

## THE HONG KONG COUNCIL OF SOCIAL SERVICE

### Government's Proposal on Allocation of New Welfare Service Units Issues of concern

When we are actively involved in the discussion on a recent proposal put forth by the Administration to allocate new welfare service units through a competitive process, we are actually very concerned about one possible consequence: that such move would have dampened the vibrant voluntary sector and community participation.

While we would fully agree with the move towards the development of more open, more accountable and more cost effective public service, we think that we have to be cautious and prudent when deciding on and taking up a new tendering system. We have closely examined the Administration's Proposal, and would like the Administration to address the following concerns:

#### 1. Competitive bidding as the commissioning of a service through a bidding process open to both the NGO and private sectors

##### **- Why open and commission subsidized welfare services to private for-profit corporations?**

- Private vendors must earn profits, pay taxes and fees, and contribute to corporate overhead before any improvement in efficiency can be turned into savings for public money.
- For profit-seeking private corporations serving public customers, they simply could not mobilize community involvement, are unable to solicit community donation or volunteer participation.
- As witnessed in North American experiences, private corporations will find it in their interest to lobby for the expansion of public spending with no less vigor than their public sector counterpart.
- Specifically for elderly residential services in Hong Kong, the private for-profit sector is already consuming two-third of the total market share. Is there still a need for the administration to provide conditions to facilitate the "established" market for the for-profit corporations?

#### 2. Competitive bidding based on quality and cost-effectiveness

##### **- How will the competitive tendering process ensure quality and cost-effectiveness of new services?**

- The various advantages brought by the previous contracting out exercise in home care and meal services are flexibility being given to the operators in using resources available, possibility of hiring part-time staff and more stringent requirements to improve quality of meals. All these could now

be actualized with the lump sum grant in place and more concrete outcome measures defined.

- Contrast to the cost effectiveness intention of the Administration, the Australian experience revealed that welfare agencies often complained substantive resources being consumed by tender applications and wasted; as majority of the applications would not be awarded the job. Similar complaints flared up in a recent fixed price bidding on enhanced home care projects.
- From overseas experiences, we may witness savings generated through privatization and competitive tendering in services such as garbage collection, maintenance and cleaning, yet there was no indication of savings or quality improvements in tendering out services such as health and human services, transport and corporate services.
- In Victoria of Australia, the State government had just recently announced, in February 2001, a complete drop of competitive tendering process in community care. The previous tender system did not guarantee money would spend as it should have been. A new collaborative model was set up instead between the government and the non government welfare sector.
- When comparing with the current Home Help teams, the cost saved from the Home Care and Meal Services had not been obvious. The cost for monitoring of the latter service, as we speculate, was much higher.

### 3. Differentiation of target groups to be served by private sector and government subsidized services

- **What is the long term vision of the Administration in seeing the major target groups to be served by subsidized welfare services? And the role between NGO and private sector?**
- If we assume that the Administration would prefer to target the welfare resources to the most needy and vulnerable, including the frail and deprived elders, we would not be convinced that the for-profit corporation would place the interest of these public customers before their profit-making motive.
- Price competitive tendering simply should not be a model for government selection of agencies to deliver socially necessary services on a recurrent basis.
- We believe, with well defined eligibility criteria, the subsidized services supported by public money should be for and be serving the needy and deprived groups. It would be more relax and secure for the public and the community who would utilize the services.
- NGOs tend to be best at performing tasks that generate little or no profit, demand compassion and commitment to individuals, require extensive trust on the part of customers or clients, need hands-on, personal attention, and

involve the enforcement of moral codes and individual responsibility for behavior.

- The services provided by the private for-profit sector should be for those who can pay and afford better services, and be more alert to the choices they have.

**Our recommendations**

1. In deciding the scope and desirability for contracting out, governments should strive to balance the likely economic, social and democratic impacts.
2. There is a need to consolidate and to review experiences gained from both local bidding exercises (including bidding of Home Care and Meal Services; Enhanced Home and Community Care Services ) and overseas (including Australia, New Zealand and Canada). The review should include improvement to
  - the cost - effective issues
  - the quality issues (the maturity of outcome measures on service quality and the sophistication of monitoring system)
  - the vetting process (the openness, transparency and fairness of vetting procedure including an independent appeal system )

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