

**For information
on 28 May 2001**

LegCo Panel on Food Safety and Environmental Hygiene

CONTRACTING OUT OF SERVICES BY THE FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

PURPOSE

This paper briefs Members on the background relating to the contracting out of environmental hygiene services by the Food and Environmental Hygiene Department (FEHD) and the proposed new measures to improve the tendering system for contracting out its services.

BACKGROUND

2. To improve cost-effectiveness and efficiency and to allow for greater flexibility in the provision of its service, FEHD has been contracting out part of its environmental hygiene services to private contractors. In addition to these contracts, the Department has also inherited contracts awarded by the two former Provisional Municipal Councils before the reorganization of municipal services on 1 January 2000. All-in-all, FEHD is currently managing a total of 144 contracts with total contract value amounting to about \$1,124 million. A breakdown of these contracts are set out in the following table:-

<u>Type of Service</u>	<u>No. of Contracts</u>	<u>Total Contract Value</u> (\$ million)
Street Cleansing	22	579
Market Cleansing	39	182
Waste Collection	10	193
Toilet Cleansing	10	80
Security	19	42
Office/Complex Cleansing	31	18
Others	13	30
Total	<u>144</u>	<u>1,124</u>

3. The position of the major services for which contracting out is being implemented is given below for Members' reference:-

(A) Street Cleansing / Toilet Cleansing

Street cleansing contracts generally cover street sweeping, toilet cleansing and attendant duties, litter picking, gully cleansing, street washing, litter container emptying/cleansing and refuse collection point attendant duties, etc. For effective contract management, arrangements are being made to combine existing toilet cleansing contracts upon their expiry into street cleansing contracts. At present, about 40% of FEHD's street cleansing services have been contracted out. FEHD intends to increase the percentage of contracting-out to about 60% by end 2003.

(B) Waste Collection

Waste collection contracts cover collection and disposal of domestic waste to designated disposal sites. Currently, the contractors handle about 1,400 tonnes of waste daily, representing about 23% of the total waste collected by FEHD. FEHD plans to increase the percentage of contracting-out to about 50% by end 2003.

(C) Market Cleansing

Market cleansing contracts cover general clean-up of markets. At present, FEHD operates 81 wet markets and 24 stand-alone cooked food markets. Of these, the cleansing services of 69 (85%) wet markets and all cooked food markets have been contracted to private contractors. For the remaining ones, it would not be cost effective to contract out their cleansing services due to small size of the venues, scattered locations, temporary nature, etc.

CONTRACT MANAGEMENT

4. To ensure that the service rendered by contractors meets our required standards, FEHD has put in place the following measures:-

(a) Specifying Performance Requirements

Detailed performance requirements including work schedules, number of staff to be deployed and types of equipment and methods to be used are clearly stipulated in the contract schedules, which form part of the terms and conditions of the contract. To avoid misinterpretation of the required performance standards, FEHD uses colour photos to illustrate the actual performance standards.

(b) Regular Inspections

FEHD conducts regular inspections to check the work of the contractors against the terms, requirements and specifications laid down in the contracts. Besides, the performance of the contractors is appraised monthly.

(c) Random Checks

In addition to the supervisory checking system mentioned above, staff from headquarters also make random checks to reinforce the monitoring work at district level.

(d) Registering Complaints

To supplement the performance appraisal by FEHD, separate complaint registers are also kept by district staff. This forms an integral part of the monitoring and appraisal systems.

(e) Sanctions

If a contractor fails to comply with the requirements laid down in the contract, FEHD will issue a default notice or warning letter to the contractor. Depending on the number of default notices issued, FEHD will deduct as and by way of liquidated damages an appropriate amount from the monthly payment made to the contractor.

(f) Communicating with Contractors

FEHD holds regular and ad hoc meetings with the contractors to review the service provision and explore ways to further enhance service quality.

COMPLIANCE WITH EMPLOYMENT RELATED ORDINANCES

5. To ensure that the employees enjoy their statutory rights and benefits and that contractors would not employ illegal workers, all cleansing contracts under FEHD clearly stipulate that the contractors must abide by the Laws of Hong Kong Special Administrative Region including the Employment Ordinance (Cap. 57) and other relevant legislation relating to staff employment. FEHD reserves the right to terminate a contract should the contractor be found violating the terms of the contract.

PROPOSED IMPROVEMENT MEASURES

6. FEHD has been working closely with relevant bureaux and departments to identify measures which could further improve the existing tendering arrangements in particular those contracts which rely heavily on the deployment of non-skilled workers, with a view to better safeguarding the rights and benefits of the workers. The improvement measures identified are set out below.

Wage Level

7. FEHD will require tenderers to provide the wages to be offered to their workers in their tender submissions. Such offers will be taken into account as part of the tender evaluation. Moreover, these tender offers will be binding on the contractors upon award of contracts.

Working Hours

8. FEHD will also require tenderers to stipulate the maximum working hours set for the workers in their tender submissions. Again, the maximum working hours stated will be taken into account in evaluating the tender and be legally binding upon award of contract.

Written Employment Agreement

9. To facilitate future monitoring and enforcement of contractual terms regarding wage rates and working hours, FEHD will require all contractors to enter into written employment agreements with their employees if the employment period exceeds seven days. The employment agreements should include the level of remuneration, maximum working hours and other major employment conditions such as rest days, etc. In accordance with the

Employment Ordinance, the contractors have to give a copy of the written employment agreement to the respective employee, so as to ensure employees are aware of their contractual and statutory rights and benefits.

Future Monitoring

10. FEHD will require contractors to provide their employees with badges with their photos on it to facilitate checking of employment records and identification of workers. Such badges would need to be worn by all workers on duty. In addition, FEHD will require contractors to produce copies of payroll and attendance records for checking on a monthly basis. We will encourage contractors to make payment of wages through autopay or by cheques.

Sanction System

11. FEHD takes a serious view on any violation of contractual conditions, not least those relating to breach of employment-related ordinances. Convictions of any legal offences will be recorded and be taken into account as a factor affecting the eligibility for tender and tender evaluation. Also, it may result in the contractor being suspended from tendering for FEHD's contracts. Factors to be considered will include the nature, gravity and frequency of the offences and the past performance of tenderers/contractors.

WAY FORWARD

12. FEHD will incorporate the above improvement measures in its future tendering mechanism and contract administration system.

Food and Environmental Hygiene Department
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