

For discussion
on 16 May 2001

PWSC(2001-02)24

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Head 703 - BUILDINGS

Government Offices - Intra-governmental services

70KA - Purchase and fitting-out of office accommodation for the Office of The Ombudsman

Members are invited to recommend to Finance Committee the upgrading of **70KA** to Category A at an estimated cost of \$187.6 million in money-of-the-day prices for the purchase and fitting-out of office accommodation for the Office of The Ombudsman.

PROBLEM

The Office of The Ombudsman (the Office) is housed in leased premises and requires additional space for expansion in medium planning terms. In the longer term, it would be more cost effective for the Office to be accommodated in its own premises.

PROPOSAL

2. We propose to purchase and fit out some 2 200 square metres (net usable area) of general office accommodation in a convenient location, at a total estimated cost of \$187.6 million in money-of-the-day (MOD) prices.

/JUSTIFICATION

JUSTIFICATION

3. The Office is an independent authority established under The Ombudsman Ordinance (Cap 397). To maintain its independent image, the Office has all along been accommodated in commercial buildings and not in government buildings.

4. The Office first moved into the 31st floor of Tower I in Gateway in 1995. Over the years, additional offices on different floors were leased to cope with expanded activities. Because of the building's low vacancy rate, the Ombudsman's staff could not be accommodated together. The Office is now scattered over four different floors. With identified need for the Office to expand further, the situation is expected to worsen. The possibility of acquiring permanent accommodation for The Ombudsman was raised in the context of discussing the scope of delinking the Office from the Administration. The existing lease for the Gateway premises will expire in October 2001. We need to take a view on whether the proposal to purchase office accommodation for The Ombudsman should be pursued as this will affect whether the existing lease should be renewed, extended or terminated.

5. Experience has shown that constructing or purchasing office premises is more economical and cost-effective in the long term than leasing. This is because owned premises provide security of tenure and protection from rent increase.

6. In the light of the current market situation for office premises, The Ombudsman intends to purchase and fit out a permanent accommodation for the Office. The space to be acquired should meet the office's current and medium-term (five to seven years) operational requirements. To facilitate the Office's service for the public, the premises purchased should be reasonably conveniently located with good access to public transport. As The Ombudsman is a member of both the Board of Directors of the International Ombudsman Institute and the Asian Ombudsman Association, there are frequently international visitors to the Office. Therefore, the location and standard of the accommodation to be acquired should be commensurate with Hong Kong's status in the international scene.

7. Whilst the permanent office accommodation will be held in the corporate name of The Ombudsman, the Government will make arrangement for an undertaking from The Ombudsman not to sell, lease, assign, mortgage, charge or dispose of any part of the property to any other person without the prior written approval of Government. The Ombudsman is also obliged to unconditionally transfer the ownership of the property to Government if The Ombudsman ceases to occupy it.

/FINANCIAL

FINANCIAL IMPLICATIONS

8. According to the Government Property Administrator (GPA), the current market prices for Grade A office accommodation premises in convenient urban areas (e.g. Central District, Wanchai and Tsimshatsui) range from \$60,000 to \$100,000 per square metre. At a unit rate of, say, \$75,000 per square metre for 2 200 square metres, the estimated expenditure for the proposed purchase will be \$165 million. A summary of the total space requirement is at Enclosure 1. The schedule of accommodation is in accordance with the space standards for the civil service and has been vetted by GPA.

9. The Director of Architectural Services will provide the necessary resources to take charge of the design and fitting-out work to ensure that the fitting-out work can be completed in time to tie in with the ending date of the current lease. The fitting-out of the new office will be strictly in accordance with government standards, at a level similar to the existing leased office premises.

10. The total estimated cost for the whole project is about \$187.6 million, made up as follows -

	\$ million	
(a) Purchasing 2 200 square metres net of accommodation	165.0	
(b) Purchasing two parking spaces	2.6	
(c) Design and fitting-out	17.6	
(d) Furniture and equipment	2.4	
Total	187.6	(in MOD prices)

11. Subject to approval, the total expenditure will be incurred in 2001-02.

12. We estimate the annual recurrent expenditure arising from the proposal to be \$1.9 million for the provision of management and air-conditioning services.

13. In the current market conditions, we anticipate the payback period (i.e. purchase price/current annual market rent) for the purchase of permanent office for The Ombudsman will be in the region of 18 years. The current market unit prices for Grade A offices in convenient urban areas (e.g. Central District, Wanchai and Tsimshatsui) range from \$60,000 to \$100,000 per square metre and the funding being sought for the proposed purchase is \$75,000 per square metre. The equivalent monthly market rent for the office accommodation to be purchased would therefore be in the range from \$278 per square metre (if the unit price is \$60,000 per square metre) to \$347 per square metre (if the unit price is \$75,000 per square metre). This compares favourably with the monthly unit rent of the existing premises of The Ombudsman at \$409 per square metre.

14. Although the market rent for the existing leased offices of The Ombudsman will likely be lower if the current leases are renewed in October, the market rent for office premises is expected to be on an upward trend in the long run, as evidenced by the movement of the Rental Index of Grade A offices from 1981 to February 2001. A copy of the Rental Index is at Enclosure 2.

15. In view of the above, we believe the proposed purchase of permanent office accommodation for The Ombudsman is more cost effective in the long run. In addition, the proposal has the added benefits of enabling The Ombudsman to enjoy security of tenure and protection from rent increase upon lease renewal.

16. The current lease at Gateway will expire in October 2001. A short extension of the current lease may be necessary to cope with any possible slippage that may occur during the purchasing and fitting-out processes.

PUBLIC CONSULTATION

17. We consulted the LegCo Panel on Administration of Justice and Legal Services on 26 April 2001. The Panel has no objection in principle to this proposal.

BACKGROUND INFORMATION

18. We upgraded **70KA** to Category B in March 2001.

19. The Office occupies about 1 700 square metres of lease premises on four floors in Gateway Tower I, Canton Road. Currently, the annual rental plus management charges and air-conditioning charges are \$9.8 million.

20. Starting from 2001-2002, the Office will sever its linkage with the Administration. Financial provisions have been included in the 2001-02 Estimates for the rental of the current office.

21. The Administration will introduce amendments to The Ombudsman Ordinance to empower The Ombudsman with the authority to acquire and hold properties.

Office of The Ombudsman
May 2001

Enclosure 1 to PWSC(2001-02)24

**Space Requirements of the Office of The Ombudsman
(Net Usable Area)**

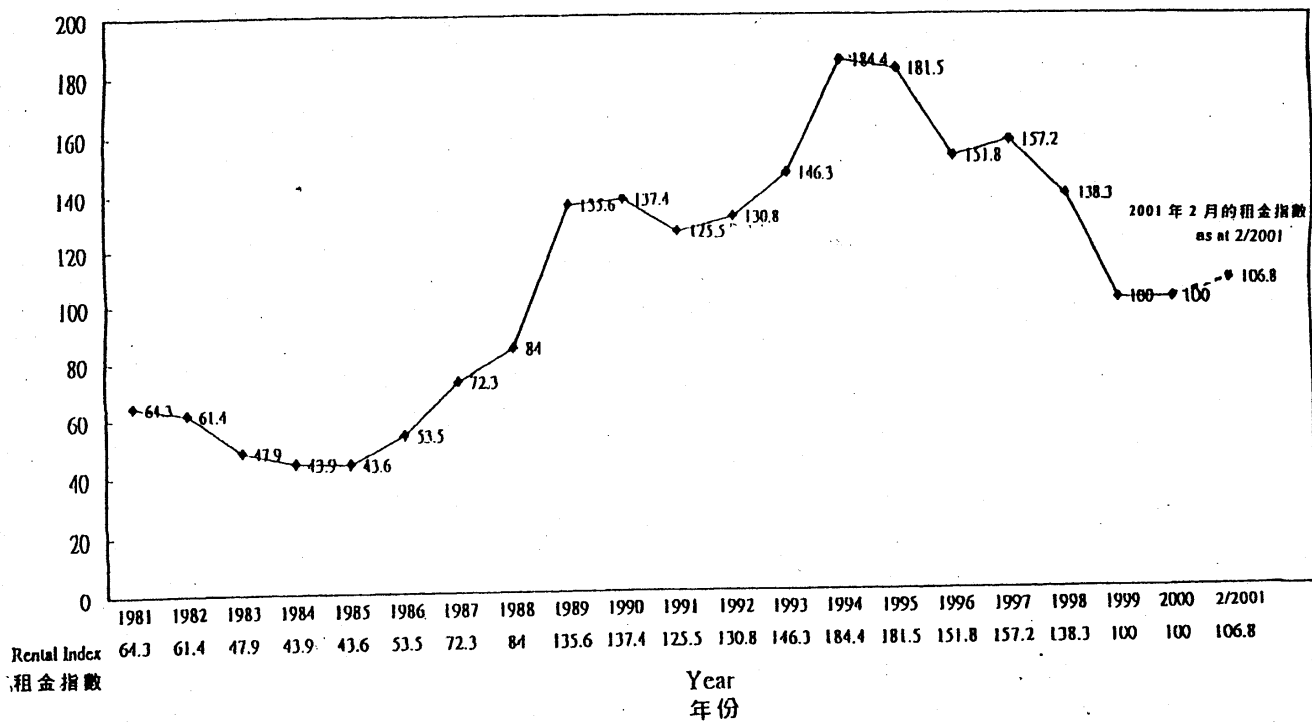
	Existing Leased Accommodation m²	Medium-term Requirement m²	Notes
(A) Staff			
Existing posts (90)	995	995	
New posts	28	175	(1)
<i>Total area for staff</i>	<i>1 023</i>	<i>1 170</i>	
(B) Ancillary Areas			
Reception area	40	40	
Interview rooms	35	35	
Mediation room	20	30	(2)
Meeting room	20	20	
Conference-cum-briefing room	170	170	
Small library for internal use	30	45	(3)
Resource Centre	100	100	
Classroom for group visitors/ Waiting area for group complainants	65	65	
Server room	30	40	(4)
Server hubs for other floors	5	5	
General and personnel registry	45	45	
Store room	40	40	
Store room for publications	30	40	(5)
Store room for complaint records	70	125	(6)
Telephone room	5	10	(7)
Pantry	13	13	
Rooms for Advisors	-	20	(8)
Small mediation room	-	10	(9)
Machine room for publications	-	10	(10)
Simultaneous interpretation booth for conference room	-	15	(11)
Training centre	-	25	(12)
<i>Total ancillary area</i>	<i>718</i>	<i>903</i>	
Total staff and ancillary area (A)+(B)	1 741	2 073	
Add : 5% for expansion	-	104	(13)
<i>Total net floor area</i>	<i>1 741</i>	<i>2 177</i>	
		<i>(say) 2 200</i>	

Notes

1. The new posts include one Accountant, four Complaints Assistants, seven temporary Senior Complaints Officers and five temporary Case Officers. The Ombudsman plans to employ temporary staff to clear backlog from time to time.
2. The existing mediation room is only able to accommodate ten to 12 persons. A larger mediation room is required to accommodate more people in case the complaints involve several departments and a number of complainants.
3. Additional space is required for placing the publications of this Office, including Annual Report and Direct Investigation Reports for reference by the officers. In addition, at present, only officers at and above Chief Executive Officer level and a few officers with operational needs have access to Internet. Two common terminals should be placed in the library for other officers to search the information from the Internet.
4. Additional space is required for the additional servers for Government Common Applications System, Confidential Mail and Software Asset Management System, etc. The space requirement has been vetted by the Director of Information Technology Services.
5. Additional space is required for storage of publications, such as the Annual Reports, Direct Investigation Reports and publicity materials (published by the Office).
6. Additional space is required for storage of increasing complaint records. The annual growth rate is around 10m² per year. In the long-term, the Office will explore more economical storage methods, such as microfilming.
7. Additional space is required for the new Interactive Voice Response System and storage of recorded tapes.
8. Two rooms are required as working areas for legal and medical advisors.
9. One small mediation room is required for mediated parties to hold private discussions. As the size of each party normally ranges from two to six, an area of 10m² is required for the room. A separate mediation room is required as the meeting room is usually occupied for both regular and ad hoc internal divisional or team meetings.
10. A machine room is required for producing office publications, such as the Ombuds News, pamphlets and publicity materials for workshops/seminars. The equipment includes duplicator, color photocopier, sorter, laminator and binding machine.

11. A simultaneous interpretation booth is required for the conference room for holding talks and workshops/seminars.
12. The training centre will be equipped with five personal computers for providing induction training to new recruits as well as on-going training to serving staff including language, writing skill, computer skill and training on the Complaints Management System.
13. A 5% allowance for future expansion is included in the overall space requirement to enable the Office of the Ombudsman to cope with its operational requirements in the next five to seven years.

甲級寫字樓的租金指數 Rental Index of Grade A Offices 1999=100



(資料來源：差餉物業估價署備存的統計數字)
(Source : Statistics kept by Rating & Valuation Department)