

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

**Greater Private Sector Involvement in Housing Authority
Estate Management and Maintenance Services**

**Report on the Progress of Implementation
(May to October 2001)**

INTRODUCTION

This paper informs Members of the progress of outsourcing the Housing Authority's (HA) estate management and maintenance (EMM) services under Greater Private Sector Involvement (PSI) and the next phase of service transfer programme approved by HA in July 2001.

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. Two reports ending October 2000 and April 2001 respectively have been submitted to Members. This is the third report covering the progress of PSI under its three implementation programmes, viz. phased service transfer (PST) programme, Management Buy-out (MBO) programme and the Voluntary Departure Scheme (VDS) for the period ending October 2001.

PROGRESS ON PSI

3. The initial outsourcing programme of EMM services approved by the HA in January 2000 have been achieved with the award of the last batch of contracts (Batch 4) in August 2001. With the commencement of these contracts in December 2001, a total of about 113 000 existing and 66 000 new public rental housing (PRH) units will have been outsourced to property services companies (PSC) and MBO companies under the initial programme. Altogether, over 1 300 employment opportunities will be offered to ex-HD staff by the PSC and MBO companies concerned which have been awarded with contracts under the initial PST/MBO programmes.

REVIEW ON PSI

4. As committed in January 2000 when the initial PST programme was approved, HA conducted a review of the PSI initial programme in April to July 2001 with a view to mapping out the pace for future transfer. Having fully taken into account the views of the stakeholders (PRH tenants, HD staff and industry players); achievements under the initial PST programme and other related factors¹, HA approved on 26 July 2001 the next phase of service transfer as follows -

- (a) on the basis that around 3 300 HD staff would leave under the VDS, to transfer the EMM services of another 180 000 units from the existing stock by 2003/04, which is on average about 60 000 units for each of the three years up to 2003/04, plus new units completed within this period. The pace of transfer will be adjusted if the actual number of HD left under VDS varies from the estimate of 3 300; and
- (b) up to one-third of the EMM service transfer programme to be outsourced through restricted tendering under the MBO option in 2002 and 2003 respectively.

No change was made to the duration and administration of VDS.

5. As reflected in the review, the performance of PSCs which have obtained our contracts is on the whole satisfactory, especially in respect of property management services. To enhance provision of maintenance services, the HA has agreed that the existing procurement strategy of maintenance works be reviewed with a view to allowing greater flexibility for the property services companies to procure maintenance services and implementing a scheduled work programme to reduce the backlog of residents' maintenance requests. This will be followed up by the Department.

6. The results of the review have also been presented to Members at the meeting of the Panel held on 18 July 2001.

PHASED SERVICE TRANSFER (PST) PROGRAMME

7. After HA's approval of the next phase of transfer, arrangements are made to draw up the outsourcing programme. Accordingly, tenders for Batch 5 of the PST programme will be invited in November 2001, with a view to commencing in May 2002. A total of around 28 000 units in 3 contracts will

¹ These factors include market capacity and capability to take on more HA's EMM services, the rolling programme of the Tenants Purchase Scheme which provides the impetus for PST, etc.

be transferred in this batch. Tenders for the subsequent batches will be arranged in due course to tie in with number of VDS departures.

MANAGEMENT BUY-OUT (MBO) PROGRAMME

8. Restricted tenders for 4 MBO contracts will be invited in the first quarter of 2002, with a view to commencing in the third quarter. Tentatively, around 30 000 units will be transferred under this round of restricted tendering.

STAFFING IMPLICATIONS

9. On the basis of the newly-approved outsourcing programme, a total of about 300 000 units from the existing stock would be outsourced (including around 120 000 already transferred in the first phase and 180 000 in the next phases) by 2003/04. This would involve the deletion of some 3 400 departmental grades and 700 general and contract grades posts. On the other hand, it is anticipated that over 2 200 jobs will be created in the private sector through this outsourcing programme.

VOLUNTARY DEPARTURE SCHEME (VDS)

10. The VDS continues to receive applications from staff for voluntary departure. Up to end September 2001, over 3 400 applications have been received. The distribution of managerial and professional grades vis-à-vis frontline and technical grades remains a 30:70 ratio. The VDS appeals to staff from different age groups. 39% of the applicants are aged 50 and above, 46% aged 40 to 49, and 15% aged below 40.

11. By end September 2001, over 1 560 staff have already departed under the scheme, and another 200 will be leaving before end of the year. Other VDS applications will be processed according to their preferred dates of departure indicated by staff.

12. The voluntary nature of the VDS, coupled with the large number of staff grades involved in EMM services, make staff mis-matches an almost inevitable outcome. However, based on assessments so far, the number involved is not expected to be significant and the Department is confident that the mis-matches can be resolved through natural wastage, re-deployment of staff and other expedient measures, e.g. creation of temporary HA contract posts.

13. The Department has also continued to focus its efforts on exploring new openings for the remaining staff. With the support of the Civil Service Bureau, the Department has been able to secure opportunities for Works Supervisors and Housing Officers to transfer to other government departments. The Department is also developing a comprehensive manpower strategy to ensure that all the remaining staff are suitably deployed.

CONCERNS OF STAFF OPTING TO REMAIN IN THE CIVIL SERVICE

14. To allay staff's persistent worries on job security, the Department issued a "comfort letter" to all affected staff on 13 July 2001 guaranteeing no forced redundancy as a result of the further roll-out of the PST programme. The move is made after the Department's thorough review of the initial transfer programme and assessment of the impact of further outsourcing. Since the issue of the letter, staff's general negative sentiments towards the further roll-out of the programme has been much abated. However, despite the issue of the letter which they have fought hard for staff, the Alliance of the Housing Department Staff Unions (the Alliance) still insisted that the Department should defer a decision on further outsourcing. They have refused to resume formal dialogue with the Department after their two meetings with the Management on the PSI review in April and May 2001 respectively and continue their boycott since. The Department will continue to liaise with the Alliance and their member associations with a view to normalizing the relations.

INFORMATION

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