

Legislative Council Panel on Housing

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

5th Report on the Progress of Implementation (May 2002 to October 2002)

Introduction

This paper reports further progress of the phased outsourcing of Housing Authority's estate management and maintenance services under Greater Private Sector Involvement Scheme introduced in 2000.

Background

2. The Administration agreed to update the LegCo Panel on Housing on progress of the implementation of Private Sector Involvement Scheme every six months. This fifth report covers the period from May to October 2002. As reported earlier on, the Private Sector Involvement Scheme is implemented through three complementary programmes, as follows -

- (a) **Phased Service Transfer** programme to gradually transfer the estate management and maintenance services of Housing Authority's public rental housing estates to external private companies;
- (b) **Management Buy-out** programme to facilitate Housing Department staff to form companies to bid service contracts under the Phased Service Transfer programme; and
- (c) **Voluntary Departure Scheme** to provide for Housing Department staff involved in estate management and maintenance to terminate their employment with the Department to enable outsourcing to continue.

Outsourcing Target

3. As mentioned in the fourth report, the initial phase of the outsourcing programme for the estate management and maintenance services approved by the Housing Authority in January 2000 has been successfully implemented. A total of about 79 000 existing and 66 000 new public rental housing units were outsourced to private-sector property service companies; and about 34 000 existing public rental housing units to Management Buy-out companies.

4. In the light of the effectiveness of the initial phase and positive response from staff, the Housing Authority, based on an estimate that 3 300 staff will leave, approved on 26 July 2001 further outsourcing of another 180 000 units from the existing public rental housing stock by 2003/04, together with new production within this period. To address staff's concerns, the Housing Authority agreed that the pace of outsourcing will be determined by the number of Housing Department staff actually leaving under the Voluntary Departure Scheme.

Phased Service Transfer Programme

5. The second phase of the outsourcing programme was smoothly launched. So far, eight Property Services Contracts covering around 48 000 existing and 9 000 new public rental housing units were awarded. Of these, three contracts have commenced in May 2002 and the remainder will commence in December 2002. Tenders for another four contracts covering around 25 000 existing and 6 000 new units have been invited in August 2002. After these contracts are awarded, the services of a total of some 73 000 existing and 15 000 new public rental housing units will have been transferred under the second phase of outsourcing.

Management Buy-out Programme

6. Under the second phase of the outsourcing programme, four Management Buy-out contracts covering about 31 000 existing public rental housing units were awarded in May 2002. Another batch of three restricted tenders covering some 21 000 existing public rental housing units will be

invited, tentatively in November 2002. After these Management Buy-out contracts are awarded, the services of a total of 52 000 existing public rental housing units will have been transferred under the second phase of the Management Buy-out programme.

7. The Management Buy-out initiative continues to attract staff to become business owners. In September 2002, eight Management Buy-out companies were successfully listed on the Housing Authority's approved list of eligible Management Buy-out companies after detailed technical assessments.

Employment Opportunities

8. As a condition of contract, successful Property Services and Management Buy-out Companies are required to employ a specified percentage of ex-Housing Department staff. In the initial phase, over 1 300 employment opportunities have been created for staff leaving the Department, thereby providing alternatives for staff to pursue a career in property management. It is expected that the two phases of outsourcing will together create over 3 000 job opportunities for ex-Housing Department staff and 5 000 job opportunities for the private market.

Voluntary Departure Scheme

9. The Voluntary Departure Scheme continues to receive applications from all staff grades covered by the estate management and maintenance functions. Up to end October 2002, over 3 920 applications have been received, with the ratio of managerial and professional grades vis-à-vis frontline and technical grades remaining at 30:70. 43% of the applicants are aged 50 and above, 45% aged 40 to 49, and 12% aged below 40. The 3-year option period will expire on 28 February 2003.

10. As at 31 October 2002, over 2 750 applications were approved under the Voluntary Departure Scheme, of which around 2 250 had already departed. Since the Scheme is voluntary, remaining applicants whose applications are yet to be processed or approved are free to opt out anytime. Taking into account these possible withdrawals and impact of possible last minute rush towards February 2003, the Department expects that the final

departure figure may be less than the original estimate of 3 300. Consequently, the outsourcing pace and portfolio may have to be adjusted.

11. Given the voluntary nature of the Scheme and the large number of staff grades involved, staff mismatch is inevitable. To minimize such mismatch, the Housing Department re-deploys staff, arranges interim appointments, hires temporary staff and explores suitable openings in other government departments. The Department is developing a comprehensive manpower strategy to suitably deploy staff who stay put and will continue to closely monitor staff's voluntary departures and the resultant mismatch before determining further outsourcing programmes.

Concerns of staff opting to remain in the civil service

12. Staff's concerns about job security as a result of the outsourcing programme have been addressed by Housing Department's comfort letter, issued on 13 July 2001. The Department will continue to exchange views with the Alliance of the Housing Department Staff Unions to address any further concerns they may have.

Housing Department
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