

## **Information Paper for the Legislative Council Panel on Housing**

### **Greater Private Sector Involvement in the Housing Authority's Estate Management and Maintenance Services**

#### **Report on the Progress of Implementation**

##### **Purpose**

This paper updates Members of the progress of outsourcing the Housing Authority's (HA) estate management and maintenance services under Greater Private Sector Involvement (PSI) and staff's response to the associated Voluntary Departure Scheme (VDS).

##### **Background**

2. At the request of the LegCo Panel on Housing, the Administration agreed to submit progress reports on the implementation of PSI on a six-monthly basis. Time is now due for the submission of the second report further to the last one covering the period up to October 2000 vide Paper No. CB(1) 325/00-01. The ensuing paragraphs set out the progress of PSI under its three implementation programmes - phased service transfer (PST) programme, Management Buy-out (MBO) programme and the VDS.

##### **Phased Service Transfer Programme**

3. According to the initial outsourcing programme of EMM services approved by the HA in January 2000, no less than 75,000 units from the existing public rental housing (PRH) stock, in addition to the new units coming on stream, will be transferred in batches to private property services companies (PSC) from 2000 to 2002.

4. As of date, a total of 28 PSCs are included in the HA's Approved List. Three batches each comprising four property services contracts covering a total of about 48,000 existing units and 61,000 new PRH units have been awarded. The fourth batch of another four property services contracts will be tendered in early May 2001. With the award of the fourth batch of contracts in around August 2001, the initial two-year PST programme will have been achieved and the total number of PRH

units outsourced will add up to about 79,000 existing and 66,340 new PRH units. Details of the contracts are summarized below -

	<i>Units transferred</i>			<b>Contract Awarded</b>	<b>Contract Commenced</b>
	<b>Existing</b>	<b>New</b>	<b>Total</b>		
<b>Batch 1</b>	12,768	21,755	34,523	Jul 2000	Oct 2000
<b>Batch 2</b>	16,252	26,475	42,727	Sep 2000	Dec 2000
<b>Batch 3</b>	19,003	12,944	31,947	Feb 2001	May 2001
<b><i>Sub-Total</i></b>	<b><i>48,023</i></b>	<b><i>61,174</i></b>	<b><i>109,197</i></b>		
<b>Batch 4</b>	31,054	5,170	36,224	Aug 2001 (tentative)	Dec 2001 (tentative)
<b><i>Total</i></b>	<b><i>79,077</i></b>	<b><i>66,344</i></b>	<b><i>145,421</i></b>		

5. The PSCs have shown enthusiastic response in tendering for the first three batches of contracts, with over 130 bids received. Tender evaluation for PST contracts adopts a two-envelope system, with the technical and fee proposals each given an equal weighting. Whilst tender price is a consideration, the fee proposal is not opened until the tender has passed the technical assessment which includes assessment of the company structure, past performance as well as performance undertakings. The capability and viability of the PSCs remain the foremost consideration, and the lowest tender do not always succeed. It is worth noting that of the 12 contracts awarded under the first three batches, only three are awarded to the lowest bidder.

6. As an integral part of outsourcing, PSCs which have won HA's contracts are required to take on a specified number of Housing Department (HD) staff. For the four batches of contracts, a total intake of at least 550 HD staff is required. In this regard, individual PSCs have in fact offered to take up more HD staff than the minimum requirement. Just for the first three batches of contracts, the PSCs have offered to employ around 800 HD staff.

7. A Property Service Administration Unit has specially been established in HD to monitor the service standard of the PSCs. Apart from conducting regular and surprise checks, the Unit will also periodically consult Estate Management Advisory Committees and solicit tenants'

views on the performance of the PSCs. Despite minor adjustments which need to be made by some PSCs during initial stage of transition, the PSCs have, so far, operated smoothly and the performance is generally satisfactory.

### **Management Buy Out Option**

8. Further to the HD's decision in July 2000 to transfer initially about 30,000 units under the MBO option, six MBO contract proposals, including five property services contracts and one cleansing contract, were subsequently selected for restricted tendering. Over 30 MBO companies expressed interest to bid for these contracts. After vetting the managerial, technical and financial resources of these companies, the HD established a list of 20 eligible MBO companies.

9. Restricted tenders under the MBO option for the five property services contracts (covering some 34,000 existing PRH units) and one cleansing contract were invited in December 2000, and a total of 34 MBO bids were received in January 2001 from the eligible MBO companies. The contracts were awarded on 20 March 2001 and will commence in July 2001. Details of the award of the six MBO contracts are at **Annex I**.

10. The two envelope system of tender evaluation for PSCs mentioned in paragraph 5 above is similarly employed in assessing the MBO bids. The pricing level of the five property services contracts awarded under the MBO option is broadly comparable to the PST contracts. The contract price for the cleansing contract awarded under the MBO option is also in line with the prevailing tendering trend for outsourcing HA's cleansing contracts.

11. Similar to the PSCs, the service standard of these MBO companies will also be closely monitored by the Property Service Administration Unit in paragraph 7 above.

12. According to the MBO ground rules on staff intake, these MBO companies are required to employ some 250 HD staff. Akin to PSCs, individual MBO companies have offered to take up more HD staff than the minimum requirement. For these 6 MBO contracts, around 340 HD staff would be recruited by the successful MBO companies.

## **Voluntary Departure Scheme**

13. The VDS continues to receive applications from staff for voluntary departure. From 1 March 2000 when the scheme commenced until end March 2001, over 3,200 applications have been received. The ratio of applications from managerial and professional grades vis-à-vis frontline and technical grades remains 30:70. The VDS appeals to staff from different age groups, with 36% of the applicants aged 50 and above, 47% aged 40 to 49 and 17% aged below 40.

14. Of the 3,200 applications received, about 1,800 have preferred dates of departure, the rest have indicated their option to leave the civil service subject to availability of job opportunities in the private sector. By end March 2001, about 1,000 staff have already departed under the scheme, and another 500 will be leaving before end of the year. Other VDS applications will be processed in batches according to the preferred dates of departure indicated by staff.

15. In view of the voluntary nature of the VDS and the large number of staff grades involved in EMM services, a mismatch in the number and timing of departures with the pace of the services transferred is inevitable. The Department will continue to monitor the situation closely. It will continue to explore vigorously redeployment opportunities for staff opting to stay to reduce the potential staff mismatch problem.

## **Concerns of Staff Opting to Remain in the Civil Service**

16. The Department has made its stance clear to staff on many occasions that it will respect the wishes of staff opting to stay on and that it is the keen concern of the Department to avoid forced redundancy through launching the PSI initiatives. The Department will continue to step up communication with staff in this regard. The Department has also encouraged staff opting to stay to prepare for new challenges which may arise from the need to take up new job roles either within and outside HD. The Department will continue to explore these opportunities and where need be, provide enhancement training to staff.

## **Review of PSI**

17. In endorsing the implementation details of the EMM service transfer in January 2000, the HA undertook to conduct a review of the initial PSI programme within the first two years of implementation before deciding on the future pace of service transfer. The review, which will be conducted in mid 2001, will take into account views from various parties, including the PSCs, tenants and staff. The overall cost-effectiveness of the service transfer and the performance of the PSCs and MBO companies will also be duly assessed.

## **Information**

18. The paper is submitted for Members' information. The next progress report on greater PSI will be submitted in six months' time.

May 2001  
Housing Department

**Contracts Awarded to MBO Companies  
Under Restricted Tendering Arrangement**

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<b>Estates</b>	<b>MBO Companies</b>
<i>Property Services Contracts</i>	
Tai Yuen	Creative Property Services Consultants Ltd.
Cheung Shan	Eternal Union Development Ltd.
Cheung Hang & Cheung Ching	Easy Living Property Management Ltd.
Cheung Wah, Ka Fuk & Wah Sum	Good Yield Property Management Ltd.
Chuk Yuen (S) & Choi Wan (II)	Nice Property Management Ltd.
<i>Cleansing Contract</i>	
Cleansing contract for Cheung Hong	All-way (HK) Limited

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