

立法會
Legislative Council

LC Paper No. CB(2)2107/00-01
(These minutes have been
seen by the Administration)

Ref : CB2/PL/WS

LegCo Panel on Welfare Services

**Minutes of special meeting
held on Monday, 5 March 2001 at 8:30 am
in the Chamber of the Legislative Council Building**

- Members Present** : Hon LAW Chi-kwong, JP (Chairman)
Hon CHAN Yuen-han (Deputy Chairman)
Hon David CHU Yu-lin
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Dr Hon YEUNG Sum
Hon CHOY So-yuk
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS
Hon Michael MAK Kwok-fung
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
- Members Absent** : Hon Cyd HO Sau-lan
Hon CHEUNG Man-kwong
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
- Public Officers Attending** : Mrs Carrie LAM, JP
Director of Social Welfare
- Mr HO Wing-him, JP
Deputy Secretary for Health and Welfare 2
- Mr Robin GILL, JP

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Deputy Secretary for Health and Welfare 3

Mrs Eliza LEUNG
Assistant Director of Social Welfare (Elderly)

Deputations by Invitation : Dr Fernando CHEUNG
Department of Applied Social Science
The Hong Kong Polytechnic University

Hong Kong Council of Social Service

Ms Virginia CHAN
Assistant Director

Ms Nora YAU
Chairperson, Services for the Elderly Division

Ms Lilian LAW
Division Officer, Services for the Elderly Division

Hong Kong Social Workers' Association

Dr Angelina YUEN
President

Mr CHUA Hoi-wai
Vice President

Mrs Justina LEUNG
Director

Fighting for Social Welfare Alliance

Mr CHEUNG Kwok-che

Mr CHENG Ching-fat

Ms HO (user of meal service)

Association for the Rights of the Elderly

Ms Rita LAM
Chairperson

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Ms Carmen NG
Executive Committee Member

Mr LEE Kar-mut
Executive Committee Member

Elderly Power

Mr TAM Kwok-kiu

Mr LAM Wing-ming

Mr LAW Chi-kwong

Mr LEUNG Yuk-man

Clerk in Attendance : Ms Doris CHAN
Chief Assistant Secretary (2) 4

Staff in Attendance : Miss Mary SO
Senior Assistant Secretary (2)

I. Policy/procedures for allocating new social welfare services
(LC Paper Nos. CB(2)975/00-01(01) to (07))

At the invitation of the Chairman, Director of Social Welfare (DSW) gave a power point presentation on the Administration's plans for the future allocation of new welfare service units, as detailed in the Administration's paper LC Paper No. CB(2)975/00-01(07)) and the briefing note (see **Appendix**). In particular, DSW said that, in the light of the recent contracting out experiences with the meal and home care services, the Administration believed that all elderly services, from home care to residential care, were suitable for private sector participation. The Administration, therefore, intended that competitive bidding open to both the non-government organisations (NGOs) and private sectors on the basis of quality and cost-effectiveness should be applied to these services. Initially, the following different approaches in the allocation of new service units would be adopted -

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- (a) Competitive bidding based on quality and cost-effectiveness for new elderly service units, with the exception of those new units already allocated or required for service rationalisation purposes;
- (b) A quality-based allocation system, at a price to be fixed by the Social Welfare Department (SWD), involving competition amongst NGOs for all other welfare services; and
- (c) Allocation to individual NGOs for in-situ service expansion.

DSW assured members that in the evaluation of competitive bids, a higher weighting would be given to quality as opposed to price. The price bids would also be assessed to ensure that they were viable to deliver the quality expected. Despite the introduction of competitive bidding to the provision of welfare services, DSW stressed that the Administration saw merit in maintaining the system of subvention to NGOs delivering specific types of welfare services on behalf of the Government. The process of selecting the most suitable NGOs should, however, continue to meet the objectives of fairness, openness, transparency, service quality and value for money.

2. The Chairman then invited deputations to give their views on the subject.

Hong Kong Council of Social Service (HKCSS)

3. Ms Virginia CHAN of HKCSS introduced the HKCSS' submission (LC Paper No. CB(2)975/00-01(01)), and highlighted the following points -

- (a) There was no need to introduce competitive bidding to the provision of welfare services, as the various advantages of contracting out the meal and home care services cited by the Administration in its paper could also be realised by NGOs through the implementation of the Lump Sum Grant (LSG) subvention system and the Service Performance Monitoring System (SPMS); and
- (b) There was no conclusive evidence that competitive bidding would improve cost-effectiveness and service quality.

Ms CHAN further said that studies conducted in Australia on the implementation of competitive bidding in welfare services showed that although competitive bidding had the advantages of improving the transparency and accountability of the services provided, it nevertheless had a number of disadvantages. There would be reduction in the sharing of experience and co-operation between service operators, which, in turn, would undermine the overall provision of welfare services in the long run. In addition, users would be faced with lesser choice, as services were likely to be monopolised by large private organisations and that these organisations tended to

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admit people who could afford to pay more. Moreover, the operators concerned tended to skim on the resources put into the services, as, having spent a significant amount of money on securing the bid, they would have less money to spend on the actual delivery of services. In view of the many drawbacks of competitive bidding in welfare services, the state government of Victoria of Australia had recently scrapped the adoption of such and replaced it with a new collaborative model between the government and the non-government welfare sector.

4. Ms Nora YAU of HKCSS supplemented that as the prime objective of private organisations was to make profits, it was questionable whether private organisations could deliver services at the same quality level as NGOs at the same price level. There was also concern that the implementation of competitive bidding in welfare services would, in the long run, undermine a dynamic and growing pool of volunteer services. It was also questionable whether the public would continue to be so forthcoming in rendering volunteer work and making donations to the NGOs if the NGOs, in order to secure a bid under competitive bidding, operated like a commercial concern. In addition, private organisations lacked the NGOs' experience in mobilising the community in making donations and rendering volunteer work.

5. In order to avoid the uneven distribution of workload between the public and private sectors in the provision of care services in the welfare sector, HKCSS was of the view that the Administration should differentiate the roles of the NGOs and private sector in the provision of welfare services before opening up new welfare service units to the private sector for bidding. To ascertain services delivered based on competitive bidding were indeed better than the same based on the conventional subvention mode and tendering exercise amongst NGOs in terms of cost-effectiveness and quality of service, the Administration should conduct an overall review of the home care and meal services provided by contracted providers comprising both NGOs and private organisations, and the soon to be implemented enhanced home and community care service, before opening up the bidding of new welfare service units to the private sector. In particular, the review should look at the lack of transparency of the vetting process. Ms YAU pointed out that although it was mentioned in the Administration's presentation at the meeting that consideration would be given to the setting up of a user group comprising lay assessors for the selection of service providers, it was questionable whether this was the solution to the problem of lack of transparency of the vetting process. In this connection, Ms YAU urged the Administration to come up with more concrete proposals to address the problem.

Dr Fernando CHEUNG

6. Dr Fernando CHEUNG introduced his submission (LC Paper No. CB(2)975/00-01(05)) which detailed the dangers in opening up new welfare service units for bidding by the private sector on a price basis, as the prime objective of the private sector was to make profits. Dr CHEUNG cited an example that in recent years,

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many operators of private residential care homes for the elderly (RCHEs) in the United Kingdom (UK) had put the homes on the market for sale because this would generate more profits than running them. As a result, many of these homes had to be closed down thereby leaving the elders and their families stranded. Dr CHEUNG said that the aforesaid UK situation could be repeated in Hong Kong if the economy had fully recovered.

7. As to the claim made by DSW in her presentation that competitive bidding could improve cost-effectiveness by citing the cost and service output of the home care and meal service under the contracted mode, Dr CHEUNG had the following comments. In respect of cost, although it was reported that the contracting out of home care and meal service had achieved 20% savings in cost when compared with the provision of similar service under the conventional subvention mode, it should however be noted that the actual cost was in fact higher because many transaction costs, such as the cost to monitor the contracted operators on the part of the Administration, were not reflected in the contract amount. Many overseas studies had shown that if transaction costs were included in the overall cost of providing a particular welfare service using competitive bidding, its overall cost would come up to about the same as that of a similar service based on the conventional mode. On service output, although it was reported that the total number of weighted units delivered by contracted operators during the first 13 months of provision of home care service was 26% above the required minimum output and that the total number of home meals and centre meals delivered by contracted operators as at the end of December 2000 was 13% above the estimated volume, the traditional home help service under the conventional subvention mode also achieved a service output above the required minimum, i.e. each team on average serviced over 100 users a month as opposed to the requisite 60 users, which was more than 67% above the required minimum output.

8. Dr CHEUNG further said that despite the very precise and specific standards in relation to the service rendered were applied to the contracted operators of home care and meal service, there was no evidence that users had actually benefited from the provision of service under the contracted mode. Although results of the customer satisfaction survey on home care and meal service showed that 90.4% and 77.9% of users were satisfied with the overall home care service and meal service respectively, these results did not necessarily mean that provision of the services under the contracted mode was better than that under the conventional subvention mode. The reason being that service users, who were the socially-disadvantaged, invariably considered themselves fortunate to get the services and therefore would rarely complain about the services received. In his view, to ensure the objectivity and therefore the meaningfulness of the customer satisfaction survey on home care and meal service, views of the users of the contracted home and meal service on their past experience in using the traditional home help service should also be sought.

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9. In view of the danger of including the private sector in the provision of welfare service and the lack of evidence that competitive bidding would improve cost-effectiveness and service quality, Dr CHEUNG urged the Administration to abandon the idea of introducing competitive bidding in welfare services if its intention was not to save money. Dr CHEUNG further said that before deciding whether private sector participation in the provision of welfare services should be further expanded, the Administration should come up with concrete evidence that opening up the bidding of welfare services to the private sector would indeed improve cost-effectiveness and service quality. Apart from this, the Administration should also review the operation of private RCHEs and the Bought Place Scheme (BPS) and Enhanced Bought Place Scheme (EBPS) homes, having regard to the many negative feedback from users and their family members on these privately-run homes.

10. The Chairman informed members that in 2000-01 each home help team on average serviced 112 users a month, which was 87% above the minimum service output of 60 users a month.

Hong Kong Social Workers' Association (HKSWA)

11. Dr Angelina YUEN of HKSWA took members through HKSAW's submission (LC Paper No. CB(2)975/00-01(02)) which expressed strong reservation about the Administration's plan to introduce competitive bidding to new elderly residential services. The views of HKSAW were summarised as follows -

- (a) The Administration should have regard to the overseas experience which showed that the disadvantages of adopting competitive bidding in welfare services outweighed the advantages of allowing the private sector to participate in bidding for welfare services, before introducing competitive bidding to new welfare service units. Notably, as the prime objective of private firms was to make profits, it was very doubtful whether they would have long-term commitment as NGOs had in running welfare services. Moreover, private firms tended to exploit their staff by paying them lower salaries and subjecting them to work long hours in order to maximise their profits. Apart from the aforesaid, competitive bidding would erode the mutual trust and good relationships amongst NGOs;
- (b) In view of (a) and having regard to the fact that the welfare sector still needed time to adjust itself to the LSG subvention system and the SPMS, the Administration should not introduce competitive bidding in welfare services in haste at this stage;
- (c) Objectives, such as improvements in service output, cost-effectiveness, transparency and accountability, which the Administration sought to

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achieve through competitive bidding could also be realised by NGOs through the implementation of the LSG subvention system and the SPMS. Moreover, NGOs had ample experience in delivering welfare services and in galvanising community support in this regard, and had an existing network of services to facilitate integration of services;

- (d) There was no evidence that competitive bidding would improve cost-effectiveness, as there were many built-in transaction costs under the contracted mode which were not reflected in the contract amount; and
- (e) If bidding was to be used in the allocation of welfare services, a better approach was to adopt a quality-based, fixed price bidding model involving competition amongst NGOs only. To ensure fairness in the tendering exercise, it was of paramount importance that the vetting process should be made open and transparent.

Fighting for Social Welfare Alliance (the Alliance)

12. Mr CHEUNG Kwok-che of the Alliance introduced the Alliance's submission (LC Paper No. CB(2)975/00-01(03)), which urged the Administration to immediately suspend its plan to introduce competitive bidding for new welfare service units. In the meantime, the Administration should conduct a comprehensive review on the effectiveness of home care and meal services under the contracted mode, particularly in terms of how effective it was in improving service quality, and to widely consult all stakeholders before deciding whether competitive bidding in welfare services should be taken forward. Mr CHENG Ching-fat of the Alliance pointed out that contracting out of meal service fell short of being satisfactory. For example, some operators did not provide their staff with a car to deliver meals to the users. Using public transport for the purpose was dangerous because a meal deliverer often had to carry more than 10 thermo containers, the glass content of which could break or even explode. The longer time taken would also mean that the meals would be cold by the time they arrived at the homes of the last users. Ms HO, an elder user of meal service, also told members of her dissatisfaction with the service provided by a contracted operator.

Association for the Rights of the Elders (the Association)

13. Ms Rita LAM of the Association presented the views of the Association detailed in its submission (LC Paper No. CB(2)975/00-01(04)), which requested the Administration to immediately abort its plan to introduce competitive bidding for new elderly residential units and to adopt a fixed price, quality-based allocation system for welfare services. Ms LAM then highlighted the Association's view that the Administration should consider implementing competitive bidding amongst operators of private RCHEs first instead of opening up the bidding of welfare services to the private sector, having regard to the fact that the Administration was already buying

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elderly residential places from the private sector under the BPS and EBPS and that the average monthly unit cost of a elderly residential place run by a private operator was less that of the same run by a NGO, i.e. \$7,000 versus \$8,000 to \$10,000. Moreover, the Administration should make public the criteria it used in buying private elderly residential places under the BPS and EBPS and how the unit price for each private elderly residential place was arrived at.

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14. Mr LEE Kai-mut of the Association supplemented that relying solely on the Contract Management Unit of SWD to monitor the performance of contracted operators was not adequate, and urged that more lay persons should be involved. The monitoring process should be made more transparent, for example, by publicising the performance pledge of the contracted operators, so that service users and their family members would know whether they were receiving the type and quality of service promised. As the private sector was profit-driven, the Administration should have a stringent monitoring system to avoid a situation whereby a private operator would close down a RCHE without any regard to the interests of the elders living thereat if it was not turning a profit or losing money. Mr LEE further said that the Administration should consult all the concerned parties, including users, before implementing competitive bidding in elderly services. Mr LEE also pointed out that the reason why the unit cost of a private elderly residential place was lower than the unit cost of an elderly residential place run by an NGO was because staff in a private RCHE generally worked a 12-hour shift, whereas their counterparts in a RCHE run by an NGO worked an 8-hour shift.

Elderly Power

15. Mr TAM Kwok-kiu of the Elderly Power introduced the Elderly Power's submission ((LC Paper No. CB(2)975/00-01(06)) which opposed the opening up of the bidding of elderly residential service to the private sector on a price basis. Mr LAM Wing-ming, Mr LEUNG Yuk-man and Mr LAW Chi-kwong of the Elderly Power then described the problems their family members had encountered when living in the private RCHEs and urged the Administration not to open up the bidding of RCHEs to the private sector.

Issues raised by members

16. Mr LEE Cheuk-yan was of the view that as the prime objective of the private firms was to make profits, the only way they could win a bid to operate a RCHE which placed a 20% weighting on price and make a profit in the end was to exploit their staff by offering them a low salary and requiring them to work long hours. The staff concerned knew they were being exploited and yet could not leave the jobs because their families depended on their income for living. Given that residential care service for the elderly was a labour-intensive and personalised service, Mr LEE failed to see why the quality of such service would not suffer.

17. Mr Fred LI said that although he was an advocate for open and fair competition, to use the same principle on the provision of elderly service was nevertheless wrong, having regard to the fact that users were invariably the socially-disadvantaged who lacked the capability to assert their rights to the appropriate bodies for consideration. Referring to a comment made by DSW in her earlier presentation that some NGOs

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operating RCHEs on a self-financing basis could not make ends meet, Mr LI disagreed with the Administration's belief that a private firm could make a profit out of running a RCHE on a cost lower than an NGO and yet could deliver the same or even better service quality than an NGO. In this connection Mr LI was of the view that the Administration should scrap its plan to open up the bidding of six new elderly residential units to the private sector on the basis of price, and replace it with a fixed price, quality based allocation system to be competed amongst NGOs only.

18. Miss CHAN Yuen-han echoed the views expressed by Mr LEE Cheuk-yan and Mr Fred LI. Miss CHAN further said that there was no need to include private sector in the bidding of welfare services in order to have open and fair competition, as NGOs could compete amongst themselves on the same basis. Miss CHAN concurred with the views of the deputations that the Administration should review the operation of private RCHEs under the BPS and EBPS before deciding whether competitive bidding in elderly residential care service should be introduced.

19. Dr YEUNG Sum expressed regret at the Administration's attempt to implement competitive bidding in welfare services in Kong Kong, despite the fact that many overseas countries, such as the United States of America and the UK, which had tried it since the 80s' had found that the demerits of implementing competitive bidding in public programmes outweighed the merits. Dr YEUNG shared Mr Fred LI's view that it was unfair to try out competitive bidding in elderly services, having regard to the fact that service users were the socially-disadvantaged and some of whom might be too senile to know what their wants and/or rights were. In this connection, Dr YEUNG said that he and the Democratic Party would strongly oppose the Administration's plan to open up the bidding of new residential elderly units to the private sector based on price.

20. Mr Frederick FUNG said that if the Administration considered the operation of a particular welfare service by an NGO was not cost-effective enough, it should subject the NGO concerned to undergo a review to improve its cost-effectiveness, rather than using competitive bidding to improve such, as this would mean transferring the savings gained from streamlining of work in an NGO to profits for a private firm.

21. Mr WONG Sing-chi said that there was no reason to open up the bidding of new welfare service units to the private sector, unless there was evidence that the welfare services run by NGOs were not cost-effective and of unsatisfactory quality. Mr WONG further said that the reason why some private firms came forward to bid for government tenders was because they wished to use their reputation as a government contractor to get more businesses in the commercial world. As the motive of the private firms was to use the government contracts as a ploy to build up their reputation so as to get more businesses, in many instances the successful private firms would leave their contracted work in disarray. In view of the aforesaid, Mr WONG strongly opposed the Administration's plan to open up the bidding of new

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residential elderly units to the private sector based on price.

22. Ms LI Fung-ying echoed members' opposition to the opening up of new elderly residential services for bidding by the private sector, as it was highly unlikely that a private firm could deliver the same service quality as an NGO and at the same time making a profit.

23. Mr Henry WU declared that he was on the Boards of Directors of two NGOs providing welfare services. Although the prime objective of a private firm was to make profits, Mr WU said that most credible private firms would only bid for a particular welfare service if they believed they could make a profit on the contracted price and at the level of service quality promised. Mr WU hoped that the Administration's intention to introduce competitive bidding in welfare services was not to save money. He considered it important to ensure that services must be of a high quality and urged the Administration not to implement competitive bidding in welfare services in haste, as NGOs still needed to adjust themselves to the new LSG subvention system.

Response from the Administration

24. DSW said that it was unfair to say that private firms would exploit their staff and deliver an inferior service simply because their primary objective was to make profits, having regard to the fact that Hong Kong had all along prided itself on an enterprising private sector and that the overwhelming majority of services in Hong Kong were provided by the private sector. DSW pointed out that the flexibility and responsiveness of the private sector in coping with and reacting to the rapid changing needs of the community could never be equalled by the public sector. In view of this and having regard to the fact that resources were finite, it was incumbent upon the Administration to implement competitive bidding in welfare services in order to maximise the number of people being provided with the services. Taking residential care service for the elderly as an example, at present about 29 000 elders were waiting to be admitted to RCHEs, and this number grew at a rate of several hundreds every month. Even with a 16.3% increase in resources for elderly service for next year, only an additional 2 500 residential care places for the elderly would be provided. Under such circumstances, unless the private sector was allowed to participate in the provision of residential care service for the elderly based on price and quality, there was no way that the Administration could narrow down the wide gap between demand and supply.

25. DSW assured members that the reason for opening up the bidding of RCHEs to the private sector was not to save money, but to use the savings to help more people in need of welfare services. The reason why the \$8 million saved from the operation of the home care and meal services under the contracted mode was not used to improve welfare services was because it had been diverted to subsidise those NGOs which

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failed to achieve the targets under the Enhanced Productivity Programme.

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26. Responding to the comments that there was no need to introduce competitive bidding because NGOs could improve their cost-effectiveness through streamlining of work, DSW said that the room for improvement on cost-effectiveness in NGOs was limited as they were confined by their staffing and organisation structures. DSW conceded that there was room for improvement in the monitoring of contracted operators, and, to this end, progressive steps would be taken to address such. On the suggestion of aborting the BPS and the EBPS and opening up the existing private RCHEs for competitive bidding, DSW said that she would be happy to explore this. To address the concern that private firms running RCHEs would close down the homes if property price went up, DSW said that there was no cause for such concern as competitive bidding was to be introduced in Government purpose-built RCHEs. The Administration would provide the premises and the successful bidder would provide the service promised. As to the comments why the Administration considered competitive bidding for RCHEs viable even though some RCHEs operated by NGOs on a self-financing basis were encountering financial difficulties, DSW said that this was because the existing staffing and organisation structure had made it very difficult for the NGOs to come up with a competitive price to attract people to use their service. This was illustrated by the current significant cost differential between a quality place under the EBPS and a NGO home.

27. Dr YEUNG Sum proposed the following motion -

"That this Panel opposes the participation of profit-making organisations in the provision of elderly subsidised care services."

28. The Chairman put the motion to vote. The motion was passed by the majority of members present at the meeting except Mr Henry WU and Miss CHOY So-yuk who abstained. Miss CHOY said that the reason why she abstained from voting was because she needed more time to consider the whole issue.

II. Any other business

29. There being no other business, the meeting ended at 10:57 am.

Legislative Council Secretariat

16 July 2001