department
A visit to the head office of Property Management Unit (PMU) of Housing Department was also conducted by the researcher. It was because PMU was responsible for the management of the sold Tenant Purchase Scheme (TPS) estates for the first two years.

PMU officers introduced the scheme of TPS and its management arrangement. It was the departmental policy that it required PMU to take up the first two-year management responsibility for the owners of TPS estates. After that OCs have to look for property management agency to provide management service. To facilitate the establishment of OC, a series of incentive has been provided by HA including 10 year guarantee service on the building structural deficits; setting up a maintenance fund by offering a cash injection of $14,000 per unit; the provision of management office and OC offices with fitting out and renovation; offering 6-month free advice on property management and assisting owners to conduct exercise on processing tenders on management contracts.

PMU staff normally identified owners with good organising experience in MACs, MAC Joint meetings and EMACs to join the OC preparatory committee. It was because that these residents had rich experience in estate management affairs. Also, they have been recognized as community leaders within the estates. Apart from identifying the potential participants, PMU staff, in cooperation with HAD staff, has organized various activities such as resident meetings, owners briefing, and open forum to introduce OC, BMO and DMC, the rights and liabilities of OC Management Committee office-bearers. Forms of supports offered by HD were also explained before OC formation. PMU had to manage the whole OC formation process until OC has taken back the management responsibility.

PMU staff further remarked that district political forces were involved in the OC formation process. The OC election has stimulated many owners (especially those former office-bearers of MACs) to participate. Keen competition was witnessed in the election of the office-bearers of the OC Management Committee.

PMU staff expressed that they were not satisfied with the performance of HAD staff as HAD staff only performed an observer role and were reluctant to give opinions or comments in regard to the ways in handling the problems or questions directed to
them by the owners during the formation process. Even in the election meeting, HAD staff just sat there and acted as an observer. All the preparation work was left to PMU staff. PMU staff insisted that though TPS estates were public sector housing and under HD management, HAD had to bear part of the responsibility in assisting residents in forming OC.

At the time of interview, it was known that OCs were formed in all 18 TPS Phases I to III estates with timely assistance given by PMU staff.

It was observed that PMU was competent enough in assisting owners in the formation of OC. It was observed that the main reason for PMU’s active involvement related to the HD instruction which required PMU to assist TPS estate owners to form their OCs.
6.2 Results of interviews with Owners’ Corporations and their management agents

Basic profile of the selected HOS and TPS estates

This study selected 4 TPS estates Owners’ Corporations and their Private Management Agents (PMA) or Property Management Unit (PMU) of Housing Department and 6 HOS estates Owners’ Corporations and their Private Management Agents (PMA) as the interview targets. One OC of TPS estate (Wah Kwai Estate) and one OC of HOS estate (Yee Kok Court) declined interview request.

On average the estates were completed about 12.5 years ago. Tung Yan Court and Tsz On Courts were estates completed in 1999 and 1994 respectively. All estates have established its Owners’ Corporations and most of them were established in recent years. Except Tung Yan Court, the other seven estates have Mutual Aid Committees and/or EMAC establishment before TPS estates (Tin King, Tin Ping and Hang On) launched its sale scheme. In Tung Yan Court, the PMA is the first management agent under HD supervision. OC was the first resident organization formed on the estate.

In the three TPS estates, other types of resident organizations also existed. However, they could not be counted as “Owners’ Committee” because the objectives and the functions of those resident organizations are not to deal with estate management issues. Yet, some of them claimed that their organizations provide community services, organize activities, seek welfare for residents, and promote neighborliness and mutual help spirit. Furthermore, they were not officially recognized by the Housing Department as official representatives of residents in estate management affairs.

With the exception of one TPS OC, on average, no less than 3 OC members were interviewed. The interviewees held key posts such as Chairman, Vice-chairman, Secretary, Treasurer in OCs and other respondents were the Management Committee members,
Table 1: Basic profile of the selected HOS and TPS estates

<table>
<thead>
<tr>
<th>Names of the Estates</th>
<th>Tin King (TPS)</th>
<th>Tin Ping (TPS)</th>
<th>Hang On (TPS)</th>
<th>Tong Yan (HOS)</th>
<th>Lung Po (HOS)</th>
<th>Siu Hong Phases 3-4 (HOS)</th>
<th>Shun Chi (HOS)</th>
<th>Tsz On (HOS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>District</td>
<td>Tuen Mun</td>
<td>Sheung Shui</td>
<td>Ma On Shan</td>
<td>Sau Kei Wan</td>
<td>Diamond Hill</td>
<td>Tuen Mun</td>
<td>Kwun Tong</td>
<td>Tsz Wan</td>
</tr>
<tr>
<td>No. of Blocks</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>No. of Saleable Flats</td>
<td>3,157</td>
<td>5,700</td>
<td>5,875</td>
<td>1,049</td>
<td>3,680</td>
<td>2,632</td>
<td>1,539</td>
<td>364</td>
</tr>
<tr>
<td>Any MACs</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Any EMAC</td>
<td>Yes</td>
<td>Yes</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Have other resident organizations</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Numbers of person interviewed</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Positions of the person interviewed</td>
<td>Vice-chairman</td>
<td>Chairman, Secretary, Treasurer, 4 Management Committee members</td>
<td>Chairman, Secretary, Treasurer, 5 Management Committee members</td>
<td>Chairman, Secretary, Treasurer</td>
<td>Chairman, Secretary, 1 Management Committee members</td>
<td>Chairman, Secretary, 1 Management Committee members</td>
<td>Chairman, Vice-chair Secretary, Treasurer</td>
<td></td>
</tr>
</tbody>
</table>

**Similarities and Differences**

It was found that all target estates, except one HOS estate, had MACs before the formation of Owners’ Corporations. Apart from MACs, Estate Management Advisory Committees (EMAC) were in place before TPS estates launched the sale. In HOS estates, Joint MACs Meetings were also held as an informal forum for owners and property management staff. (Table 2) Both EMAC and Joint MACs Meetings were the Housing Department recognized bodies, which involved residents in the management affairs of their own estates.

Table 2: Membership and Experience of OC respondents

<table>
<thead>
<tr>
<th>Name of the Estates/ Courts</th>
<th>OC</th>
<th>MAC</th>
<th>Joint Meetings</th>
<th>MAC Advisory Committee(EMAC)</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Tin King Estate**(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>2  Tin Ping Estate **(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>3  Hang On Estate **(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>4  Tung Yan Estate*(HOS)</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5  Lung Po (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>6  Siu Hong Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>7  Shun Chi Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>8  Tsz On Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

| Total | 8 (100%) | 7 (87.5 %) | 7 (87.5 %) | 3 (100%) |

Y= Yes;  X= No;  NA= Not applicable
Table 3: Types of organizations participated by OC members

<table>
<thead>
<tr>
<th>Name of the Estates</th>
<th>Member of OC’s Management Committee</th>
<th>Member of MAC’s Executive Committee</th>
<th>Member of Joint MAC Meeting</th>
<th>Appointed Member of Estate Management Advisory Committee (EMAC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Tin King Estate**(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>2 Tin Ping Estate**(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>3 Hang On Estate**(TPS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>4 Lung Poon Court (HOS)</td>
<td>Y</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>5 Lung Poon Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
</tr>
<tr>
<td>6 Siu Hong Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
</tr>
<tr>
<td>7 Shun Chi Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
</tr>
<tr>
<td>8 Tsz On Court (HOS)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>8 (100%)</td>
<td>7 (87.5%)</td>
<td>7 (87.5%)</td>
<td>3 (100%)</td>
</tr>
</tbody>
</table>

Y= Yes;  X= No;  NA= Not applicable

Table 3 showed that except one HOS estates, all OC respondents replied that majority of its OC members were also core members of the MACs or Joint MAC Meetings. All three OC respondents of TPS estates also answered that the majority of their OC members came from EMACs.

Table 4: Forms of participation of respondents in OC, MAC, Joint MACs Meeting and EMAC

<table>
<thead>
<tr>
<th>Form of participation</th>
<th>OC Attendance</th>
<th>Estate Management Advisory Committee (EMAC) Attendance</th>
<th>Joint MAC Meetings Attendance</th>
<th>MAC Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Attended meeting</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>2 Set meeting agenda</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3 Joined in working groups</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4 Consulted on estates management issues</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>5 Made decisions</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>6 Set priority on management issues</td>
<td>Y</td>
<td>Y</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>7 Selection of contractors</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>8 Performance appraisal of contractors/directly-employed staff</td>
<td>Y</td>
<td>Y</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9 Financial control</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>10 Organized activities of residents</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

Y=Yes;  X=No;  NA=Not applicable
6.3. The extent and the forms of involvement

The different nature and forms of organizations has determined the extent and forms of participation. OC is an independent organization with legal mandate while the MACs and Joint MACs Meetings are self-help resident organizations and informal forum whereas EMAC is a Housing Department sponsored advisory organization. Table 4 showed that the forms of participation of other two types of organizations were narrow and mainly focused on attending meeting, consultation and organizing activities. It is also noted that EMAC provided more chance of participation as the Housing Authority shared power with the residents. Results showed that OC apparently had absolute free hands and control to participate in every aspect of the management matters.

6.4. Key facilitating elements for owner-occupiers forming Owners' Corporations

Results showed that there were several categories of elements that facilitated owner-occupiers to form Owners’ Corporation.

6.4.1. Change of rules
All OC respondents expressed that the provisions and enforcement of the Deed of Mutual Covenant (DMC) induced them to form OC. One OC respondents mentioned that the new Building Management Ordinance (Amendment) 2000 which lowered the percentage of the undivided shares required for the formation of OC (from 50% to 30%) had encouraged them to form the OC. DMC in the Tenant Purchase Scheme (TPS) estates also stipulates that the flat unit purchasers shall take up their own responsibility in the management of the estate’s common areas and facilities. Therefore, all three TPS OC respondents replied that the DMC had specified that owners should establish their owners’ incorporation and take up the management responsibility.

6.4.2. Interest of owners
Majority of the OCs respondents (87.5%) expressed that their participation in OC was expected to generate positive results: to protect interest when (a) management fee levels were determined; (b) new maintenance or repairs or improvement contracts were determined; and (c) other types of activities using OC money were proposed.

6.4.3. Participation experience
Element 5 appeared in Table 5 showed that eight OC respondents (100%) answered that they had been invited by the Housing Department officers or PMA staff to offer help in the preparation stage for the formation of OCs because of their being office-bearers in MACs, Joint MAC Meetings/EMACs. Previous experience in MACs or EMACs was an important factor to draw their involvement in organizing the OC.

6.4.4. Disincentives or Incentives (Sticks and Carrot) offered by HA
It was clear that 5 out of 8 OCs interviewed, i.e. 62.5% OCs respondents explained that the threat of imposing a commercial rate by the Housing Authority (HA) did make them take serious consideration in forming OC. Only one (12.5%) OCs said that incentives offered by HA were the main facilitating elements for the OC formation.
Table 5: Facilitating Elements

<table>
<thead>
<tr>
<th>Facilitating Elements</th>
<th>Name of Estates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest of owners</td>
<td>Y</td>
<td>7</td>
</tr>
<tr>
<td>2. TPS</td>
<td>Y</td>
<td>3</td>
</tr>
<tr>
<td>3. Enforcement of DMC</td>
<td>Y</td>
<td>8</td>
</tr>
<tr>
<td>4. The change of BMO in lowering the % of undivided share for the OC formation</td>
<td>Y</td>
<td>1</td>
</tr>
<tr>
<td>5. Past experience of MAC and/or EMAC</td>
<td>Y</td>
<td>8</td>
</tr>
<tr>
<td>6. Disincentives offered by HA for the OC formation</td>
<td>Y</td>
<td>5</td>
</tr>
<tr>
<td>7. HA threat to increase charge if OC is not formed</td>
<td>Y</td>
<td>2</td>
</tr>
<tr>
<td>8. HD/PMA staff assisted OC formation</td>
<td>Y</td>
<td>4</td>
</tr>
<tr>
<td>9. External Help: lawyers, DC Members, political party, other OCs</td>
<td>Y</td>
<td>4</td>
</tr>
<tr>
<td>10. Other owners’ participation</td>
<td>Y</td>
<td>2</td>
</tr>
<tr>
<td>11. Introduction of OC by HAD and HAD</td>
<td>Y</td>
<td>8</td>
</tr>
<tr>
<td>12. Need to handle management and maintenance issue</td>
<td>Y</td>
<td>3</td>
</tr>
<tr>
<td>13. Realize OC has more power</td>
<td>Y</td>
<td>1</td>
</tr>
<tr>
<td>14. Other resident organizations cannot reflect resident’s views</td>
<td>Y</td>
<td>1</td>
</tr>
<tr>
<td>15. Poor management service</td>
<td>Y</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Y= Yes;  X= No;  NA= Not applicable

6.4.5. Help from other organizations or persons
Half (50%) of the OC respondents remarked that the Housing Department and PMAs staff had provided enormous help to the owners in the formation process of OC. On the other side, same numbers (4 out of 8 OCs, i.e.50%) OC respondents had sought assistance from external persons or organizations to form OC. These included District Council Members, political party, lawyers, and other people with OCs experience.

6.4.6. Dealing with maintenance issue
Three out of eight OCs, i.e. 37.5% explained that forming OCs was to attend to the needs for handling maintenance and management issues on their own estates.

6.4.7. Encouraged by high degree of owners’ participation
Two OC respondents claimed that the high participation rate of owners in the TPS/HOS estates did encourage them to form OC.

6.4.8. Other Elements
Apart from the above mentioned factors, other factors like realization of OCs power, dissatisfaction with the poor management of the existing PMAs and the failure of
other resident organizations in reflecting owner’s views were cited by the OC respondents as key facilitating elements for owners forming OC.

6.5. Key elements discouraging owner-occupiers from forming Owners’ Corporations

One of the main aims of this study is to explore the reasons why owners were not interested in forming Owners’ Corporation and taking back the management responsibilities.

In April 1996, out of 97 HOS estates, only four OCs had been formed (HKHA 1996). In July 1999, 18 out of 111 HOS estates had OCs (HKHA 1999). It is noted that 7 out of 111 HOS estates where there are OCs are all post-Phase 17B estates. By mid 1999 OCs were formed in all seven post-Phase 17B (that is Phase 18A onwards) HOS estates. In contrast, only 11 OCs were formed out of a total of 104 HOS estates which were known as pre-Phase 18A (that is Phases 1 to 17B) HOS estates.

Housing Authority had conducted two major reviews in 1996 and 1999 respectively.

In its 1996 review, it concluded that “although the Department has put in a lot of efforts to encourage the formation of OCs in HOS estates, owners have been reluctant to do so, partly because of a general apathy towards building management and partly because of a lack of confidence in assuming the management responsibilities.” (HKHA 1996: 34).

In its 1999 review, the slow progress of pre-Phase 18A “is due to owners’ reliance on the HA for its multi-professional support.” (HKHA, 1999).

After interviewing the OC respondents, this study confirms that the apathy of owners and their lack of confidence in taking up the management responsibilities are factors discouraging them from forming OCs. However these are not the main reasons. According to the OC respondents, the Housing Authority had not developed any policy to push them to form OCs before mid 1999. Without any push factor owners preferred to stayput and made no effort to obtain information regarding the procedural arrangements for the formation of OCs. Moreover most owners did not have strong views on the service standards of the management agents. This can be taken to mean that owners were generally satisfied with the services of the management agents and that there were no immediate management crises requiring intervention by OCs. The informal consultative mechanism such as the joint MACs meetings was also considered satisfactory in reflecting owners’ views to the management agents, owners therefore did not see any immediate need to form OCs.

6.6. User Satisfaction

This study has tried to find out whether owner-occupiers would regard their involvement in managing public sales estates as a positive step to user satisfaction in property management services. User satisfaction is a subjective perception. There is no universally agreed and objective indicators and methods to measure user satisfaction.

Generally speaking, a service user expects to have independence, autonomy, freedom, choice, respect, right to gain access to information when purchasing services and
Based on the interview records with OC respondents, the researcher has derived 10 aspects that could reflect user satisfaction. (Table 7) These included:
1. Owners’ views and opinions were well-received;
2. Owners have more say and decision-making power after OC formation;
3. Owners enjoy respectable status;
4. Owners obtain support from PMU of HD or PMAs;
5. Owners know their estate’s problems and Management & Maintenance priority;
6. Owners have made substantial achievement;
7. Owners can offer help to others;
8. Owners control own resources;
9. Owners learn more management knowledge and
10. Owners facilitate others to get involved

<table>
<thead>
<tr>
<th>Table 6: Aspects of user satisfaction</th>
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</thead>
<tbody>
<tr>
<td>Aspects of User Satisfaction</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1. Owner’s view and opinion were</td>
</tr>
<tr>
<td>well-received</td>
</tr>
<tr>
<td>2. Owners have more say in decision-making power after OC</td>
</tr>
<tr>
<td>formation</td>
</tr>
<tr>
<td>3. OC office-bearers commanded</td>
</tr>
<tr>
<td>respect</td>
</tr>
<tr>
<td>4. Owners obtain support from PMU</td>
</tr>
<tr>
<td>of HD or PMAs</td>
</tr>
<tr>
<td>5. Owners knew their estate’s</td>
</tr>
<tr>
<td>problems and M&amp;M priority</td>
</tr>
<tr>
<td>6. Owners have made substantial</td>
</tr>
<tr>
<td>achievement</td>
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<tr>
<td>7. Owners offered help to others</td>
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<tr>
<td></td>
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<tr>
<td>8. Owners controlled own</td>
</tr>
<tr>
<td>resources</td>
</tr>
<tr>
<td>9. Owners learned more estate</td>
</tr>
<tr>
<td>management knowledge</td>
</tr>
<tr>
<td>10. Owners facilitated others to</td>
</tr>
<tr>
<td>get involved</td>
</tr>
</tbody>
</table>

Y= Yes;  X= No;  NA= Not applicable

6.6.1 Power and status of owners
All (100%) OC respondents replied that they had more say and decision-making power in estate management after forming OC. Several OC respondents did stress that they could decide the management fee by themselves through approving estate annual budget. Majority (62.5%) of the OC respondents commanded respects from other owners and management staff after involving in OC. In addition, 6 OC respondents answered that their views were well—received by both the staff of the PMU of HD and PMAs while 2 OC respondents claimed that their views were neglected by the management managers and staff.
6.6.2. Owners knew their estate’s problems and M&M priority
Six (75%) OC respondents explained that if they had not participated in OC or got involved in the estate management, they would not have known the problems and the priority of the management and maintenance works (M&M).

6.6.3. Substantial achievement
One of the purposes in forming OC is to establish a decent living environment. Through the participation of OC and the involvement in estate management, four (50%) OC respondents recalled that they have made substantial achievement in improving the management and maintenance of their own estates. Satisfaction was therefore earned from participation in OC. Moreover, because of OC’s objectives and their positions in OC, 3 (37.5%) OC respondents claimed that other owners of their estates came to them to ask for help regarding repairs and maintenance, management services and general complaints on management staff. Indeed, they did offer help to the other owners. Furthermore, 3 (37.5%) OC respondents stated that as key members of OC, they have the obligations to facilitate other owners to get involved in the management of their own estates. That was another source of satisfaction during their participation in OC.

6.6.4. Control of resources
Five (62.5%) OC respondents explained that if OC had not been formed, it would have been impossible for them to control their estate’s financial resources (particularly the fund for repairs and maintenance) plus other OC’s assets. As service users, it is important to have control of their own resources instead of leaving them in the hands of the PMAs.

6.6.5. Learn more knowledge of estate management
3 (37.5%) OC respondents remarked that through participation in OC, owners could learn more about management knowledge.
6.7. Profile of Management Agents

Table 7: Profile and views of management agents (PMU and PMA) on owner-occupiers involvement in OC

<table>
<thead>
<tr>
<th>TPS Estates</th>
<th>HOS Estates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TPS Estates</td>
</tr>
<tr>
<td></td>
<td>Tin King</td>
</tr>
<tr>
<td></td>
<td>Hang On</td>
</tr>
<tr>
<td></td>
<td>Tung Yan</td>
</tr>
<tr>
<td></td>
<td>Siu Hong</td>
</tr>
<tr>
<td></td>
<td>Tsz On</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A. Profile of Management Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Management Company</td>
</tr>
<tr>
<td>Position of interviewee</td>
</tr>
<tr>
<td>Membership in Housing Professional bodies of interviewees</td>
</tr>
<tr>
<td>Have obligation to ass. to form OC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Management Agents’ views on owner-occupiers’ participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners attitude/ in participation in OC</td>
</tr>
<tr>
<td>A. Supportive</td>
</tr>
<tr>
<td>B. Enthusiastic</td>
</tr>
<tr>
<td>C. Participation rate</td>
</tr>
<tr>
<td>D. Participation in OC election</td>
</tr>
<tr>
<td>E. Joined in working g</td>
</tr>
<tr>
<td>F. Concern on change in management service</td>
</tr>
<tr>
<td>G. Concern on increase in management fee</td>
</tr>
<tr>
<td>The extent of trust by OC toward PMA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Perceived OC &amp; PMA relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Employer-employee</td>
</tr>
<tr>
<td>B. Partnership</td>
</tr>
<tr>
<td>Extent of OC reliance on PMAs</td>
</tr>
</tbody>
</table>

*Shun Chi Court are the 1st HOS estate to be put on PMA management pilot scheme since 1987.
**Yee Kok Court has fired the previous PMA and made a new contract with the new PMA on 1/7/2001.
Extent of participation: H: High; M: Medium and L: Low  Y: Yes  NA: Not Applicable/Not answered by Management Agents
Table 7 showed that a total of 10 PMUs/PMAs (two from PMU and eight from PMA) have been selected for interview in this study. Among them, Shun Chi Court was chosen because it is the oldest public sales estate and the first HOS estate with PMA service since 1987. Yee Kok Court was also selected because its first PMA contract was awarded in July 2001. Two of the TPS estates were managed by the Property Management Unit (PMU) of Housing Department and the remaining 8 estates were all managed by the Private Management Agents (PMA). The average duration of the estate management run by management agents was only 1.5 years. In addition, average duration of the OC establishment was only around 1 year. Both the experience of OCs and management agents was quite short.

Regarding the interviewees, all were in the managerial position and five (50%) of the PMU/PMA respondents have professional qualifications in housing management. At the time of interview, two of the PMA managers were known to be part-time students of the Bachelor of Arts (Hons.) Housing Studies Programme of the City University of Hong Kong.

It was found that eight PMUs/PMAs have borne the obligation to assist the formation of OC as stipulated either in their departmental requirements or management contracts. The remaining two PMAs were awarded management service contracts by the OCs which were formed before PMAs offered their service.

6.8. Management Agents’ views on owner-occupiers’ participation

A series of questions concerning the PMU/PMA’s views on owner-occupiers participation has been included in the interview with the PMA respondents. (Appendix 1) Part B of table 8 has summarized the key results. (Table 8) Except one management agent, all perceived that majority of the owner-occupiers were very supportive and enthusiastic to get involved in forming OC. The participation rate of the owner-occupiers was ranked high by all respondents. Furthermore, management agent respondents expressed that owner-occupiers have actively got involved in the OC election. Keen competition in the election of the members of the OC Management Committee was observed by all PMU/PMA respondents.

Except one PMA, other seven (70%) PMA respondents replied that their OCs have established working groups on various management issues like repairs and maintenance, cleaning, security, manpower, publicity, social and recreational activities. All OC Management Committee members have joined the working groups while one OC even allowed non-OC owners to take part in the working group.

Some respondents remarked that owner-occupiers participated in OCs because they were concerned about the change that might affect the management service provision and worried about the increase of the management fee.

6.8.1. Trust and relationship

Seven management agents’ respondents remarked that they have obtained a high degree of trust from the OCs while other two respondents ranked that they have gained medium trust or low trust from their estate’s OCs respectively.

Management agent respondents were also asked about how they perceived the relationship between OC and PMAs. All of the respondents described that they were
engaged as partner while noting the employer (OC) and employee relationship (management agents). This relationship was better described as boss-subordinate relationship as OC has absolute power to grant or terminate the management contract.

6.8.2. OC’s reliance on PMA
Eight PMA respondents commented OCs have heavily relied on their on-going support and one PMA respondent ranked medium degree of reliance of OCs on PMA.
7. Discussion

7.1. The similarities and differences between Owners' Corporations and the MAC, MACs Joint Meeting and EMAC

Before the existence of OC, residents of the public housing estates have formed the Mutual Aid Committees (MAC) to take part in estates management. The Home Affairs Department assists and sponsors the residents of the building blocks to establish the MAC with the objectives of concerning their living environment, promoting neighbourliness, enhancing mutual-help, organizing social and recreational activities for residents. The members of the Executive Committee are elected by the residents. To a certain extent, MAC does have its representation for the residents. Regarding the estate management issues, MACs have always been invited to give comments by the estate managers of the Housing Department.

As there is more than one MAC established on the estates, an informal MACs Joint Meeting has been initiated by the leaders of the MACs. It finally turns to operate in a regular basis and the Joint MACs Meetings is recognized by the Housing Department as a form for MAC leaders to discuss issues of their concern. The Housing Department is invited to attend the bi-monthly meeting organized by Joint MACs Meetings. Issues during the meeting, the Housing Managers briefs MACs members about the estate management matter and the up-dated information of the Housing Authority. Housing Manager will also conduct the consultation in regard to the new measures or proposals on the management matters. In the meantime, attendants are given the opportunities to raise their and complains on the management issues. Though lacking real power, MACs Joint Meeting on the estates played an important role before the establishment of EMAC.

On the public rental housing estates, a more formal organization Estate Management Advisory Committee (EMAC) was initiated and organized by the Housing Department starting from 1995. The objective of EMAC were to suggest priorities of maintenance and improvement works as well as other management matters of the estate; to provide feedback on estate management matters; to be involved in appraising the performance of contractors and in organizing estate community activities and to recommend the allocation of funds for minor local improvement works and estate management activities.

As the officers of the Property Management Units of Housing Department presented during the visits and the interviews conducted by the researcher that the original plan of HA was to transfer the existing EMACs to become an Estate Management Owners Committee (EMOC) of the TPS estates as a transitional arrangement before the formation of OC. (Miller, 1997) Yet, this plan was dropped by unknown reason. It obviously indicated that EMAC was an effective mechanism to get owners involved on the estate management.

The membership composition of EMAC was broadened with more representation. Chairman or elected representatives of MACs, eligible estate residents associations and the District Boards members whose constituency covers the estates are appointed (HKHA, 2002). The formation of EMAC apparently demonstrated that the Housing
Authority intended to establish a formal channel to seek more representation and delegate more power to the residents to get involved in the estate management. As Li and Yip pointed out that the objectives of EMAC were not confined in the management issues, it also includes the functions of improvement in communications and opportunity of participation for the residents (1997:4; HKHA 1995)

Within the public housing estates, the MAC, MACs Joint Meeting, EMAC and OC play similar function but with different formalities and extent to get residents involved in public sale estates management.

The members of the OCs interviewed by the researcher replied that most of them are the existing and previous MACs and/or EMAC members. They agreed that participation experiences got from MACs and EMAC did facilitate them to contribute in the OC. Their participation was recognized by the officers of Housing Department and the Property Management Agents (PMA) during the interview.

Although members of the MAC, MACs Joint Meeting and EMAC are residents, like OCs, they have still performed an active role in the involvement in estate management. It can be said that these three organizations serve as a training ground for the residents who later join in the OC.

7.2. The extent and forms of involvement
Unlike OC, the MAC, MACs Joint Meeting and EMAC are not legal entities. These organizations are sponsored by other concerned government departments while the formation of OC is based on the legal jurisdictions: the Deeds of Mutual Covenant (DMC) and the Building Management Ordinance (BMO).

The difference in the nature and form of the organizations have determined the extent and forms of their participation. MACs and MACs Joint Meeting are self-help resident organizations and EMAC is a sponsored advisory organization of the Housing Department. The OC, with independent status, has the freedom and autonomy to decide and control the forms of participation and the extent of involvement concerning management matters.

OC is an independent organization with financial autonomy and its formation as well as operation are similar to business corporation. OC office-bearers must undergo a stringent and open election process and be voted by the flat owners. It is known that the formation of MACs and the MACs Joint Meeting are less stringent and its operation, to a certain extent, is a bit unorganized and poorly run. Moreover, EMAC is only an advisory organization on estate management sponsored Housing Department.

Regarding the scopes, territory and the extent of the management activities, all common areas and spaces and common facilities of the estates are controlled and managed by OCs. OCs can freely set their own agenda while only those management issues interested by the Housing Managers of Housing Department would have the opportunity to be discussed in the EMAC and MACs Joint Meeting. The participation in EMAC and MACs Joint Meeting is limited and controlled by the
Compared with the members of the MAC, MACs Joint Meeting and EMAC, there is no doubt that the members of the Management Committee of OC should bear the legal liability in case of committing any defaults in the management of the estates.

### 7.3. Key elements facilitating or discouraging owner-occupiers forming Owners' Corporations

#### 7.3.1. Facilitating elements

**Owners’ wished to protect their interest**

Data gathered from the interviews showed that owners were concerned about the following issues: the increase of the management fee, the service quality and the management style of the PMAs, and the arrangement of estate’s repairs and maintenance. All these directly affected their living environment and expenses OC paid for estate management.

The Home Ownership Committee (HOC) approved a series of initiatives to encourage owners of the HOS estates (pre-phase 18 A) to form OCs. This included both punishment (or threats of punishment) and rewards -- the “stick and carrot” approach. For the disincentive measures, a commercial charge, that is, 10% of the monthly management expenditure of each of the estate, will be levied to the HOS estate owners for one year if they still require HA to provide supervisory services. A further step is that HA may relinquish the management obligations and assign them to a third party, say the existing PMA. In future, the PMA will replace the HA as the manager under the DMC and the PMA will be directly responsible to the owners. Rewards were also offered by HA to the owners such as providing office base and facilities for OCs and management agents, offering free consultation services and administrative support. (HKHA, 1999)

Obviously OC respondents were more concerned about the threat of the possible increased management expenditure should they not form an OC. Throughout the interviews, the OC respondents strongly expressed that they did not take initiative but were “forced” by HA on the issue of OC formation. Two OC respondents perceived the establishment of OC was for them an act of empowerment act and that it served as a platform to let them demonstrate their rights.

On the contrary, only one OC respondent replied that they slightly considered the incentives offered by HA to be one of the reasons for them to establish the OC.

**Experience of OC leaders in MAC and EMAC**

As mentioned in sections 1 and 2, majority of the OC respondents were leaders of MACs and/or EMACs. They admitted that these participation had provided them with experience in the management of their own estates. Indeed, the MACs and EMACs did show their support for the establishment of OC of their own estates. There was no doubt that both the government departments and residents recognized them as community leaders with rich experience in estate management.
It was found in this study that both the staff of Housing Department and the PMA encouraged former leaders of MACs in HOS estates and EMAC in TPS estates to continue to be leaders. Members of these organizations (MACs and EMACs) were invited to join in OCs even when it was at its preparatory stage and subsequently they were elected as the members of the Management Committee of their OCs. It clearly showed that experience of MAC and EMAC has been recognized as an crucial element to facilitate resident involvement in forming OC.

Regarding EMAC, HA did have a plan to change those EMACs in the selected TPS estates into Estate Management Owners Committee (EMOCs) before they being incorporated as OC (HKHA, 1998). Yet, this plan was dropped and PMU proceeded to help owners to form their OCs directly. While holding over half of the un-divided share of the TPS estate, the HKHA felt it very secure to form OC.

**Assistance from others**

Half of the OC respondents agreed that it was important to have the assistance from Housing Department, the Private Management Agents and Home Affairs Department in OC formation process. Of similar importance was the external help obtained from the lawyers, Members of the District Councils, political parties and people with OC organizing experience.

The HD and the PMA staff, accompanied by the HAD staff, conducted the briefing sessions, open forums, owners meetings in order to enhance owners understanding and knowledge of OC. The OC respondents remarked that they knew more about the work of OC after attending these information giving sessions.

It was understood that the Housing Department staff were instructed by its headquarters to assist TPS estates’ owner-occupiers to form OC within a stipulated period. Moreover, requirement to assist OC establishment is stipulated in the management contract for the PMAs. On top of this, there is an incentive payment of $50 per unit to be given to PMAs if flat owners have successfully set up their OC. (HKHA, 1999)

The political activists had also got involved in the OC formation process. OC is regarded as a power base for their future political development as they could secure support for the district election. In OC, they could also build up their political and personal influence. Yet, three OC respondents expressed their resistance and unwillingness to let their OC get involved in political struggles or be influenced by political parties.

The majority of the OC respondents were deeply dissatisfied with the performance of the Home Affairs Department (HAD) during the OC formation process. In their eyes, the HAD staff only acted a basic information provider and observer. They would not give any concrete support and assistance to the owners. Instead, owners were asked to do things all by themselves.

**Other elements**

Other researches showed that it was difficult to organize a large group of owner-occupiers to get involved in the management of their living environment
particularly in the condominium housing. (Yip and Forrest, 2001; Chui and Lui, 2000; Wekerie, 1980). In this study, the selected HOS estates have more than 1,000 households and the TPS estates have 3,000 households on average. It is quite unimaginable to organize such a large number of owners to pursue a common objective. Indeed, a couple of OC respondents stressed that the high number of owners attending the first meeting gave them great encouragement in forming OC. Furthermore, personal work experience and background of the owners were deemed very helpful. OC respondents did stress that as OC members came from different backgrounds with different experiences, knowledge and skills, it was much helpful to have them working together.

Community organizers remarked that forming OC will be much easier when crisis take place on the estates. This argument, on the one hand was affirmed from the data gathered in this study. Five OC respondents explained that the estate maintenance crisis enabled their fellow owners to come together to form the OC. Poor management service was also counted as a management crisis since residents felt it was intolerable. On the other hand, this argument has been challenged in that this was not a necessary pre-condition. During the period of this study, even lacking crisis, HA has launched their new measures successfully, complying the owner-occupiers to form their OCs.

### 7.3.2. Discouraging Factors

One of the main aims of this study is to explore the reasons why owners were not interested in forming an owners’ corporation and taking back the management responsibilities.

The two reviews conducted by the Housing Authority in 1996 and 1999 respectively concluded that owners were apathetic and lacked confidence. Moreover they were over-reliant on HA’s support. The HA put all the blames on the owners. However the findings of this study suggested that these were not the main factors for owners not to come together to form OCs.

After interviewing the OC respondents, this study confirms that the apathy of the owners and their lack of confidence in taking up the management responsibilities are factors discouraging them from forming OCs. According to the OC respondents, the Housing Authority had not developed any policy to urge them to form OCs until mid 1999. Without any push factor owners preferred to stayput and made no effort to obtain information regarding the procedural arrangements for the formation of OCs. Moreover most owners did not have clear views on the service standards of the management agents. This can be taken to mean that owners were generally satisfied with the services of the management agents and that there were no immediate management crises requiring intervention by OCs. The informal consultative mechanism, such as the joint MACs meetings, was also considered satisfactory in reflecting owners’ views to the management agents. Owners, therefore, did not see any immediate need to form OCs.

In brief, without policy drives like those developed by the Housing Authority in July 1999, the contented owners would not take initiative to form OCs.
7.4. User satisfaction

In a way, it is understood that user satisfaction is a subjective perception. Different respondents can provide various aspects of user satisfaction at different times in different situations. In interpreting the answers provided by the OC respondents, one should bear in mind that the OC respondents to a large degree, had made reference to their previous situation. In fact, many TPS OC key members are the “old tenants and new owners”. The change of housing tenure would definitely change their status with the subsequent treatment derived from this change. On the other hand, change also took place among service producers. HD was no longer the landlord, but rather acted as a management service provider/agent. The way to provide services to the owners (users) was surely different from that to treating the tenants in the old days. The change of housing tenure and the form of service production would cause some changes to the whole situation. Therefore, the interpretation of user satisfaction should be cautious. To a certain extent, it could be interpreted as the subjective sense of achievements gained by the owner-occupiers after their participation in the OC and estate management.

The researcher used open questions in order to let OC respondents freely give their answers. No standardized indicators were constructed or used to ask the OC respondents whether they would regard their involvement in managing public sales estates as a positive step to user satisfaction in property management services. Rather, based on the answers of the OC respondents and the customer perspective, 10 aspects were highlighted to user satisfaction.

These 10 aspects were: owners’ views and opinions are well-received; owners have more say and decision-making power; owners enjoy respectable status; Owners obtain support from PMU of HD or PMAs; owners know their estate’s problems and management and maintenance priority; owners have made substantial achievement; owners can offer help to others; owners control own resources; owners learn more management knowledge and owners facilitate others’ involvement.

7.4.1. Power and status of the owners

OC is an independent legal entity and the official organization formed by all owner-occupiers. They are responsible for managing the common parts of the public sale estate. Unlike other resident organizations such as MACs or EMACs joined by the OC respondents, OC has more power and is able to make decision on matters concerning management on behalf of the owners as perceived by OC respondents. Particularly, OC is able to make decision on the estate’s repairs and maintenance matters; offer contract to service providers including the PMAs; monitor, supervise and appraise PMU of HD or PMA’s service performance and set up regulations and restrictions on the use of common places. As OC members, they would have a sense of satisfaction if they could make decision on the issues related to their living environment.

Management fee, a sensitive issue to all owners, could now be under the decision of OC. OC respondents did express that they preferred not to increase the management fee in the forthcoming years. Previously, they had no say on the issue of management fee under the HA administration.

OC respondents expressed that they had earned the respect from the service providers
(PMAs and their sub-contractors). It was very obvious. The PMU of HD or PMA respondents, in the interview, admitted that they treated OCs as their employers and that the boss definitely deserved respect. Some of the OC respondents also mentioned their fellow owners also showed respect to them. Compared with their previous status as tenants, the respondents in TPS estates, now being owners, plus OC leaders, have been well treated and respected by the staff of PMU/HD or PMAs. Because of their leading position in OC, the OC respondents remarked that their opinions were well-received and well-respected by the staff of PMAs too. As service users, they would expect their views heard and valued. Same as the owner-occupiers, they felt more satisfied particularly when their complaints were carefully considered by PMU of HD or PMA’s staff. The OC respondents perceived their involvement was of value and significance. There was no doubt that they considered their involvement in managing their estates a positive step leading to user satisfaction.

7.4.2. Owners knew their estate’s problems and management and maintenance priority
It was found that OC and respondents had recognized the problems of their estates and what priority should be placed relating to the estate’s management and maintenance issues. This was also verified in the interviews with the PMU of HD or PMA respondents in this study. Like customers, owners using property management services were eager to obtain more information about the service to help making the purchasing decision. Through participation in OC and its working groups, owner-occupiers got more opportunities to explore and identify the issues or problems of their estates were also regarded the dialogue opportunities between OC office-bearers and staff of PMU/HD or PMA.

7.4.3. Substantial achievement
Nothing is better than achieving something concrete if someone gets involved in some business. It was found that OC respondents affirmed their contributions achieved some fruitful results, particularly in the repairs and maintenance matters. It was important for the OC members as a united force to achieve the improvement of their living environment which was visible to the community. The OC respondents replied that they gained satisfaction because they did make effort to help improve their living environment, like dealing with illegal parking and leakage of water pipes.

In addition, the OC respondents expressed that not only could they offer help to other fellow owners in need of help, but they also witnessed more owners, under their facilitation, joining the estate activities. It could be counted as another positive step towards user satisfaction in property management service.

7.4.4. Control of resources
OC respondents expressed that they were able to use the management fund to carry out the repairs and maintenance for the estate’s building blocks or common facilities. Apart from that, they were able to utilize the OC office as a meeting place and to handle complaints on property management.

7.4.5. Other aspects
Owner-occupiers got the opportunity to learn more knowledge of estate management through the participation in OC. It was valuable for the OC members to have such added benefit.
7.5. The views of the property management staff on owner-occupiers' involvement in managing public sales estates

This study has also tried to understand the views of the property management staff on owner-occupiers' involvement in managing public sales estates. As two of the public sales estates were still managed by the staff of Property Management Unit of Housing Department, they were also interviewed. Both PMU and PMA are sometimes referred as management agents in this report.

7.5.1. Obligation to form OC

The obligation of PMU/PMA to assist owner-occupiers of public sale estates to form OC is a special arrangement in the housing management context. It is also noted that not all PMAs are required to take up the same responsibility. On private housing estates or condominium, PMA's job is to provide management and maintenance service. The flat owners have their rights and freedom to decide whether to form OC or not. PMAs generally do not regard helping flat owners to form OC as its work priority. Unlike their private housing counterparts, PMAs of the public sale estates contracted to manage HOS estates were required in the contract to assist owner-occupiers to set up their OCs. The Property Management Unit, a sub-unit of Housing Department, is responsible to manage TPS estates. Housing Department has instructed PMU to assist owner-occupiers in forming OC.

Under these circumstances, PMU/PMAs regarded the task of helping owners of public sale estates to form OC an assigned duty and therefore made every effort to complete it before the due date. Indeed, an incentive payment in term of a cash bonus of $50 per unit had been offered to PMAs to meet the expenses on the OC formation activities. This measure, to a certain extent, was quite successful. By 31 October 2001, out of a total number of 93 pre-Phase 18A HOS estates, 60 OCs were formed. (HKHA, 2000)

7.5.2. PMA's views on owner-occupiers' participation

According to PMA respondents, owner-occupiers were very supportive and enthusiastic to get owners involved in OC formation process. Since OC was new to these new owner-occupiers, they were concerned about the potential increase of management fee and the legal liability of OC. The PMU/PMA respondents of TPS estates expressed that owners of TPS estates were more enthusiastic than the HOS estate owners in term of the number of participants in the owners meetings and number of candidates as well as voters in the OC election. Owner-occupiers wished to protect their interests and to make sure that the right candidates will be elected to the OC Management Committee.

PMA respondents also mentioned that it was convenient to form OC as there were many experienced community leaders in the estates. This study shows that a number of MAC and EMAC leaders were actively participated in the OC formation process. In some estates, unofficial “agreement” was made among key members of OC preparatory committee. Membership of the OC Management Committee was even
pre-allocated to each MAC before the formal election took place.

Yet, in five estates, the participation of owner-occupiers was motivated by the district political forces (District Council members and their political parties). Political activists considered OC a good platform for them to extend their political influence and to rally support in future elections. It was interesting to note that only one political force would stay and maintain its influence in the OC while the rest was marginalized. However, a majority of OC respondents strongly resisted any political forces to influence the work of OC.

Majority of the OCs did establish working group or sub-groups to handle various management matters such as cleaning, security, repairs and maintenance, finance and environment. The members of the Management Committee have joined in these working groups with PMA staff support. One OC even allowed the non-OC Management Committee members to join these sub-groups.

7.5.3. The extent of trust by OC

PMU/ PMA respondents commented that they have successfully gained trust from the estate’s OC shortly after they took up the management. They thought owners trusted them because they were the well-established, well-managed professional property management companies with good reputation. Furthermore, PMAs have provided necessary service for them in running the OCs. It was important to OC members that PMU/PMAs provided day-to-day management support to them.

7.5.4. OC’s reliance on PMU/PMA

PMU/PMA respondents explained that OCs were heavily relied on the advice of PMAs in management and maintenance matters, other management and legal issues and enforcement of OC decisions. OC reliance on PMU/PMA might be generated from the inability and lack of time of the OC members in estate management. OC members are amateurs in property management. Almost all of them acted as community volunteers. They normally have to rely on PMU/PMAs to provide daily management service to their estates during their absence. Administrative support from PMU/PMAs for OC operation is therefore essential. This could be verified from the OC respondents that lack of time was a barrier for owners to become more involved in OC. It was common to find that OC raised the management issues and PMAs provided solution with professional analysis. The usual practice of the arrangement of OC Management Committee meeting was that PMA developed and drafted agenda with discussion papers, informed and distributed meeting documents to OC members, took meeting record and followed up the implementation of the resolutions. If not relying PMU/PMAs, OCs could be paralyzed and dysfunctional.

7.6. Competency of OC in estate management

7.6.1. Active OC: When discussing the significance of owners’ participation in estate management, it should first examine the extent of the competency of OC. From the interviews with PMAs, the researcher has tried to analyse PMU/PMA respondents’ comment on OCs. It was found that OCs were able to perform some basic tasks: to initiate, discuss and propose ways to handle the management issues. They were able to mobilize external resource and professionals to give them assistance.

Before the establishment of OC, it was the HD or PMAs and not the owners to steer
meeting agenda items concerning estate management. After the establishment of OC, OC members have become more proactive and considered various aspects relating to the management and maintenance. As a new organization, it was understood that OC members were more proactive and committed in OC’s estate management affairs. Part of the reason was that they received complaints directly from other owners. In some estates, OC members took turn to record complaints cases in the evening “meet the owners” sessions. They held the view that OC has a responsibility to understand and find solution for owners’ problems relating to estate management.

In contrast to MACs which normally involved residents to give advice to the management agents, OC respondents remarked that OC leaders generally thoroughly discussed the issues and tried to trace the root cause of the problem, examine impact on owners and find solutions. OCs members also admitted that when they were leaders of MACs, they spent a lot time and energy in organizing social activities for the residents. Rarely their time was spent on the management issues. In could be understood that organizing social activities was much easier than tackling the management problems. Moreover, management was then in the hands of the management agents. PMU/PMA respondents noted that OCs were able to make decision in solving the management issues. OC respondents remarked that OCs were able to find owners to offer help in dealing with issues relating to legal, insurance and accounting matters for the OC.

7.6.2 Handling Owners’ complaints
Previously, owners were used to lodge their complaints to the management offices manned by HD or PMAs. In this study, some OCs had established additional channel in opening their offices for owners who wanted to lodge their complaints in relation to estate management and maintenance. This has served as a good channel to gather feedback and opinions from owners regarding management issues.

7.6.3 Selection of service providers/contractors
Previously, owners usually blamed HD or PMAs in awarding contracts to those service providers who charged high fee but provided poor services. None of the respondents were involved in the selection of service providers before OC (note EMAC members were asked to assess the performance of cleansing and security contractors, however the final decision was made by the Housing Department). As management service users, they would be affected by the low quality of service provisions if the selection went wrong. Indeed, through involvement in OCs, and with the support from PMU/PMA, owners made decision regarding service contracts and would tend to select good service providers. PMAs can also shift their responsibility in choosing service contractors (such as those for cleaning and security) to OCs because it is the OC and the not PMU/PMA which make the final decisions.

7.6.4 Ability in handling meeting
As the operation of OC is similar to that of a business corporation, the flow and procedures of the meeting have to be in compliance with the standing rules and regulations stipulated in the BMO. Indeed, it was quite formal with a lot of standing requirements. PMAs respondents accepted that within a short period after OC establishment, it would be unrealistic to expect OC to perform well without getting support from management agents.
7.6.5. An independent OC?
OC is supposed to be an independently operated organization. However, it had to rely on the constant support from PMU/PMAs. PMU/PMA respondents stated that it would not be feasible for OCs to have independent operation without the support from management agents. Due to lack of time and insufficient knowledge in property management, volunteers in OCs would not claim to operate independently. Moreover, PMAs also acted as a “mediator” for the OCs. OCs would prefer to use PMAs to communicate directly with HD regarding disputes between HD and OCs over responsibility on estate’s common parts. It was interesting to know that some owners would prefer to seek helps from PMAs instead of OCs due to the reason that they did not trust OCs. PMA respondents expressed that it was PMAs and not OCs to act as a buffer in balancing the interest between OC and owners. PMAs respondents elaborated that it was the role of PMAs to complement the role of OCs. It was also recognized by PMA respondents that OCs could supplement PMAs in pursuing good estate management services. With these, an independent OC (with no help from management staff) was almost impossible.

7.7 An obstacle or a facilitator in management
Before the formation of OC, it was the PMA which bore the sole responsibility in estate management. And now, with the involvement of owner-occupiers in OCs, the quality of estate management services has been enhanced.

There were clear evidence that OCs were able to identify the management issues through a better-serviced complaints system for owners. They were also able to conduct thorough discussion and made decision to solve the problems. OCs also helped to gather feedback and complaints regarding performance of management and maintenance contractors. They also got involved in the selection of service providers. Moreover, OCs were able to draw external resources and outside professionals to assist the management of their own estates. From the above analysis, owners’ participation did play a significant part in improving the quality of property management service. PMA respondents were positive about the help given by OCs and none had mentioned OCs as obstacle in the process of delivering management services.

7.8. Is OC a co-producer of housing service?
In section 5.3, the 3C Perspectives (Co-produce, Check and balance, and Control) were outlined.

Findings of this study confirmed that owner-occupiers’ involvement in managing public sales estates improved the standard of housing management services. The concept of co-production is recognized as a sound guiding concept in encouraging owners to get involve in management. In this aspect, owners and management staff’s interest are in common and they would regard one and other as complementary partners. This is the best scenario for both the owners and the property managers as a trusting relationship is established between OC and the management agent.
If they are not in good terms, owners’ corporation will assume its *check and balance* role – to check and monitor the work of the management agent and its service contractors so as to ensure interests of owners are properly protected. On the other hand, office-bearers in the Management Committee of the Owners’ Corporation are also expected to perform a check and balance role on the work of the those owners holding an office in the OC so as to balance the interest between those serving on the OC’s Management Committee and those not on the Management Committee. The check and balance role, on the other hand, should also be assumed by the professional property management agent and the Home Affairs Department. Both of them are expected to perform the check and balance role so as to prevent the occurrence of oligarchic control of OC by a minority of owners. In holding OC meetings or general meeting to elect members to serve as key office-bearers of the Owners’ Corporation, steps have to be taken to ensure standing orders and stipulated requirements are followed.

The Owners’ Corporation is an organisation formed by owners under the Building Management Ordinance (Hong Kong Ordinance Chapter 344) to manage the common parts of the building and make decisions on matters concerning management on behalf of the owners. It therefore has full *control* and power to appoint and to remove the management agent by a resolution passed at a general meeting of the corporation. The *control* power of OC has in effect put the property management agent in a subordinate position. Some PMA respondents regarded OCs as their “boss” who will “hire” or “fire” the management agent.

The proactive approach adopted by the Housing Authority is in line with its housing privatisation policy which actively disengaged itself from direct provision of property management services. Once the owners’ corporations are formed the Housing Authority could claim that their management responsibilities are over. The housing privatisation move of the Hong Kong Housing Authority forms part of the Hong Kong Government’s Public Sector Reform and is also an interesting case for researchers of privatisation policies. Users’ involvement in managing housing estates is used as a just cause for expediting the privatisation programme.
8. Conclusion and Issues for future studies

8.1 Conclusions

As at 30 June 2001, out of about 42,000 private buildings in Hong Kong, 6,464 Owners' Corporations have been formed covering about 12,000 private buildings. In other words, about 30% of all private buildings have formed OCs. The introduction of the Building Management Ordinance (Amendment) 2000 and the proactive approach adopted by the Home Affairs Department and the Housing Authority in encouraging owners to form OCs in private and public sector buildings respectively begins to see results.

In looking at the situation of the public sale estates, the result of Housing Department’s effort on promoting owners to form OCs was excellent. All 18 housing estates in the first three phases of Tenants Purchase Scheme (TPS) have established its own OCs. Among 93 pre-Phase 18A HOS estates, a total of 60 estates (65% of all) had established its OCs (HKHA, 2001). One might query why the percentage of OCs out of the total number of public sales estates was much higher than that of the private buildings.

Though this study were made no attempt to answer the above question, it did provide some useful reference to analyze this phenomenon. It was found from the study that the existing OC members of the public sale estates were also the previous core and active members of the MACs or EMACs of the respective estates. EMAC -- a Housing Authority-sponsored advisory organization in estate management, provided some useful experience to those enrolled as leaders in OCs. In the process of forming OCs, these community leaders were identified and absorbed to become OC leaders in managing public housing estates. Apparently MACs and EMACs had served as a good training ground for these OC members.

Owners’ Committees were not common features in public sales estates. Even there are a few, almost all of them are closely associated with District Councillors or / and political parties. The focal concern of these owners’ committees is not on property management issues. Moreover their status are not recognised as a formal representative of owners of a particular public sales estate. Researcher also realised that MACs or joint MACs meetings were in place before OC formation. Given these knowledge, the researcher re-designed the study. Some HOS OCs formed in recent years were selected. They were asked to relate their experience in MACs and joint MACs meetings (the substitute for “owners committees”) to the work of OC. Respondents were also asked to outline reasons for not forming OCs in earlier years when there were chances to do so. This modified research design has served the study well. Researcher can confirm the significance of (a) the Housing Authority’s expediting owners to form owners’ corporations policy (the ‘stick and carrot’ approach); and (b) the valuable experience gained by respondents in their MACs / joint MACs meetings and its impact on OC.

In order to realize the 70% home ownership rate target of the Chief Executive of SAR government, HA has developed a number of policies to boost up the home ownership rate: on top of HOS, TPS was put forward from 1998 onwards. The active promotion of home ownership in the public sector, coupled with the management reform of HA,
had provided an opportunity for owners to form OCs and to take back the management responsibilities.

With the concrete assistance provided by the Housing Department and the PMAs, owners of many public sales estates had successfully established their OCs. Owners in the private buildings were not as lucky as those in the public sector because they had to take initiative to do all necessary work and to organize themselves in the formation process of OC. Home Affair Department staff provided minimal support.

Apart from the manpower supports given by HD, the private management agents (PMAs) which obtained the estate management service contracts were also required to provide necessary assistance to the owner-occupiers to form OCs. PMA managers admitted that it was their job duty and a matter of company survival to take up the organizing work for the formation of OC. It was because the management contract had already stipulated that PMA should assist owners to form their OCs within a particular time frame. If PMA failed to do so, there would be a severe penalty -- possibility of not being given another estate management contract from the HA. In addition, an incentive payment in terms of a cash bonus of $50 per unit (flat rate payment) was also given to the PMAs for meeting the expenses of helping OC formation. Under such circumstance, it was quite understandable that owners of public sale estates have been better serviced in the process of establishing their OCs than their counterparts in private buildings.

HA had also adopted the disincentive and incentive (‘stick and carrot’) approach to expedite HOS owners to form OCs. On the one hand, HA has generously offered the renovated and touched-up office base for the management companies and the OCs. The offices were all equipped with basic office equipment and facilities. Six-month free professional advice on the estate’s management and maintenance was also provided. In case OCs needed to look for other private management agents, HA promised to provide them assistance in preparing and processing the tenders. On the other hand, disincentive measures were also proposed by HA in speeding up the owners to form OCs. A commercial charges, that was 10% of the monthly management expenditure of each of the HOS estates, would be levied to the HOS owners for one year if they still required HA to provide supervisory services on the performance of PMAs. A further step will be taken by HA to relinquish the management obligations and assign it to a third party, say the existing PMA. In future, the PMA will replace the HA as the manager under the DMC and the PMA will be directly responsible to the owners.

This study showed that the disincentive (stick) approach is very effective. Without the stick, the incentive (carrot) measures would not be effective in expediting the owners to form OCs in HOS estates. The “stick and carrot” approach is seen as a complimentary measure in speeding up the formation of OCs.

From the views of the OC leaders, though OC had only been operated for a short period, they regarded their involvement as a positive step to user satisfaction in property management services. They observed that their status and power were increased. They had also gained support from other owners. Through participation in OCs, they knew more about the problems and priority of the estate’s management and maintenance. Having controlled the estate’s resources, they had also witnessed some
substantial improvements in the estate’s environment.

Overall speaking, the PMA managers interviewed by the researcher affirmed that the owner-occupiers involvement in managing public sale estates through OC had generated positive effect: to enhance the service quality of property management. It should be reminded that most of the OCs selected was established in recent years. Owners’ managing experience was rather limited. Many had not encountered major issues in estate management. However, the competency of OCs key office-bearers was recognized by the management agents. Respondents appreciated owners’ effort and skills in the process of identifying management issues. Their effort in handling owners’ complaints and in selecting service contractors were also recognised. The ability of OC leaders in handling OC meetings would be an area in need of proper training.

PMA managers noted that the OC performed the role of co-producer of management service. Furthermore, they considered the relationship between OC and PMA as employer and employee relationship. The management agents regarded themselves as the employee. As their service contracts are dependent on the decision of OC, PMAs will have to find every possible way to provide satisfactory management service to the employer (OC in this context) in order to continue the contract. Helping OCs to get involved in managing public estates was often seen by property management agents as a way to make the owners happy and satisfied. The management agents were less concerned about whether OCs’ involvement had actually improved service quality. If owners’ involvement will co-produce better management services, it will be welcome by both owners and management agents. If their involvement does not produce good results, as long as OCs bear the responsibility, management agents would be happy to assist the owners. Involving owners in managing public estates is therefore seen as a means to the desirable ends (either it is for the co-production of better services or for a more satisfied owners’ organization). Management agents perceived that helping owners to get involved in managing the estates and to meet owners’ expectations have become their job duty and their ‘rice-bowl’ concern (to seek continuation and renewal of management contract for the survival of company).

On top of the co-production perspective, this study has further elaborated the check and balance and control perspectives which were detailed in section 7.8 of the earlier chapter.

The control perspective is somewhat similar to the resident management concept in the Wekerie et al’s typology (see Section 5.2.3). The co-production perspective is a good illustration of Wekerie et al’s partnership management. While appointing professional management company to provide the day-to-day management and maintenance services, it is the responsibility of the owners’ corporation to perform its check and balance role. Owners as consumers of property management services will continue to get themselves involved in managing the estates through Owners’ Corporation (a legal entity with power and responsibility) to better their living environment. Choosing, monitoring and working together with service contractors, which are capable of providing quality and satisfactory property management services and meeting owners’ expectation, will be the main challenge for Owners’ Corporations in Hong Kong.
8.2. Issues identified for future study

Through the study of owner-occupiers involvement in managing public sale estates, a number of issues were identified and deserved attention in future studies relating to owners’ corporations. They are listed below:

- To examine why many Owners’ Corporations were formed in public sales estates after 1999 within a short time span? Are they attributable to the disincentive and incentive (‘stick and carrot’) policy of the Housing Authority in expediting owners to form owners’ corporations in public sales estates? Are there other more significant factors?
- To contrast the policy and practices of the Housing Authority with those of the Home Affairs Department regarding assistance given to owners in the process of forming owners’ corporation.
- To appraise the 3C Perspectives (Control, Check and Balance and Co-production) of owners involvement in managing housing estates through Owners’ Corporations. To find out the facilitating and discouraging elements for Owners’ Corporations to perform these three Cs functions.
- To assess the training needs of the leaders of Owners’ Corporations in order to provide relevant training programme to help them to fulfil their responsibility in managing the buildings.
- To compare and contrast the legal, policy and institutional arrangements in facilitating owners’ involvement in managing their own properties adopted in Hong Kong with those used in overseas countries.
- To find out if tenants’ views are given a fair hearing in the deliberations of Owners’ Corporations. To examine if government has allocated any resources to encourage tenants’ participation in public or private sales estates.
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79


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