THE HONG KONG HOUSING AUTHORITY

Memorandum for the Building Committee

QUALITY HOUSING : PARTNERING FOR CHANGE

Quarterly Progress Report No.1
on Quality Housing Implementation Plan
as of 30 June 2000

PURPOSE

This paper informs Members of the progress of the implementation of the recommendations for enhancing public housing quality.

BACKGROUND

2. To address the increasing community concern on building quality of public housing, the Housing Authority (HA) conducted a public consultation after publishing a document entitled “Quality Housing : Partnering for Change” with 40 recommendations (Paper No. HA 8/2000 refers). 10 more recommendations were added after consolidating the views of stakeholders and respondents, and we formulated implementation strategies to take forward these 50 recommendations. At its meeting on 14 April 2000, the HA endorsed the two-phased implementation plan containing 50 Quality Housing Initiatives under 11 pillars to enhance housing quality (Paper No. HA 24/2000 refers).

3. Addressing immediate public concerns, Phase One of the reform covers areas vital to customer and building safety and will provide a conducive foundation for the execution of subsequent initiatives. Six areas comprising 25 recommendations have been identified as the six pillars for Phase One of the reform which warrant our immediate attention. They are -
(a) providing quality products and services to customers
(b) revamping the piling process
(c) reinforcing site supervision
(d) reforming listing and tendering practices
(e) establishing a partnering culture
(f) re-engineering departmental operations

4. Phase Two of the package covers another five areas for enhancing the sustained improvements in the construction industry. The recommendations of these **five pillars for Phase Two of the reform** are more complex and the implementation of which will require joint effort of various stakeholders of the industry.

5. To oversee and coordinate the implementation of the various recommendations, a multi-disciplinary departmental task force has been set up with effect from 1 March 2000. The task force has been working out the implementation details and action plan for taking forward improvement measures. To ensure that all the improvement measures are implemented progressively, we will submit a quarterly progress report to Members for information, and this is our first report.

**PROGRESS**

**Phase One Implementation**

6. As the recommendations under Phase One implementation involve a wide spectrum of processes, systems and stakeholders, it is necessary to prioritize their implementation sequence and draw up a practical action plan accordingly.

7. Bearing in mind that we are facing a production peak which has imposed particular pressure and challenges on all those in the supply chain, too many measures implemented in one go may exacerbate the problem. Change should therefore be gradual and incremental. In devising the implementation programme and details, it is important to give priority to addressing the public concerns on quality, and safeguard our quality standards at the completion stage. At the same time, we need to strike a balance between the pace of reform and the pressure on staff during peak production.
8. Since the endorsement of the implementation plan by the HA in April 2000, we have been actively turning the initiatives in the reform blueprint into materialization to bring forth the intended improvements. The implementation status of the 50 recommendations, as at 30 June 2000, is summarized below –

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Implementation Status</th>
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<tbody>
<tr>
<td></td>
<td>Implemented</td>
</tr>
<tr>
<td>Phase 1</td>
<td>25</td>
</tr>
<tr>
<td>Phase 2</td>
<td>25</td>
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9. The implementation status of individual recommendation is shown at Annex A. Our major achievements in implementing these improvement measures are highlighted in the following paragraphs.

Pillar One - Providing Quality Services and Products to Customers

10. To strengthen customer services, a numbers of measures have been implemented.

(a) We have established an in-take hotline in new estates to strengthen communication with tenants and owners with Customer Service Teams being set up to handle defects speedily (Paper Nos. BC 77/2000, HOC 51/2000 and QH 04/2000 refers). These new measures will be tried out in two pilot projects in Tsing Yi and Ma On Shan for full implementation.
(b) For building tenders which were returned from March 2000 onwards, we have sought Members’ endorsement in March to lengthen the Defect Liability Period from 1 year to 2 years. Besides, the retention money will be increased from 1% to 2% of the total contract sum to induce contractors to provide better services after project completion.

(c) We have sought Members’ approval to outsource some of the final flat inspection work to consultants in order to maintain a consistent handover standard during the production peak (Paper Nos. BC 48/2000 and QH 02/2000 refers). Tendering process for the selection of consultants has been completed. 4 consultants for handling the watertightness tests and final inspection of 32,497 flats will be appointed in July 2000.

(d) We are now working on the implementation details of providing structural guarantee of 10 years for all new and existing HOS / PSPS developments from the date of completion and 20 years for those in Tin Shui Wai. Proposals will be submitted to a joint meeting of Home Ownership Committee and Building Committee in September 2000.

**Pillar Two - Revamping the Piling Process**

11. We have taken on board all the recommendations from the Investigation Panels on Tin Chung Court and Yuen Chau Kok to enhance the standard of piling works. The entire package of reforming the piling process which has been approved by Members vide Paper Nos. BC 84/2000 and QH 05/2000 covers the following key areas -

(a) Strengthening site inspection

(b) Strengthening risk management

(c) Strengthening acceptance requirements of piling works

(d) Strengthening Contractor’s management and supervision

(e) Reinforcing independent building control
(f) Strengthening HA’s listing of piling and ground investigation contractors

(g) Reviewing the Department’s organization structure and management policy

(h) Strengthening human resource management

12. As a further step to strengthen the control on piling and ground investigation works, we will submit proposals on enhancing the transparency of sub-contracting for piling contracts in July 2000. We will establish HA own list of ground investigation contractors by January 2001. In the long run, we will introduce Preferential Tender Award System by late 2001 to induce consistent good performance from piling contractors.

Pillar Three - Reinforcing Site Supervision

13. We firmly believe that quality construction depends on quality supervision on site. We have worked with both contractors and consultants to reinforce the supervision level -

(a) To reinforce site supervision for consultant projects, we have reimbursed the project supervision cost to the consultants for providing extra staff for enhanced requirements to safeguard the quality of supervision.

(b) To reinforce site supervision for the Department’s in-house projects, we have conducted the recruitment of additional site staff and 116 of them will be deployed progressively to building sites within the coming two to three months. As at end June 2000, nine of them have already reported duty. 34 have confirmed acceptance of offer and will report duty in July and early August 2000.

(c) We have deployed resident engineers to all the piling sites. Resident professionals will be deployed to complex building projects when necessary.

(d) We have formulated the training plan for in-house and consultant site staff to reinforce site supervision and induction training and refresher courses have been arranged.
(e) We have delegated more authority to project teams and resident professionals so as to encourage them to resolve technical problems on site more speedily.

**Pillar Four - Reforming Listing and Tendering Practices**

14. A brainstorming session with Members has been conducted in early July 2000 for the discussion of reforming the listing and tendering practices. We will shortly introduce reforms to facilitate the development of a partnership with consistent good performers and the exclusion of those who fail to meet acceptable standards.

15. To ensure that the selection of business partners remain fair, open and objective, the performance appraisal systems require constant review. Having regard to stakeholders’ feedback on PASS 2000 obtained from the trial run, the new system will be reviewed before it is rolled out. In the interim, in order to enhance objectiveness of the existing PASS and to alleviate the workload during peak production, Independent Team under PASS Control Unit will be deployed to take up two thirds of PASS Output Assessment with effect from July 2000.

**Pillar Five - Establishing a Partnering Culture**

16. We believe that the foundation for sustaining the success of our reforms will be the establishment of a partnering culture. To this end, we have introduced the following measures -

(a) To allow contractors to deliver quality housing under the enhanced quality requirements, we have extended the construction period of new piling and building contracts by one month and two months respectively.

(b) We have revised the contractual arrangements for achieving more equitable risk-sharing risks with our partners (Paper Nos. BC 47/2000 and QH 01/2000 refers). These include reducing the level of liquidated damages for piling to remove incentives for cutting corner and providing for extension of time due to unanticipated complex ground conditions based on contractor’s design.
(c) We have conducted ‘Site Works Forum’ with in-house staff, consultants and contractors to provide quick resolution of site problems and disseminate information more efficiently.

(d) To foster a partnering spirit during project implementation, project teams under seven pilot schemes have held partnering workshops with the contractors to enhance mutual understanding and communication. Feedback from the pilot schemes will be solicited before the system is rolled out progressively from January 2001 onwards.

(e) To strengthen the decision making process to achieve optimum value for money, pilot Value Management Studies will be arranged for projects at the design stage. The first workshop will be convened for Fanling Area 36 in August 2000.

(f) To reinforce the stakeholders’ commitments in delivering quality housing and enhancing construction site safety, we are carrying out preparatory works for a partnering conference held in October 2000. This will provide an opportunity to take stock of our progress and achievements in undertaking these reforms as well as to promote the partnering spirit with stakeholders.

Pillar Six - Re-engineering Departmental Operations

17. To take forward the measures for enhancing quality construction, it is essential to re-engineer the departmental operations such that the Housing Department becomes a more responsive, accountable and efficient executive agent for the HA. However, re-engineering during the production peak must be handled with care. Focus should be on deploying additional resources to strengthen site inspection and motivating staff to concentrate on quality of construction. Major initiatives already taken include the following -
(a) We have commissioned a highly experienced private sector project management practitioner as a consultant to review the complete production process for the HA’s housing developments with a view to streamlining existing operations and enhancing accountability. The study has been completed in early June 2000. The consultant’s findings are being examined.

(b) We are identifying high-risk areas of our operations with a view to reprioritizing, re-deploying and securing new resources to tackle them. As part of this, we have already deployed resident engineers on site to all piling projects and re-deployed site staff from supporting roles to the front-line. Additional site staff resources are being recruited for deployment to building projects.

(c) In advance of completion of the study at (a) above, we have already held a number of internal discussions and workshops with our staff aimed at identifying bottle-necks and resource constraints, streamlining operations, speeding up decision-making processes and developing future strategy.

18. Recently, the Government has announced the establishment of a committee under the Chief Secretary to review the roles and responsibilities of the Housing Authority, Housing Bureau, Housing Department and Housing Society in the public housing developments. Although the full picture of the departmental reforms will only be mapped out after the review, the general outline and direction of the reforms has already been discussed with staff. To enable the project teams to concentrate their efforts in ensuring the quality of construction, actions have been taken to reduce unnecessary paperwork and to streamline the decision making process -

(a) The management control is refined to adopt a less prescriptive and more flexible approach. Quality audits have adopted a qualitative approach with an aim of enhancing the product quality rather than using a quantitative approach to find non-conformities in projects.
(b) Staff are encouraged to work pro-actively on project tasks, using their professional judgement, rather than following procedural manuals rigidly or reacting passively to events.

(c) Procedures are amended to allow greater delegation of authority to expedite decision-making and to facilitate problem solving on site.

(d) Staff are encouraged to reduce the amount of paperwork and the time spent on meetings.

*Phase Two Implementation*

**Pillars Seven to Eleven**

19. Recommendations under Phase Two implementation are more complex and involve an interface with more stakeholders. Careful planning together with in-depth discussions with other stakeholders to explore various implementation options have to be done before establishing the best approach. However, there are two important aspects which require immediate attention -

(a) Pending agreement with the Government on the timing and the detailed arrangements for putting public housing under the ambit of the Buildings Ordinance, we will shortly establish an independent checking unit within the HD as a transitional arrangement. This new unit will institute parallel practices to those applied by the Buildings Authority in respect of private buildings so as to ensure consistency in building standards and to facilitate future transfer of the regulatory responsibility. Creation of new posts for carrying out such task is in hand.

(b) With the objective of enhancing the ethical integrity of the parties involved in the construction projects, an action plan to promote ethical integrity is being drawn up jointly with ICAC, covering training, establishment of guidelines, audit, tendering and site inspection review, project management and consultant management review.
FINANCIAL AND STAFFING IMPLICATIONS

20. For the quality measures already implemented, the financial and staffing implications have been assessed and submitted to the relevant committees for endorsement. The overall financial effect of the whole implementation package may not be easily assessed as the quality initiatives will interact with one another when implemented progressively.

21. As discussed in Paper No. HA 24/2000, the overall financial effect, which will depend largely on the market perception as well as that of our contractors and consultants, will be reflected in the tender prices. We will be in a better position to come up with a cost estimate after the initial implementation period of six months. We will then provide a detailed financial assessment to Members.

22. Additional staff resources required for the measures already implemented are mainly for reinforcing the site supervision of in-house projects. To cope with the peak production, the Department will strengthen the site staff resources for building works by recruiting additional site staff, outsourcing part of the watertightness tests and final inspection to consultants and by internal redeployment of staff from supporting functions to site supervision teams.

PUBLIC REACTION AND PUBLICITY

23. In the public consultation exercise for the Consultative Document Quality Housing: Partnering for Change, the public generally supported the reform proposals. When devising the implementation details and programme for the quality initiatives, we have consulted the concerned stakeholders. Their views have been considered and their concerns have been addressed as far as practicable before the quality initiatives are finalized for implementation. A summary of the stakeholders’ responses to the quality initiatives already implemented is at Annex B.

WAY FORWARD

24. With the quality initiatives progressively implemented, we are confident that they will take their effects in assuring our built quality and regaining the public confidence.
25. Meanwhile, we are actively working on the implementation details of the remaining initiatives in pursuit of their early materialization. In the next three months, we will be further developing implementation details for the following initiatives -

(a) Provision of structural guarantee of 10 years for all new and existing HOS / PSPS developments from the date of completion and 20 years for those in Tin Shui Wai.

(b) Enhancing the control on sub-contracting for piling contracts.

(c) Establishing comprehensive list of piling contractors.

(d) Formulating the strategies for site specific design and project delivery.

(e) Formulating strategies for the procurement of consultants and contractors, and the means to facilitate the development of a partnership with consistent good performers and the exclusion of those who fail to meet the required standards.

(f) Enhancing the working conditions for construction workers by upgrading the specifications on waste management, safety and the control of dust, debris, and noise.

(g) Promoting the environmental design and reducing construction waste.

26. Apart from the departmental reform, the initiative of bringing the HA projects under the ambit of the Buildings Ordinance will have impact to the organizational setup, housing production programme and procedures, operations of Development & Construction Branch and staff resources. The implementation of other quality measures, in terms of their priorities and detailed arrangements, may need further review upon agreement with the Government on the timing and arrangement for putting public housing under the ambit of the Buildings Ordinance.
INFORMATION

27. This paper is issued for Members’ information.

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