

**Report on the  
Public Consultation on  
Building Management and Maintenance**

Housing, Planning and Lands Bureau

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## Chapter 1

### FOREWORD

The Secretary for Housing, Planning and Lands has undertaken in the 2003 Policy Agenda to consult the public on the broad policy direction to promote proper building management and maintenance. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in early 2003 has heightened public concern at the possible dire consequences of building neglect. The public discussion on the subject has therefore been most timely.

2. The Housing, Planning and Lands Bureau (HPLB) launched the public consultation on building management and maintenance on 29 December 2003 and a consultation paper was published for distribution to the public. The consultation lasted from 29 December 2003 to 15 April 2004. A total of about 94,000 copies of the Chinese version of the consultation paper and about 17,000 copies of the English version have been distributed. The consultation paper was also put on HPLB's website for public access.

3. During the consultation period, the Secretary for Housing, Planning and Lands has consulted the Chairmen and Vice-chairmen of the 18 District Councils. The Permanent Secretary for Housing, Planning and Lands (Planning and Lands) personally attended the meetings of the 18 District Councils to exchange views with District Council Members on the subject. Three District Councils have subsequently arranged follow-up discussion sessions on building management and maintenance with HPLB. Representatives of the HPLB also attended 14 consultation sessions, seminars and fora organized by various interested parties on the subject. The HPLB organized 2 public fora to gather public views and a forum with the industry. A list of the consultation sessions, seminars and public fora is at [Annex A](#).

4. A total of 131 written submissions were received and a list of these submissions by category is at [Annex B](#).

5. A telephone opinion survey was conducted on 13 to 17 April 2004 to gauge views from the general community on the subject. A summary of views is at Annex C.

6. A summary of the main views received and the Administration's response to these views is at Annex D.

## Chapter 2

### FINDINGS OF THE PUBLIC CONSULTATION

#### INTRODUCTION

The public consultation exercise on building management and maintenance was conducted by the Housing, Planning and Lands Bureau in December 2003 to April 2004. Its purpose is to generate wide public interest in this important subject and to engage the community in full discussion concerning the appropriate approach to tackle the building neglect problem with a view to reaching a broad consensus on the way forward. The outcome of the consultation exercise provides a useful basis to guide the formulation of the next steps in taking forward the subject.

2. We are very grateful to the community for actively expressing their views and providing useful comments through various channels during the consultation period. As noted in Chapter 1, a total of 131 written submissions have been received from different sectors of the community, including Legislative Council Members, District Council Members, political parties, academics, professional institutes, the industry, community groups, owners' corporations and individual members of the public. We have consulted the 18 District Councils and conducted various consultation sessions with the industry and the public. Over 1,400 respondents also provided their views in a telephone opinion survey conducted in April 2004. Details of the community's participation are set out in Annexes A to C.

3. Public response to the consultation reveals that the community shares a consensus on the importance of ensuring proper building management and maintenance. It is also recognized that this subject has a wide-ranging impact on various sectors of the community, including property owners, residents, as well as the construction, legal, property management and surveying sectors. In spite of the complexity involved, views received point towards a community consensus on the need to take necessary actions to arrest the long-standing problem of building neglect.

## **PUBLIC RESPONSE**

4. To facilitate the community's discussion on the building management and maintenance issue, the following propositions are put forward in the consultation paper for public comments –

- (a) regarding the principle, that owners should accept the responsibility of keeping their properties in good repair, including the necessary financial commitment; and
- (b) regarding the policy direction, that the integration of building management and maintenance, and the promotion of cooperation between owners and the private sector through the provision of one-stop service by the industry, should provide an effective solution to address the building neglect problem.

5. On paragraph 4(a) above, the majority of the comments received accept the cardinal principle that, as with other forms of property ownership, it is the owners' ultimate responsibility to upkeep their buildings. Views are, however, divided on who should shoulder the financial costs. On the one hand, some opine that owners should foot the management and maintenance bills of their own buildings because it will be unfair to transfer their financial responsibility to tax-payers and the society. On the other hand, there are requests calling for Government's financial assistance to owners in the discharge of their duty, despite the Government's financial stringency, on the ground that such is for overall social benefits concerning public safety and environmental hygiene, and that some owners of old buildings may not be able to afford the management and maintenance costs.

6. Regarding the policy direction in paragraph 4(b) above, the integration of proper property management and effective building maintenance in the form of one-stop service to be provided by the industry is generally accepted, particularly by the industry and relevant institutes, as a feasible and sustainable solution to arrest the building neglect problem. Some market practitioners have indicated that the industry is already providing one-stop services to owners, which can achieve better utilization of resources. Nevertheless, some respondents have expressed reservations about the effectiveness and viability of the integrated approach, particularly in regard to old buildings where the owners may not be able to afford the

recurrent management fee, and where the long-standing weak building care culture may not support such an approach. The prevalence of unauthorized building works in older buildings is also regarded as a constraint to the implementation of an integrated approach. For the above reasons, there are suggestions that the Government should consider providing more facilitation to enable the market force to function properly, e.g. to facilitate management companies in recovering contributions from owners. On the other hand, there are concerns about potential problems arising from the one-stop approach, e.g. possible monopoly by large management companies and the possibility of collusion between management companies and contractors in the determination of costs for related services especially in the absence of a regulatory regime.

7. Other than the option of integrating building management and maintenance, two options, namely maintaining the status quo (continuing with the existing efforts) and mandatory building inspection, are provided in the consultation paper for public comments. Public feedback confirms that maintaining the status quo cannot meet the rising aspirations for a safer and more hygienic living environment as pointed out in the consultation paper and to facilitate Hong Kong to maintain its status as a world class city. Regarding mandatory building inspection, the majority of respondents consider that this could more readily and effectively address the problems of deteriorating building condition in old districts (details are set out in paragraph 12 below).

8. A number of support measures that can be pursued to promote proper upkeep of buildings are highlighted in the consultation paper for public comments. These measures include facilitation for the formation of Owners' Corporations (OCs), the recovery of management fees and maintenance contributions from owners, provision of financial assistance to selected owners, and positive recognition for high standard of management and maintenance. The public are generally supportive of these measures and have proposed additional ones. Details are set out in paragraph 17 below.

9. In general, despite the community consensus on the need to take necessary actions against the building neglect problem, public views are mixed on who should bear the financial cost in resolving the problem and what concrete measures should be put in place to address the problem.

10. The details of public views and the Government's response are set out in Annex D.

## **MAJOR FINDINGS**

### **Mandatory Approach**

11. A very large number of respondents render their support to introduce some form of mandatory requirements on owners as an effective measure to ensure proper upkeep of their buildings. Concrete measures suggested range from mandatory building inspection, mandatory engagement of property management companies to mandatory formation of OCs set out below.

12. ***Mandatory building inspection:*** There are supporting views from various fronts, including the general public, District Councils, institutes and political parties, to implement mandatory building inspection, which is believed to be an effective mechanism to identify building problems and reveal defects at a regular interval to facilitate preventive maintenance. Mandatory building inspection is perceived to be a practicable and effective long-term solution in arresting building decay. Some views suggest that similar to existing requirements for mandatory inspection of other building facilities such as fire safety facilities as well as lifts and electrical facilities, mandatory building inspection should be required on consideration of public safety. There are also suggestions that buildings above certain building age and in poor conditions should be first targeted for mandatory inspection. Some views consider that mandatory building inspection will eventually generate property owner's awareness of the need for good building management, thus leading to proper building management and maintenance in the long run. Views are, however, divided on whether individual owners (on grounds of the user-pay principle) or the Government (on grounds of public safety) should bear all or part of the financial cost of building inspections. There are also different suggestions on the types of Government assistance, e.g. to arrange and fund initial inspections or to draw up a list of inspection items to be followed up by building owners.

13. ***Mandatory engagement of property management companies:*** Some feedback regards it as an effective measure to promote the integration of building management and maintenance and a sustainable approach to

prevent building decay. Some respondents, mainly from the industry and the institutes, have highlighted the important role of multi-disciplinary property management companies in providing the necessary services to the owners as in the case of some well managed and maintained housing estates and buildings. Nevertheless, there are comments that daily management cannot substitute building inspection as a regular mechanism to detect building defects for timely maintenance. Concerns have also been expressed about the acceptance/affordability of owners in shouldering extra financial burden in older buildings where the main problem lies and the importance in monitoring the performance of property management companies.

14. ***Mandatory formation of OCs:*** Diverse comments have been received on compelling owners in multi-storey buildings to form OCs. The role of OCs as a basic management structure to facilitate building management and maintenance is recognized by the community at large. However, the public have pointed out that the formation of OCs does not guarantee proper building management. The effectiveness of an OC depends heavily on whether the owners/OC have the determination and professional support to manage and maintain their buildings. An inactive or defunct OC will not be conducive to proper building management and maintenance in any ways.

15. The above three mandatory measures are not necessarily mutually exclusive. Some submissions propose a mixed approach with a combination of these measures in order to enhance their effectiveness and to address the problems of different types of buildings.

### **Social Aspect of the Building Management and Maintenance Issue**

16. One important conclusion we have drawn from the public's view is that the problem of neglected older buildings is not purely a "structural" issue. It will not be sufficient to rely merely on a "commercial" approach to resolve this problem. In fact, the problem is closely intertwined with complex social issues. For instance, how to help old owners with little means to meet the recurrent management and maintenance expenses should be examined if owners are asked to ensure their buildings in good repair.

## Support Measures

17. The community's feedback also points to the need for enhanced support and facilitation to owners/OCs in discharging their duties. Many owners and OC members have indicated their willingness to take up the responsibilities of managing and maintaining their buildings but requested additional support. The proposed support measures are set out below –

- (a) ***Enhanced Government support to owners/OCs***: It is widely suggested that in addition to the current publicity and facilitation rendered by Home Affairs Department and Buildings Department, the Government should strengthen the provision of technical support and legal advice to owners and OCs in undertaking building management and maintenance work, e.g. streamlining the procedures for the formation of OCs, maintaining a register of contractors/management companies, offering advice on how to appoint service providers, providing legal advice on related matters, setting up new support centres and enhancing the professional support provided in the existing building management resource centres. Some respondents consider that the Government should strengthen co-ordination in the provision of support to owners on building management and maintenance issues.
  
- (b) ***Provision of financial assistance to the needy and financial incentives to owners***: There is extensive support for the Government to provide some form of financial assistance to the elderly owners and the genuine needy who have little means to meet the recurrent management and maintenance expenses. There are suggestions for the Government to provide interest-free/low-interest loans and to enhance the existing Building Safety Loan Scheme (BSLS). Suggestions in respect of the BSLS include topping up the BSLS fund, simplifying the application procedures for BSLS, empowering OCs to borrow from BSLS on behalf of individual owners and extending the repayment period of BSLS for special cases. Apart from assisting those in genuine need, there are some suggestions that tax deduction or rates concession can be considered as financial

incentives to entice owners to undertake building management and maintenance.

- (c) ***Facilitation to the recovery of contributions from owners:*** A considerable number of comments point to the importance of facilitating the recovery of management fees and maintenance contributions from owners in order to ensure that building management and maintenance works will not be frustrated by uncooperative owners. Proposed ways to facilitate the recovery of contributions include streamlining the legal procedures in recovering outstanding contributions, adding a surcharge on rates to recover the expenses and compelling the sale of the property of the defaulting owners by auction.
- (d) ***Positive recognition to high standard of management and maintenance:*** The idea of promoting recognition of high standard of building management and maintenance through a voluntary classification system is considered useful in encouraging owners to properly manage and maintain the buildings. It is expected that a good grading will be conducive to improving the property value and transactions of the properties concerned, and will attract more favourable mortgage or insurance terms.
- (e) ***Establishment of a dispute resolution mechanism:*** There are views supporting the establishment of an independent arbitration or mediation mechanism to resolve disputes related to building management and maintenance in a more timely and cost-effective manner.
- (f) ***Regulation of property management companies:*** There are strong requests for proper monitoring of the operation of management companies, particularly if engagement of management companies were to be made mandatory, ranging from strengthening of the current self-regulation system, putting in place a licensing or registration system of management companies, drawing up rules and codes of practice to guide the operation of these companies, to grading these companies according to a performance assessment system.

18. There are also suggestions from the industry, relevant institutes, political parties and community groups that the expertise and resources of non-governmental organizations (NGOs), e.g. the Urban Renewal Authority and the Hong Kong Housing Society, could be further utilized to assist owners/OCs in the discharge of their responsibilities of upkeeping their buildings. The usefulness of the assistance provided by NGOs to owners on building management and maintenance matters is well recognized.

### **CONCLUSION**

19. Having regard to the views collated and findings revealed in the consultation exercise, the Government has mapped out the next steps to take forward the issue in the next Chapter.

## **Chapter 3**

### **WAY FORWARD**

For many people, their most important asset is their self-occupied property. It is a pity, however, that a lot of flat owners do not see the necessity to take good care of their buildings through proper maintenance and management. This problem is more prevalent among older buildings. Major past incidents like collapse of building parts causing injuries to life and limb have heightened public concern over the problem, but the building care culture among owners remain weak.

2. We are encouraged by the public response during the consultation pointing to a community consensus acknowledging that building maintenance is the owners' responsibility, but resolving this long-standing problem is of course no straightforward task. We see a need to devise a strategy to address and alleviate the problem in the short and medium term, and meanwhile fully engaging the community in discussions over the long-term mandatory measure(s) to tackle the problem at root.

3. The Buildings Department (BD) has a statutory role to enforce the Buildings Ordinance in order to ensure the safety and hygiene of buildings. The BD has stepped up its enforcement over unauthorized building works (UBWs) and building defects in recent years. Whilst such enhanced efforts have yielded some success, experience also demonstrates that mere reliance on enforcement and market forces is unlikely to overcome the deep-rooted problem of urban decay.

4. From the feedback during the consultation exercise, it is evident that many owners require help in dealing with statutory orders and/or the upkeep of their buildings. The public is also in support of placing the maintenance responsibility where it should lie, i.e. emphasizing the owners' duty in building upkeep through mandatory building inspection. The importance of a basic management structure for the building through the formation of OCs is also highlighted, but it is generally reckoned that whether the OC actually performs its role depends on a host of factors, including how active it is and the support that it gets. The drift of public

opinion is therefore in favour of mandating the regular inspection of buildings as a more effective measure to ensure preventive maintenance.

5. In devising the long term mandatory measure(s) to fundamentally address the issue, the community and the industry must be engaged in discussion over whether and how it should be introduced. The introduction of any mandatory measures would also require the backing of legislation. The legislative process would take time, but the problems faced by owners, especially those who have received statutory orders, remain immediate and pressing.

6. We also realize that the problem with building dilapidation often stems from a lack of expertise and/or financial means. These cannot be cured simply by a mandatory legal requirement. We therefore see the importance in providing assistance, advice and incentives to owners in parallel. Such services are already provided by the Urban Renewal Authority (URA) through its rehabilitation programme, and the Hong Kong Housing Society (HKHS)'s 'Building Management and Maintenance Scheme' will complement and expand the provision of such support services to owners (see paras. 12 to 18). The HKHS's scheme provides one-stop assistance to owners, including helping with the formation of OCs, providing technical advice and incentives over maintenance matters, and offer of loans for improving the safety and hygiene of individual flats. With the BD working closely with the URA and the HKHS, we aim to provide an integrated solution in the short and medium term. We hope that the URA and HKHS's rehabilitation efforts will allow owners to experience the benefits of proper building care. It will provide scope for the industry to offer building management and maintenance directly to owners in the long run. This would also serve as an education process, and should be conducive to nurturing a better building care culture.

7. We will continue with BD's on-going enforcement and support efforts and the Government's planned exercises to improve our legal framework to make our work on building maintenance and management more effective.

8. As regards the long-term solution by way of mandatory measure(s) (see paras. 29 to 31), we will fully engage the community and listen to their views through a second stage consultation.

9. To tie in with the future mandatory measure(s), we foresee that the assistance to be provided by the URA and the HKHS through their respective schemes, and their role over rehabilitation should be reviewed and fine-tuned in due course to ensure the optimal impact and results.

10. Having carefully analysed the feedback obtained in the consultation and in the light of the two-stage strategy outlined above, we have devised the following comprehensive approach to take forward the subject –

- (a) to strengthen assistance to owners, particularly the more vulnerable groups such as the elderly in the proper upkeep of their buildings;
- (b) to strengthen BD's enforcement efforts and its capacity to address the problem at root; and
- (c) to enhance publicity and public education to foster a better building care culture.

The details are set out below.

### **STRENGTHENING ASSISTANCE**

11. Over the years, the Government has put in place a framework of measures to address the building neglect problem through statutory requirements, law enforcement, support for owners, education and publicity, and the urban renewal programme.

12. Whilst building management and maintenance is undisputedly the owner's responsibility, we acknowledge that there are areas where total reliance on market forces and law enforcement may fail to address the problem of ageing of buildings, and certain sectors of the community are in need of technical/financial help to support them to discharge such responsibility. The Government recognises the need to help owners by drawing in more players and widely tap available resources and expertise to arrest the building neglect given the scale of the problem. In this connection, non-Government organizations, in particular the HKHS and the URA,

are able to provide a wealth of resources and expertise on building management and maintenance.

## **NON-GOVERNMENT ORGANISATIONS**

### ***URA***

13. The URA's urban renewal strategy comprises redevelopment, rehabilitation, preservation and revitalization. As part of their holistic "4R" approach to regenerate the older urban districts, the URA has been promoting building rehabilitation within its urban renewal areas. The URA has since late 2003 launched a Building Rehabilitation Trial Scheme and a Building Rehabilitation Loan Scheme for OCs of buildings aged 30 years or more within the URA's urban renewal areas. Eligible OCs are provided with technical advice, interest-free loans or material incentives under these two Schemes to undertake building maintenance. The URA also provides subsidies to OCs of buildings which have completed maintenance works under the URA's rehabilitation schemes to take up public liability insurance. In its third 5-year Corporate Plan, the URA plans to assist the rehabilitation of about 540 buildings over the period. So far, 77 buildings have benefited from URA's efforts. The URA has also reached agreement with 13 banks to offer more attractive mortgage terms in respect of units that have undergone improvements under its rehabilitation schemes.

14. The Hong Kong Mortgage Corporation Ltd. has recently decided to extend its Mortgage Insurance Programme to cover properly maintained older buildings, including those rehabilitated under the URA rehabilitation schemes, to assist prospective buyers of these older flats. This would enable better mortgage terms and provide an added incentive for owners of old buildings to undertake voluntary rehabilitation work to improve and upgrade their living environment.

### ***HKHS***

15. In response to the feedback obtained in the consultation which strongly advocates the provision of more assistance to building owners in managing and maintaining their buildings, we are pleased to have solicited the agreement of the HKHS to introduce a ten-year "Building Management and Maintenance Scheme" for owners. The Scheme includes the provision of one-stop and comprehensive technical advice, incentives as well as

interest-free loans to property owners to promote proper building management and maintenance on a territory-wide basis. The HKHS is well placed to take up this role in view of its experience and expertise in proper upkeep of buildings. It has set aside \$3 billion for the implementation of the Scheme which will be formally launched on 1 February 2005. Meanwhile, the HKHS welcomes property owners to approach them for assistance.

16. In the light of public feedback, the HKHS's "Building Management and Maintenance Scheme" has been devised along the following principles –

- (a) ***One-stop assistance for building management and maintenance***: the HKHS will adopt a one-stop integrated approach to tackle the building neglect problem by providing advice, technical assistance and financial incentives as well as an interest-free loan to building owners on both building management and maintenance issues.
- (b) ***Comprehensive service to building owners***: the HKHS will assist building owners to improve their overall living condition by taking care of both common areas of buildings and the safety and hygiene of individual units. Priority will also be given to elderly owners who need the assistance most.
- (c) ***Facilitating industry's participation***: given the HKHS's assistance in the formation of OC and the procurement of maintenance services, together with the incentives provided, it is expected that in the long run owners will be more ready and willing to engage the industry in the provision of building management and maintenance services.
- (d) ***A long-term significant commitment***: the HKHS has undertaken to run the Scheme for 10 years and has allocated \$3 billion to its implementation.
- (e) ***Easily accessible by the public***: Building on its existing network and expertise, the HKHS will open a total of 6 Property Management Advisory Centres at different districts to provide a convenient advisory service, and to reach out to property owners.

The HKHS will also set up a dedicated telephone hotline to provide a one-stop enquiry service on the assistance provided not only in its scheme, but also those provided by the Government and the URA on building maintenance. Owners will be assisted at the different stages in their application for assistance. The three bodies have also established a cross referral mechanism to handle applications received which belong to or touch on the other bodies' services.

17. Under the “Building Management and Maintenance Scheme”, HKHS will –

- (a) launch a “Home Renovation Loan Scheme” to provide an interest-free loan (maximum \$50,000 per unit) to eligible owners<sup>1</sup> to undertake flat interior repair and maintenance works relating to safety and hygiene of the premises;
- (b) launch a “Building Management and Maintenance Incentive Scheme” to –
  - (i) reimburse the OC formation expenses up to \$3,000 per OC formed and provide free guidance and advice in the formation of OCs.
  - (ii) provide incentives and technical advice to eligible OCs<sup>2</sup> (10% of the total cost or \$3,000 per unit, whichever is lower) to undertake building improvement and maintenance work in the common areas. Subsidize the OCs with public liability insurance premium (50% of the premium for three consecutive years, at a ceiling of \$6,000 per annum) if the OCs decide to secure such insurance after the buildings are rehabilitated;

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<sup>1</sup> Eligibility: registered individual owner, not company owner; no other property in Hong Kong; building aged over 20 years; rateable value of the flat (<\$60,000 per annum for urban area, <\$45,000 per annum for New Territories area)

<sup>2</sup> Eligibility: OCs of buildings aged over 20 years; outside URA's urban renewal areas; less than 100 units per estate/development; average rateable value of flats (< \$60,000 per annum for urban area , < \$45,000 per annum for New Territories area); Authorised Person/Registered Contractor appointed

- (c) set up 6 Property Management Advisory Centres (the ShamShuiPo centre has already been set up) to render advice on building management and maintenance issues;
- (d) conduct research on common building maintenance problems, issue guidelines on proper building maintenance and management, etc; and
- (e) launch publicity campaigns and conduct seminars/workshops to promote proper building management and maintenance.

18. It is estimated that the HKHS's Scheme will bring about 2,000 employment opportunities annually for the building management and construction related sectors.

## **GOVERNMENT**

### ***(a) Building Safety Loan Scheme***

19. The BD is currently operating a \$700-million Building Safety Loan Scheme (BSLS). While the financial assistance provided by the URA and the HKHS focuses mainly on older residential buildings, the BSLS provides loans to registered owners of all types of buildings, including residential, commercial and industrial ones. The BSLS also covers loans for large-scale maintenance works such as the repair of dangerous slopes. Since the implementation of the BSLS in July 2001, more than 8,700 applications have been approved, involving a total of \$261 million. BD will continue its promotion work over the BSLS and co-ordinate closely with the URA and the HKHS on the processing of the loan applications.

### ***(b) Modified CMBS***

20. On the basis of the operational experience of the Co-ordinated Maintenance of Building Scheme (CMBS) since November 2000 and the outcome of a review of the CMBS conducted by the BD, BD has adopted a modified modus operandus for the CMBS by drawing on the HKHS's expertise in building management and maintenance in order to reach out to more building owners, to provide better support.

21. Under the modified *modus operandi*, the HKHS will establish dialogue with owners' corporations (OCs)/owners in persuading the execution of voluntary repair works, provide technical support and assist owners in the formation of OCs and project management for maintenance works, and assist the needy OCs/owners to apply for the necessary loans. BD will retain its role as the building coordinator, and will in collaboration with the other six participating departments (being the Food and Environmental Hygiene Department, the Water Supplies Department, the Electrical and Mechanical Services Department, the Fire Services Department, the Home Affairs Department and the Environmental Protection Department) adopt a more focused role in putting across to the owners the legal requirements over the safety and hygiene of their buildings. A group of 30 targeted buildings has been identified as the first batch to be rolled out in early 2005. Another 120 targeted buildings will be identified for commencement in the latter part of 2005.

***(c) Legislative Amendments***

22. The Government will also provide a sound legal framework to facilitate the owners/OCs to properly manage and maintain their buildings and to make our enforcement work more effective. In this regard, legislative amendments to further improve the Building Management Ordinance (BMO) and the Buildings Ordinance (BO) will be introduced into the Legislative Council in the legislative year of 2004/05 and 2005/06 respectively.

***Amendments to the Building Management Ordinance***

23. Having regard to the suggestions from the public, HAB and HAD plan to introduce an amendment bill to the BMO in April 2005 to facilitate the operation of OCs for better management of their buildings. Some of the legislative amendment proposals are set out below –

- (a) to include a provision that members of management committee acting in good faith shall not be held personally liable for any act done or default made by or on behalf of the OC;
- (b) to set out clearly the requirements for appointment of proxy by owners in attending owners' meetings and to include a standard format of proxy instrument in the BMO;

- (c) to specify that the mechanism for termination of the appointment of the manager is only applicable to managers specified in the Deed of Mutual Covenant (DMC) (instead of any subsequent manager appointed by an OC) and to remove the provision that not more than one manager can be terminated within any three consecutive years;
- (d) to rationalize the procurement requirement for OCs and property managers;
- (e) to require property managers to establish and maintain a segregated trust or client account for management fees received with the OC as the client; and
- (f) to introduce a Regulation under the BMO to require OCs to procure third party risks insurance in relation to the common parts of the building.

24. The amendment bill, if enacted, would assist OCs in performing their duties and exercising their powers, rationalize the procedures for appointing a management committee and its members, and safeguard the interests for property owners with a view to bringing about better building management in our community.

### ***Amendments to the Buildings Ordinance***

25. To improve the legislative framework for building control and building safety and to alleviate the problem of UBWs at root, the Government will propose the introduction of a minor works control regime which seeks to provide a legal, safe, simple, and efficient channel for owners to carry out minor works such as erecting air-conditioner frames, clothes drying racks and small canopies. Under the proposed regime, property owners will be required to appoint registered contractors, including registered minor works contractors or registered construction workers as appropriate, to carry out minor works under simplified procedures. It is envisaged that the proposed regime will encourage owners to more readily comply with the law and to better maintain their buildings. Consultation on the details of the proposed regime is now underway. An amendment bill to the BO will be

introduced in the Legislative Council in 2005/06 to take forward the proposal.

## **STRENGTHENING BD'S ENFORCEMENT & CAPACITY TO ADDRESS THE PROBLEM AT ROOT**

### **STRENGTHENING ENFORCEMENT**

26. BD has stepped up its enforcement against building defects and UBWs in recent years, with the average number of statutory orders issued to rectify building (including drainage) defects and to remove UBWs each year increasing more than five-fold as compared with 1998. BD will keep up the momentum in its enforcement work. BD will also continue to target some 1,000 buildings annually for carrying out large-scale clearance of UBWs on the external walls and effecting the necessary repair to such buildings.

27. In respect of buildings which have difficulties in securing third party insurance because of the existence of UBWs, BD will, in the light of the circumstances of the case, consider the issue of removal orders in order to assist.

28. To restore the deterrent effect against non-compliance with BD's removal orders of UBWs, the penalty level for the corresponding offence has been increased with the enactment of the Buildings (Amendment) Ordinance 2004. Those convicted are liable to a maximum fine of \$200,000 plus a daily fine of \$20,000 which is a four-fold increase. To strengthen BD's efforts to encourage owners to remove UBWs voluntarily, BD may issue warning notices to owners and register such notices in Land Registry for UBWs on which BD is not taking immediate action under the current enforcement policy. The notices will only be deregistered upon owners' removal of the UBWs. Registration of the notices also serves to raise community awareness of UBWs as a liability.

### **ADDRESSING THE PROBLEM AT ROOT**

29. The results of the public consultation on building management and maintenance also reveal a broad community preference for putting in place some form of mandatory requirement on owners as an effective long-term measure to ensure proper building management and maintenance. There is strong support from various quarters, including the general public,

District Councils, building professional institutions and political parties, to introduce mandatory building inspection, which is believed to be an effective mechanism to identify building defects for preventive maintenance. Mandatory building inspection is perceived to be a practicable and effective permanent solution in arresting building decay.

30. Guided by public preference concerning the broad future direction, we will further study the feasibility of introducing mandatory building inspection. The issues to be further considered will include the buildings to be targetted, the inspection cycle, coverage of the inspections and penalties in case of non-compliance. As the introduction of any mandatory requirement needs to be fully justified and should have the support of the community, we will carefully consider its implications and fully engage the public before finalising the implementation details. We plan to widely consult the public on our mandatory proposals in 2005. We look forward to having an equally enthusiastic response from the community in mapping out a regime that is conducive to cultivating a better building care culture and creating a better living environment in Hong Kong.

31. We will review and refine URA and HKHS's role in rehabilitation in due course in the light of the mandatory measure(s) that we would put in place.

### **ENHANCING PUBLICITY AND PROMOTING BUILDING CARE CULTURE**

32. To tackle the building neglect problem at root, it is also necessary to build up a building care culture in the community through education and publicity.

33. On building maintenance, BD has rolled out a promotion programme starting late November 2004. In addition to the distribution of promotional materials such as pamphlets, posters and souvenirs, the programme consists of press conference, television and radio announcement of public interest (API), articles in newspaper columns, media interviews, light box advertisements, and school quizzes. Owners' responsibility in proper upkeep of their buildings and in complying with the newly introduced legal requirements under the Buildings (Amendment) Ordinance 2004 is emphasized throughout the whole programme.

34. HAD will sustain its publicity efforts on enhancing the general recognition and public awareness of good building management. Apart from publications, workshops and seminars, a series of radio programme and television dramas have been launched since December 2004 and will last until April 2005 to promote quality building management. Since September 2004, a “Quality Building Competition” has been organized in each of the 18 districts and will close at a reception scheduled for January 2005. Representatives of winner buildings from each district have conducted interviews with RTHK to share their first-hand experience and to showcase the benefits of proper building management which has been broadcasted in the radio programmes. The above publicity campaign aims to reinforce the key message that building management is the responsibility of property owners.

35. The HKHS will set up a total of 6 neighbourhood Property Management Advisory Centres and roll out a series of programmes including seminars, certificate courses, road shows, carnivals, etc. to promote proper building management and maintenance. Other educational materials like pamphlets and periodicals will be published; TV and radio programmes will be launched; quiz and competitions will be organized to reinforce the awareness of flat owners on their rights and responsibilities in respect of management and maintenance of their properties. Under the HKHS’s “Building Management and Maintenance Scheme”, HKHS staff will carry out home visits to eligible buildings, and would offer professional advice and consultancy on formation of OC and a one-stop solution on building management and maintenance. HKHS has also compiled a set of “Code of Practice” on good property management and maintenance practices which will be available free of charge for reference of the general public.

36. The URA will continue its publicity efforts to promote its on-going rehabilitation programme.

## **CONCLUSION**

37. Through the three-pronged strategy outlined above, we seek to address the long standing building neglect problem in a systematic, integrated and sustainable manner. Besides keeping up our enforcement and facilitation work, the Government will continue to co-ordinate and support

the efforts of the different players in order to maximise the impact on improving our cityscape. Through the concerted efforts of the Government, the HKHS, the URA, industry and owners/residents, we strive to attain our shared objective of a better and healthier living environment for Hong Kong.

**List of Consultation Sessions, Seminars and  
Public Fora Attended by Representatives  
of the Housing, Planning and Lands Bureau During the Consultation Period**

<b>No.</b>	<b>Date</b>	<b>Events</b>
1.	12 January 2004	Discussion Forum with the Industry, Professional Institutes, Academics and Related Bodies
2.	19 January 2004	Tsuen Wan District Council
3.	20 January 2004	Public Forum (I) at City Hall, Hong Kong Island
4.	20 January 2004	Southern District Council
5.	3 February 2004	Yuen Long District Council
6.	5 February 2004	Kwun Tong District Council
7.	6 February 2004	Kowloon City District Council
8.	9 February 2004	Island District Council
9.	11 February 2004	Central & Western District Council
10.	12 February 2004	Shatin District Council
11.	13 February 2004	North District Council
12.	17 February 2004	Wong Tai Sin District Council
13.	19 February 2004	Eastern District Council
14.	19 February 2004	Discussion Forum with the Hong Kong Institute of Housing and the Chartered Institute of Housing (Asia Pacific Branch)
15.	20 February 2004	Sham Shui Po District Council
16.	23 February 2004	Public Forum (II) at Yau Ma Tei, Kowloon
17.	24 February 2004	Sai Kung District Council
18.	26 February 2004	Yau Tsim Mong District Council
19.	2 March 2004	Tai Po District Council
20.	2 March 2004	First seminar organized by Yuen Long District Council member, Mr Wong Wai-yin
21.	5 March 2004	Tripartite Committee on Property Management Industry

No.	Date	Events
22.	6 March 2004	Seminar jointly organized by Legislative Council member, the Hon Lau Hon-chuen, Ambrose and Central & Western District Council member, Mr. Lam Kin-lai
23.	11 March 2004	Kwai Tsing District Council
24.	16 March 2004	Wan Chai District Council
25.	17 March 2004	Briefing to the Hong Kong Coalition of Service Industries <sup>3</sup>
26.	18 March 2004	Meeting with DC Chairmen and Vice-Chairmen
27.	20 March 2004	Professional Seminar on Future Directions in Integrated Building Management and Maintenance organized by the City University of Hong Kong
28.	22 March 2004	Tuen Mun District Council
29.	23 March 2004	Wong Tai Sin District Council Housing Committee Meeting
30.	25 March 2004	Central and Western District Council
31.	25 March 2004	Briefing to the Board of the Urban Renewal Authority
32.	27 March 2004	Seminar organized by HK College of Technology
33.	30 March 2004	Second seminar organized by Yuen Long District Council member, Mr Wong Wai-yin
34.	1 April 2004	Seminar organized by Kwai Tsing District Council members, Mr. Lee Wing-tat, Mr. Ng Kim-sing and Mr. Chow Lap-yan.
35.	2 April 2004	Seminar organized by Caritas Community Centre at Tsuen Wan
36.	2 April 2004	Seminar organized by Hong Kong Sheng Kung Hui Lady MacLehose Centre
37.	13 April 2004	Meeting with Kowloon Federation of Associations
38.	15 April 2004	Eastern District Council Housing Committee
39.	27 April 2004	Seminar organized by St. James' Settlement <sup>4</sup>

**Total** : 39

<sup>3</sup> The briefing was re-scheduled to 21 April 2004

<sup>4</sup> The seminar was a follow-up to a previous discussion during the consultation period.

**List of Written Submissions Received**

(By Alphabetical Order)

<b><u>No.</u></b>	<b><u>Submission Groups</u></b>	<b><u>No. of Written Submissions</u></b>
	<u>Legislative Council Members</u>	
(1)	The Hon. Albert Chan Wai-yip	1
	<b>Sub-total:</b>	<b>1</b>
	<u>District Council Members</u>	
(1)	Mr Chai Man-hon and Ms Yeung Siu-pik (Southern District)	1
(2)	Mr IP Che-kin (Kowloon City)	1
(3)	Mr Kwu Hon-keung (Tuen Mun District)	1
(4)	Mr Liu Sing-lee, Miss Mok Ka-han and Mr Lee Kin-kan (Kowloon City)	1
(5)	Ms Ting Yuk-chee (Eastern District)	1
(6)	Mr G J Salaroli (Eastern District)	1
	<b>Sub-total:</b>	<b>6</b>
	<u>Political Parties</u>	
(1)	Democratic Alliance for Betterment of Hong Kong	1
(2)	Democratic Party	1
(3)	Hong Kong Association for Democracy and People's Livelihood	1
(4)	Liberal Party	1
	<b>Sub-total:</b>	<b>4</b>
	<u>Academics</u>	
(1)	Professor Andrew Baldwin (Hong Kong Polytechnic University)	1
(2)	Professor Stephen Lau (University of Hong Kong)	1

(3)	Professor Andrew Leung and other academics in the Hong Kong Polytechnic University, City University of Hong Kong & University of Hong Kong	1
(4)	Dr Issac Ng (City University of Hong Kong)	1
(5)	Dr O O Ugwu (University of Hong Kong)	1
(6)	Dr. Wong Kam-din (Hong Kong Polytechnic University) <sup>5</sup>	1
(7)	Professor Wong Kin-ho (Hong Kong Polytechnic University)	1
	<b>Sub-total:</b>	<b>7</b>

#### Institutes

(1)	Association of Engineers in Society	1
(2)	Chartered Institute of Housing (Asia Pacific Branch)	1
(3)	General Practice Division, Hong Kong Institute of Surveyors	1
(4)	Hong Kong Institute of Housing	1
(5)	Hong Kong Institute of Real Estate Administration	2
(6)	Hong Kong Institute of Surveyors	1
(7)	Hong Kong Institution of Engineers	2
(8)	Institute of Management and Building Management	1
(9)	Law Society of Hong Kong	1
(10)	Personal Injuries and Insurance Practice Committee of the Hong Kong Bar Association	1
(11)	Professional Green Building Council	1
	<b>Sub-total:</b>	<b>13</b>

#### Related Bodies

(1)	Hong Kong Housing Society	1
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<sup>5</sup> Dr Wong Kam-din is also a member of the Eastern District Council.

(2)	Urban Renewal Authority	1
	<b>Sub-total:</b>	<b>2</b>

Industries

(1)	Contractor's Authorized Signatory Association Ltd	1
(2)	Federation of Hong Kong Industries	1
(3)	Mr. Fung Kwok-wah	1
(4)	Goodwill Management Ltd	1
(5)	Hong Kong Association of Property Management Companies	1
(6)	Hong Kong General Chamber of Commerce	1
(7)	Knight Frank (Services) Ltd	1
(8)	Professional Building Surveying Consultants Association of Hong Kong	1
(9)	Provisional Construction Industry Co-ordination Board	1
(10)	Real Estate Developers Association of Hong Kong	1
(11)	Richard Ellis Ltd	1
(12)	Synergis Management Services Ltd	1
(13)	Wellborn Real Estate Management Ltd	1
(14)	中國國際貿易促進委員會	1
	<b>Sub-total:</b>	<b>14</b>

Community Groups

(1)	Aberdeen Kai-fong Welfare Association Social Service Centre	1
(2)	Kowloon Federation of Associations	1
(3)	Property Concern Group	1
(4)	Society for Community Organization	2
(5)	Urban Watch	1
	<b>Sub-total:</b>	<b>6</b>

Owners' Corporations/Mutual-Aid Committee

(1)	Association for the Incorporated Owners of Kwai Tsing District	1
(2)	The Incorporated Owners of Arden Court	1
(3)	The Incorporated Owners of Forum Court	1
(4)	The Incorporated Owners of Kiu Kin Mansion	1
(5)	The Incorporated Owners of Kwun Tong Lap Shing Building	1
(6)	The Incorporated Owners of Marina Cove	1
(7)	The Incorporated Owners of No.8, Peace Avenue	1
(8)	The Incorporated Owners of No.43 H-J, Ma Tau Wai Road	1
(9)	The Incorporated Owners of the Paramount	1
(10)	The Incorporated Owners of Perth Apartments	1
(11)	The Incorporated Owners of No.62-64, Sai Yeung Choi Street and No.15B, Nelson Street	1
(12)	The Incorporated Owners of Wah Po Building	1
(13)	The Mutual-Aid Committee of No.19-21, Wan Shun Street and No.20-22, Wan King Street	1

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**Sub-total:** **13**

Members of Public

- (1) 24 submissions from individual property owners
- (2) 41 submissions from individual members of the public

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**Sub-total:** **65**

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**Total:** **131**

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## **Result of the Telephone Opinion Survey**

### **Methodology of the Survey**

PolyU Technology and Consultancy Co. Ltd <sup>6</sup> was commissioned to conduct a telephone opinion survey on building management and maintenance from 13 to 17 April 2004 to gauge the views from the community at large.

2. A total of 1,435 Hong Kong people living in self-owned private buildings, rented private buildings or self-owned public housing (i.e. Home Ownership Schemes, Tenants Purchase Scheme and Flats for Sale Scheme) were successfully interviewed by telephone from a randomly selected sample of 5,423 households. The overall response rate is 50.1% and the margin of error at 95% confidence level is at most  $\pm 2.6\%$ .

3. A copy of the questionnaire used is attached in the Appendix.

### **Summary of Findings**

4. The results of the telephone survey indicate that the community at large support the principle that building owners should be held responsible for the upkeep of their own buildings, including the attendant financial costs. The community also in general support the arrangement of integrating management and maintenance, largely via the provision of “one-stop service” by the industry.

5. For the buildings without owners’ corporations or not serviced by property management companies, there is a general consensus that some form of mandatory requirements on owners would need to be put in place to address the long-standing building neglect problem, including mandatory formation of Owners’ Corporations, mandatory engagement of property management companies or mandatory building inspection.

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<sup>6</sup> PolyU Technology and Consultancy Co. Ltd. is the professional service arm of the Hong Kong Polytechnic University offering consultancy services to the community.

6. There are also requests for the need to regulate the performance of property management companies by introducing a licensing system; to provide financial subsidies to owners in genuine need; to promote mediation or arbitration services for effective resolution of disputes on building management and maintenance matters; and to establish a voluntary building classification system for recognition and encouragement of well managed and maintained buildings. There are also supporting views to putting owners' properties for auction as one of the possible means to recover outstanding management and maintenance contributions from building owners.

### **Statistical Results**

7. The statistical results of the telephone opinion survey on the major questions are summarized below:

(A) Owners' Responsibility

- About 90% of respondents agreed that building owners should bear the responsibility to take good care of their buildings including the common areas. And 82% of them further agreed that building owners should shoulder the management and maintenance costs as well.

(B) Integrating Building Management and Maintenance

- About 78% of respondents agreed that the integration of building management and maintenance on a day-to-day basis could solve the long-standing building neglect problem.
- About 73% of respondents supported the provision of "one-stop service" by property management companies as an effective way to integrate building management and maintenance.

(C) Mandatory Formation of Owners' Corporations or Mandatory Engagement of Property Management Companies

- About 60% and 73% of respondents respectively supported the mandatory engagement of property management companies or mandatory formation of Owners' Corporations

for buildings without Owners' Corporations or are not serviced by property management companies.

(D) Mandatory Building Inspection

- About 88% of respondents agreed that buildings at or above a certain age should be mandated to undertake building inspection.
- About 52% of them further agreed that building owners should bear the costs of such building inspection.
- About 39% of them suggested that buildings over 20 years old should be mandated for building inspection; and about 30% of them suggested a stricter requirement to mandate inspection of buildings over 10 years old.
- About 21% of them suggested that inspection should be made every 10 years, and about 43% of them asked for a higher requirement of every 5 years.
- About 83% of respondents agreed to mandate building inspection for buildings without Owners' Corporations or not serviced by property management companies.

(E) Recover Management and Maintenance Fees from Building Owners

- About 53% respondents supported the introduction of a new legislation to compel the sale of the flat units concerned by auction to pay for the outstanding management fees and maintenance contributions where the relevant property owners have continuously failed to pay such costs.

(F) Voluntary Building Classification System

- About 83% of respondents supported the set up of a voluntary building classification system for recognition of well managed and maintained buildings with a view to encouraging owners to take care of their own buildings.

(G) Financial Assistance to the Ones in Genuine Need

- About 61% of respondents supported the Government to provide recurrent financial subsidies to building owners in genuine need to pay for management and maintenance fees.
- About 48% of respondents supported the Government to levy a surcharge on each property transaction for setting up a fund for such a purpose.

(H) Regulating Property Management Companies

- About 88% of respondents supported the introduction of a licensing system for proper monitoring of the property management companies.

(I) Mediation or Arbitration Services

- About 71% of respondents considered the Government's promotion of mediation or arbitration services would be helpful in resolving disputes over building management and maintenance matters between building owners and owners' corporations as well as among owners.

**The Hong Kong Polytechnic University**  
**Department of Applied Social Sciences**  
**Centre for Social Policy Studies**  
**CPU Poll 85**  
**April 13-17, 2004**

**Procedure A: Self Introduction**

“Hello, is this telephone number XXXX XXXX? (Interviewer: if you have dialed the wrong number please say: “Sorry, I think I’ve dialed the wrong number. Bye bye.” Then please try to dial the correct number at once.) I am a telephone interviewer from the Centre for Social Policy Studies at the Hong Kong Polytechnic University. We are now conducting an opinion survey on 'Building Management and Maintenance' and would like to do a short interview with you. Please be assured that the information you provide will be kept strictly confidential. Thank you for your co-operation.

**Procedure B: Sample Selection**

**(Official Use)**

[v1a] Telephone#

[v1b] Interviewer#

[v2] What is the type of your residence and do you rent or own it?

1. Own a private flat (including village house)
2. Own a flat in public housing (including Home Ownership Scheme, Tenants' Purchase Scheme, and flats for sale scheme)
3. Rent a private flat (including village house)
4. Rent a flat in public housing (including flats of Housing Authority and Housing Society & interim housing) [End of Interview]
5. Temporary housing [End of Interview]
6. Staff quarters [End of Interview]
7. Don't know/no opinion [End of Interview]
8. Refuse to answer [End of Interview]

[v3] The eligible respondents of this survey are Hong Kong citizens aged 18 or above. I would like to know how many household members are aged 18 or above?

**[If there is more than one eligible respondent, please use the Random Generator with the Kish Grid method to randomly select one of the eligible respondents to conduct the survey.]**

According to the sampling result, we have selected the \_\_\_ oldest member of your household as respondent, would you mind if I invite this household member to conduct the survey now?

- 1  I am → [Start questionnaire, go to Procedure C] → [If necessary, please read the survey introduction again]
- 2  Not convenient right now → [Must be confirmed] → [Confirmation or Make appointment: \_\_\_\_\_] → [End interview] → [Record down]
- 3  Not here right now → [Make appointment: \_\_\_\_\_] → [End interview] → [Record Down]

[v3a] (Written down by the interviewer)

Sex of the respondent:     1. Male             2. Female

(Then address the respondent "Mr." or "Miss" accordingly in the following interview.)

If the selected respondent is not the first person answering your telephone call, please read, "I am a telephone interviewer from the Centre for Social Policy Studies at the Hong Kong Polytechnic University. We are now conducting an opinion survey on 'Building Management and Maintenance' and would like to do a short interview with you. Please be assured that the information you provide will be kept strictly confidential. Thank you for your co-operation."

[v4] Do you think multi-storey building owners have the responsibility for ensuring their buildings in good repair, including external walls and common areas?

1. No (skip to v6)
2. Yes
3. Don't know/No opinion (skip to v6)
4. Refuse to answer (skip to v6)

[v5] (If yes) Do you think that building owners should shoulder the management and maintenance fees?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v6] If building maintenance is to be integrated as part of building management on a day-to-day basis, do you think this could solve the long-standing building neglect problem?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v7] It is said that, if property management companies can provide maintenance service to the buildings at the same time, that is known as “One-stop Service”, it would help the residents to solve the building neglect problem. Do you agree with such a view?

1. Disagree
2. Agree
3. Don't know/No opinion
4. Refuse to answer

[v8] For the buildings without owners' corporations or are not serviced by property management companies, do you agree that they should be mandated to engage property management companies?

1. Disagree
2. Agree
3. Don't know/No opinion
4. Refuse to answer

[v9] Do you agree that these buildings without any form of management should be mandated to form owners' corporations?

1. Disagree
2. Agree
3. Don't know/No opinion
4. Refuse to answer

[v10] Do you agree that buildings of a certain age or above should be mandated to undertake building inspections?

1. Disagree (Skip to v16)
2. Agree
3. Don't know/No opinion (Skip to v14)
4. Refuse to answer (Skip to v14)

[v11] (If agree) In your view, buildings at what building age should be mandated to undertake building inspections? (Read out the answers)

1. Over 10 years
2. Over 20 years
3. Over 30 years
4. Over 40 years
5. Don't know/No opinion
6. Refuse to answer

[v12] In your view, what should be the time interval for mandatory building inspections? (Read out the answers)

1. 10 years
2. 7 years
3. 5 years
4. 3 years
5. Don't know/No opinion
6. Refuse to answer

[v13] In your view, who should be responsible for the expenses of building inspection ?

1. Property owners
2. Others, please specify: \_\_\_\_\_
3. Don't know/No opinion
4. Refuse to answer

[v14] Do you agree that the buildings without owners' corporations or are not served by property management companies should be mandated to undertake building inspection?

1. Disagree
2. Agree
3. Don't know/No opinion
4. Refuse to answer

[v15] Do you support the Government to introduce a new legislation to auction properties of those owners who continuously fail to pay management or maintenance fees to repay for the arrears?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v16] Do you support the setting up of a voluntary building classification system for recognition of well managed and maintained buildings, so as to encourage the owners to maintain their properties?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v17] Do you support the Government to provide recurrent financial subsidies to property owners who are in genuine need to pay for management and maintenance fees?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v18] Do you support the Government to levy a surcharge on each property transaction for setting up a fund to help property owners with genuine financial problem to pay for the recurrent management and maintenance fees?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v19] Do you support the setting up of a licensing system for monitoring the property management companies?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v20] If the Government promotes mediation or arbitration services for resolving disputes over management and maintenance problems among owners and owners' corporations, do you think it would be helpful to them?

1. Very unhelpful
2. Unhelpful
3. Neither helpful nor unhelpful
4. Helpful
5. Very helpful
6. Don't know/No opinion
7. Refuse to answer

[v21] Is there an owners' corporation for the building you now live in?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v22] Has the building you now live in engaged any property management company?

1. No
2. Yes
3. Don't know/No opinion
4. Refuse to answer

[v23] What is the age of the building you now live in?

1. 5 years or below
2. 6 to 10 years
3. 11 to 20 years
4. 21 to 30 years
5. 31 years or above

[v24] At present, do you have to pay for any management fees for the building you now live in? (If yes, how much do you pay each month?)

1. No need to pay
2. Below \$100
3. \$100-\$299
4. \$300 - \$899
5. \$900 - \$1,499
6. \$1,500 or above
7. Don't know/No opinion
8. Refuse to answer

[v25] What is the reasonable amount of monthly management fees for your flat you now live in?

1. Below \$100
2. \$100-\$299
3. \$300 - \$899
4. \$900 - \$1,499
5. \$1,500 or above
6. Don't know/No opinion
7. Refuse to answer

## **Personal Background**

[v26] What is your age? (According to the last birthday)

1. 18-29
2. 30-39
3. 40-49
4. 50-59
5. 60 or above

[v27] What is your education attainment? (According to the highest qualification)

1. No formal schooling/Kindergarten
2. Primary
3. Secondary (F.1 – F.3)
4. Secondary (F.4 – F.5)
5. Post secondary (F.6 – F.7)
6. Tertiary (non-degree)
7. Tertiary (degree) or above
8. Refuse to answer

[v28] Are you currently working or non-working?

1. Working (Skip to v30)
2. Non-working

[v29] Are you a ....? → End of Case

1. Student
2. Home-maker
3. Retired person
4. Unemployed
5. Other, please specify: \_\_\_\_\_
6. Refuse to answer

→ end interview

[v30] What is your current position?

1. Managers and administrators
2. Professionals
3. Associate professionals
4. Clerks
5. Service workers and shop sales workers
6. Skilled agricultural / fishery workers
7. Craft and related workers
8. Plant and machine operators and assemblers
9. Elementary occupations
10. Refuse to answer

[v31] What is your monthly personal income?

1. \$4,999 or below
2. \$5,000 - 7,999
3. \$8,000 - 9,999
4. \$10,000 – 14,999
5. \$15,000 – 19,999
6. \$20,000 – 24,999
7. \$25,000 – 29,999
8. \$30,000 – 39,999
9. \$40,000 – 49,999
10. \$50,000 or above
11. No income
12. Refuse to answer

(Mr. \_\_\_\_\_ / Miss \_\_\_\_\_) Thank you for your co-operation. Goodbye.

**Summary of Main Views Received and  
the Administration's Response**

**A. The Principle – Owners' Responsibility**

View:

The majority of views received support the principle that property owners should bear the ultimate responsibility to upkeep their buildings, including the related financial implications. Some respondents have further pointed out that such financial responsibility should not be passed onto tax-payers and the society. On the other hand, there are requests for Government's assistance to property owners in the discharge of their responsibility on grounds of public safety and environmental hygiene.

Response

We note that the community at large understand and accept the fundamental principle that building maintenance should be the owners' responsibility. This should form a good basis on which concerted efforts among the Government, property owners, the industry, the Urban Renewal Authority (URA) and the Hong Kong Housing Society (HKHS) would be made to address the building neglect problem. On the basis of the community feedback, the Government will adopt a comprehensive strategy to tackle the problem. The strategy comprises the strengthening of assistance to owners for proper upkeep of their buildings; strengthening of BD's enforcement efforts and capacity to address the problem at root and enhancing publicity and education to foster a better building care culture.

**B. Policy Direction**

**(1) *Integrating Building Management and Maintenance***

View:

The industry and professional institutes have indicated their support to integrating building maintenance with daily building

management as a sustainable solution to arrest the building neglect problem. This view is shared by some property owners.

However, the industry and professional institutes also harbour some doubts about the ready acceptance of this integrated approach by owners of older buildings, in view of the prevailing weak building care culture. Besides, some market practitioners and professional institutes have highlighted that the existing unauthorized building works (UBWs) in old buildings could be a technical constraint that needs to be properly addressed before the industry could venture into providing an integrated service to old buildings. There are also concerns about whether the routine maintenance integrated with daily management can entirely substitute comprehensive building inspection and major maintenance. The possible higher cost for engaging the integrated services, which may not be affordable by some owners, is also raised as a concern.

Response:

The “Building Management and Maintenance Scheme” to be launched by the HKHS will provide a one-stop assistance service to facilitate owners of old buildings to manage and maintain their buildings in an integrated manner. The HKHS Scheme presents a holistic package of service and incentives targeted at the owners of older buildings who may lack expertise and financial means to discharge their building management and maintenance responsibilities. The HKHS Scheme complements and expands the work of the BD and URA. It would also facilitate the industry to provide the integrated building management and maintenance service to the owners direct in the long run.

As regards UBWs, the implementation of the Building (Amendment) Ordinance 2004 on 31 December 2004 is a measure to strengthen the enforcement against UBWs by the Buildings Department (BD). It would be an offence for anyone who, without reasonable excuse, obstructs the owners’

corporations (OCs) in carrying out removal works of UBWs for the purpose of complying with the orders issued by the BD. The Amendment Ordinance also introduces an increase in the penalty level for certain offences. To encourage owners to remove UBWs voluntarily, BD may issue warning notices against UBWs to owners and register such notices in the Land Registry and will only deregister the notices upon owners' removal of the UBWs. The HKHS's Scheme would of course also cover assistance to owners in relation to removal of UBWs.

In addition, the Government will also propose the introduction of a minor works control regime which seeks to provide a legal, safe, simple and efficient channel for property owners to carry out minor works like erecting air-conditioner frames, clothes drying racks and small canopies by appointing registered contractors, including registered minor works contractors or registered construction workers as appropriate. It is expected that the proposed regime will encourage owners to more readily comply with the legal requirements on minor works and would help to tackle the UBW problems at source. We intend to introduce an amendment bill on the minor works regime into the Legislative Council in 2005/06 to take forward the proposal.

## (2) *One-Stop Service*

### View:

The "one-stop service" concept is in general supported, particularly by the industry and the professional institutes, as a viable approach for the property management companies to provide an integrated management and maintenance service to property owners. Some market practitioners have pointed out that the industry is already providing one-stop services to owners of private housing estates. There are, however, some reservations on whether this can be readily applied to old buildings with a long-standing problem of building neglect.

The suggestion of grouping adjacent buildings or buildings in the same street for an economy of scale is recognized as a good concept that is worth further exploring.

On the other hand, there are also objections to the one-stop service approach. Those who objected have indicated their concerns about the possibility of monopoly by large management companies, and possible collusion between management companies and contractors in charge of related services, resulting in higher costs and diminished choices for property owners. There may also be practical difficulties in grouping adjacent buildings with different building conditions and needs.

Response:

We recognize the complex issues related to the maintenance and management of old buildings, including the social issues involved. Some owners, particularly the elderly, may face genuine difficulties in discharging their responsibility because of a lack of expertise and financial means. We are glad to have the support of the HKHS Society in introducing a “Building Management and Maintenance Scheme” to provide a one-stop assistance service to facilitate owners of old buildings to properly manage and maintain their buildings in an integrated manner. The suggestion of grouping adjacent buildings or buildings in the same street for economy of scale in undertaking building management and maintenance can be explored under the HKHS’s Scheme.

**(3) *Status Quo***

View:

The views received are in general against the status quo option as this will not be conducive to arresting the building neglect problem and urban decay.

Response:

This has confirmed our understanding as stated in the consultation document that the status quo option will not be able to meet the rising public demand for a safer and more hygienic living environment in Hong Kong.

## C. **Mandatory Measures**

### View:

There is a substantial body of opinion supporting the imposition of some form of mandatory requirements on owners to upkeep their buildings, ranging from mandatory management in general, mandatory formation of OCs, mandatory engagement of property management companies to mandatory building inspection.

#### (1) ***Mandatory Formation of Owners' Corporations (OCs)***

Views are divided on the effectiveness of compelling owners in multi-storey buildings to form OCs. The supportive views recognize the merits of an OC as a basic management structure for proper upkeep of buildings. However, there are also opposing views pointing out that an inactive or defunct OC will not be conducive to proper building management and maintenance. The effectiveness of an OC will be highly dependent on the commitment and efforts of the property owners as well as the professional support available to them.

#### (2) ***Mandatory Engagement of Property Management Companies***

The majority of comments received, particularly those from the industry and the professional institutes, regard the integration of building management and maintenance as a comprehensive long-term solution in preventing building decay, especially for those buildings which have no OCs or management companies.

Some practitioners have highlighted the merits and importance of having a professional building manager in the building's pursuit of proper building management and maintenance.

There are however concerns, mainly from property owners and OCs, over the option of mandatory engagement of management companies. There are concerns that daily management cannot substitute regular building inspection to detect building defects for timely maintenance. The acceptability and affordability of owners in older buildings for recurrent management fees as well

as the proper monitoring of property management companies are also raised as concerns. There are also certain reservations on whether this is an approach readily acceptable to property owner of older buildings, as a building care culture is generally weak among that group.

**(3) *Mandatory Building Inspection***

There is support from various fronts, including the general public, District Councils, institutes and political parties for mandatory building inspection, which is perceived to be a practicable and effective long-term solution in arresting building decay. It would help identify building problems and reveal defects at a regular interval to facilitate preventive maintenance, and is expected to achieve quick and visible results. Some suggest that routine maintenance could not substitute comprehensive building inspection and maintenance. Similar to the existing requirements for mandatory inspection of other building facilities such as fire safety facilities, lifts and electrical facilities, some respondents suggest that mandatory building inspection is necessary on public safety consideration. There are also suggestions to mandate building inspection by firstly targeting buildings above certain building age and in poor condition. Some opine that mandatory building inspection will eventually generate property owner's awareness of the need for good building management, thus leading to proper building management and maintenance in the long run.

There are also suggestions on the implementation details, such as the buildings to be subject to mandatory building inspection should be based on building conditions rather than simply on building age, and that only the crucial items need to be inspected.

Views are, however, divided on whether individual owners (on grounds of the user-pay principle) or the Government (on grounds of public safety) should bear all or part of the financial cost of building inspections. There are also different suggestions on the types of Government assistance, e.g. to

arrange and fund initial inspections or to draw up a list of inspection items to be followed up by building owners.

We note some opposing views, largely from property owners and OCs, to mandatory building inspection for fear of the additional financial commitment.

Response:

The strong support for some form of mandatory measures to arrest the building neglect problem has reflected the community's consensus on the need to take necessary measures to address the long-standing building neglect problem. We note the majority of respondents consider mandatory building inspection as a practical and effective solution in arresting the building neglect problem compared to other mandatory measures. Guided by public preference concerning the broad future direction, we will work towards a second stage consultation, focusing on the feasibility of introducing mandatory building inspection. As the imposition of any mandatory measures will need to be fully justified and should have the proper support of the community, the Government will carefully consider its implications and fully engage the public in the discussion before finalizing the implementation details.

**D. Support Measures**

**(1) *Enhancing Government Support to Owners/OCs***

View:

The community's feedback also points to the need for enhanced support and facilitation to owners/OCs in the discharge of their duty to upkeep the buildings. It is suggested that the Government should provide more concrete technical and legal advice to OCs as well as enhance public awareness on proper building management and maintenance.

Some respondents have suggested amending the Building Management Ordinance (BMO) and reviewing the terms for inclusion in the Deed of Mutual Agreement (DMC).

There are also requests for the Government to strengthen co-ordination in the provision of support to owners on building management and maintenance matters.

Response:

The Government is committed to providing the necessary facilitation and support to property owners in undertaking their responsibility to upkeep their buildings. In this regard, the Government would adopt a comprehensive strategy, comprising the strengthening of assistance to owners for proper upkeep of their buildings; strengthening of BD's enforcement efforts and capacity to address the problem at root, and enhancing publicity and education to foster a better building care culture.

With the concerted efforts of the BD, HKHS and URA over building rehabilitation (details outlined in Chapter 3), we aim to strengthen our assistance to building owners in taking proper care of their buildings.

HPLB and Home Affairs Bureau (HAB) will maintain a close co-ordination at the policy level on building management and maintenance matters. At the operational level, BD also keeps a very close working relationship with Home Affairs Department (HAD) and other relevant departments on the subject.

To promote awareness of proper building management by owners, HAD will continue its publicity and education programmes. HAD has launched a series of radio and television programmes since December 2004 which will last until April 2005 to promote quality building management. A "Quality Building Competition" has also been organized by HAD in each of the 18 districts since September 2004.

BD has also rolled out a promotion programme on building maintenance starting late November 2004 to promote awareness of owners' responsibility over proper upkeep of buildings and compliance with the new legal requirements under the Buildings (Amendment) Ordinance 2004. BD will continue its

Co-ordinated Maintenance of Buildings Scheme under a slightly modified format. Targeting buildings in a stage of dilapidation, BD will continue to co-ordinate with other relevant Government Departments on the repairs required so that buildings owners can deal with them in an integrated manner. The HKHS has undertaken to take on the role of liaising with the owners and help with the formation of OCs as necessary, and provide the follow-up assistance. This new approach will enable more effective support to owners and enable BD to focus on its enforcement role.

Contributing to the Government's overall strategy to tackle the building neglect problem, HAB/HAD will introduce legislative amendments to the BMO in the 2004/05 legislative year to improve the workings of the Ordinance.

**(2) *NGOs' Assistance to Owners/OCs***

View:

There are suggestions from the industry, relevant institutes, political parties and community groups that the expertise and resources of non-governmental organizations (NGOs) e.g. the Urban Renewal Authority (URA) and HKHS, could be further utilized to assist owners/OCs in the discharge of their responsibilities of upkeeping their buildings. The usefulness of the assistance provided by NGOs to owners on building management and maintenance matters is also well recognized.

Response:

The Government recognizes the merits of making full use of the resources and expertises of NGOs in assisting owners in managing and maintaining the buildings. We are pleased to have the full support of the HKHS and the URA to make available their experience and resources to promote proper building management and maintenance among owners through their respective schemes.

Under the HKHS's "Building Management and Maintenance Scheme", property owners will be provided with one-stop financial assistance (in terms of loans and incentives) and technical advice to manage and maintain their buildings in an integrated manner. HKHS will also establish a total of six Property Management Advisory Centres in different districts in order to provide convenient advisory services to property owners. Guidelines on building management and maintenance will be published for the owners' reference. The HKHS will also launch a series of promotion and educational activities to enhance owners' awareness of the importance in tackling building neglect.

The URA has set in train rehabilitation programmes within its urban renewal areas. It will continue its efforts in these areas to bring about a synergy effect through the use of its holistic "4R" strategy, comprising redevelopment, rehabilitation, preservation and revitalisation.

It is expected that with the assistance provided by the HKHS and the URA, property owners can be enlightened, organized and empowered to discharge their duty of proper upkeep of their buildings more readily and independently in the long run.

**(3) *An Independent Arbitration/Mediation Mechanism to Resolve Disputes***

View:

There are views supporting the establishment of an independent arbitration or mediation mechanism for resolving disputes on building management and maintenance matters more effectively and economically.

Response:

Since building management and maintenance matters often involve complex disputes among owners, OCs and management companies, the proposal for a more effective and efficient mechanism to settle disputes is worth exploring.

HAD has launched a pilot mediation scheme in collaboration with the Hong Kong Mediation Council and the Hong Kong Mediation Center since 2002 for resolving disputes related to building management and maintenance matters. The pilot scheme is still in progress. HAD will review the pilot scheme after completion of 10 pilot cases.

In response to the suggestion of the Hong Kong Institute of Surveyors (HKIS), the Government is exploring together with the HKIS the feasibility to establish a Building Affairs Tribunal (BAT) for resolving disputes over building management and maintenances matters. Understandably, the HKIS's proposal involves a number of complicated policy and legal issues such as the legal status and institutional arrangement of the proposed BAT, its interface with the existing Lands Tribunal which also deals with building management disputes; its jurisdiction vis-à-vis BD which is the statutory authority under the Buildings Ordinance; as well as the resource implications arising from the setting up of the BAT. The Government welcomes the HKHS's proposal and is examining the issues involved with the HKIS for the purpose of taking the proposal forward.

**(4) *Voluntary Building Classification Scheme***

View:

There are supporting views from District Council members, the industry, professional institutes, and academics, to introduce a voluntary building classification system preferably to be administered by an independent agent. It is expected that a good grading will be conducive to improving the property value and transactions of the properties concerned, and will attract more favourable mortgage or insurance terms. Some respondents have further suggested that the classification system should be backed by rate or land rent concessions.

Response:

BD has carried out a study on the broad framework of a voluntary building classification scheme (BCS). The market

dynamics behind the scheme is that buildings attaining a certain standard in maintenance and management would be given a good rating and consequently positive recognition, thereby enhancing their property and rental value, and would be more likely to secure a lower insurance premium and/or acquiring more favorable mortgage terms. Building owners would therefore be encouraged to maintain and renovate their buildings voluntarily and come forward to have their buildings classified under the scheme.

In June 2004, BD consulted the industry (building professionals, property developers, bankers, insurers, property managers, registered building contractors) and academic institutions on the proposed BCS. The professionals have raised a number of technical issues that need to be addressed if a voluntary BCS is to be implemented successfully. The general view is that the scheme should in the long run promote a better building care culture but sufficient market incentives are required to motivate owners to join the BCS. BD will continue to explore the feasibility of the proposed BCS with interested parties, including the Hong Kong Mortgage Corporation Limited, the bankers and the insurers in mapping out the way forward.

**(5) *Measures to Recover Contributions from Owners***

Views:

The importance of facilitating the recovery of management fees and maintenance contributions from owners in order to ensure that building management and maintenance work will not be frustrated by those uncooperative/untraceable owners is highlighted. Proposed ways to facilitate the recovery of contributions include streamlining the legal procedures in recovering outstanding contributions, adding the default amount to the rates bill and compelling the sale of the property of the defaulting owners by auction.

Response:

The implications of more draconian measures to recover outstanding contribution and their public acceptance should be carefully examined.

The functions of the proposed BAT raised by the HKIS include the settling of disputes relating to the share of maintenance responsibilities by the owners and the recovery of outstanding maintenance/management fees under a simplified procedure. The above issue will be further examined in that context.

**(6) *Financial Assistance to Owners in Genuine Need***

View:

There is extensive support for the Government to provide some financial assistance to the elderly owners with little means and those in genuine need and to meet the recurrent management and maintenance expenses. There are suggestions for the Government to provide interest-free or low-interest loans and to enhance the existing BSLS. Suggestions in respect of the BSLS include topping up the BSLS fund, simplifying the application procedures for BSLS, empowering OCs to borrow from BSLS on behalf of individual owners and extending the repayment period of BSLS for special cases.

Some respondents have suggested that the Hong Kong Housing Authority and the HKHS should purchase residential units of poor elderly property owners in old buildings for resale after refurbishment and to re-house these elderly owners in public housing. The sale proceeds of the refurbished units after deducting the refurbishment cost could be returned to these elderly owners.

Response:

It is acknowledged that the problem of neglected older buildings is not purely a “structural” issue but one closely intertwined with complex social issues.

The operation of the BSLS has to comply with the Government's standing principle, applicable to all loan schemes, in setting interests payable at a "no-gain-no-loss" rate. However, we also allow eligible applicants (including the elderly), with genuine financial difficulties to apply for interest-free loans. The BSLS is a revolving loan with a commitment of \$700 million. We will consider topping up the fund if and when such a need arises.

Under the HKHS's "Building Management and Maintenance Scheme", the HKHS will give priority to elderly owners to apply for interest-free loans for carrying out interior repair or maintenance works to improve on safety and hygiene and the overall living environment. In case of delinquent re-payment by owners who are in genuine financial difficulty, HKHS will handle the cases compassionately.

The URA provides grants as financial assistance to individual owners with genuine financial difficulties under its Building Rehabilitation Loan Scheme.

With the assistance/loans provided by the BD, the HKHS and the URA, property owners are provided with a comprehensive network of financial and technical support in their pursuit of proper building management and maintenance.

Eligible elderly property owner-occupiers in private old buildings can now move into public housing units of the Housing Authority on a license basis, as a transitional arrangement for them to dispose of their properties for meeting the eligibility criteria for applying public rental housing. The HKHS is also considering actively how it might assist the elderly owners who find difficulties in staying in their flats because of the lack of lifts or the general state of dilapidation.

**(7) *Financial Incentives to Owners***

View:

There are suggestions for the provision of financial incentives for property owners to undertake proper building management

and maintenance. Tax or rate concessions have been raised as examples.

Response:

As with other forms of property ownership, it is undisputedly the owners' responsibility to upkeep their buildings. Nonetheless, we do recognise that some sectors of the community, for example, elderly owners of older buildings may not be able to discharge such responsibility because of the lack of technical assistance and financial means. Based on the feedback of the consultation, the Government has devised a comprehensive strategy to promote better building maintenance, comprising the strengthening of assistance to owners for proper upkeep of their buildings; strengthening of BD's enforcement efforts and capacity to address the problem at root and enhancing publicity and education. We consider that the various assistance and incentives to be provided to owners should target those who are in genuine need. They are provided by the BD, the URA, the HKHS and the Hong Kong Mortgage Corporation Limited as outlined below.

BD currently operates a \$700-million BSLS which provides loans to registered owners of all types of buildings, including residential, commercial and industrial ones. The BSLS also covers loans for large-scale maintenance works such as the repair of dangerous slopes.

Various assistance and incentives are provided under the HKHS's "Building Management and Maintenance Scheme". HKHS will provide free technical advice on maintenance works and assist in the formation of OCs. To encourage the formation of OCs, the HKHS will reimburse the OC formation expenses, up to \$3,000 after the successful formation of an OC. Furthermore, financial incentives not exceeding 10% of the total cost of maintenance work or \$3,000 per unit will be provided to owners of eligible buildings for undertaking maintenance works for the building common areas. For OCs of buildings which have completed maintenance works under the HKHS's Scheme

and decide to secure public liability insurance, the HKHS will reimburse up to 50% of the insurance premium for 3 consecutive years, with a ceiling of \$6,000 per annum. On safety and hygienic considerations, interest-free loans will also be provided to owners of eligible buildings for carrying out interior repair and maintenance works to improve their overall living environment.

The URA also provides technical advice on building rehabilitation works and material incentives not exceeding 10% of the total cost of the works or \$3,000 per unit to property owners under its Building Rehabilitation Trial Scheme. Interest-free loans for preventive building maintenance works are also available under its Building Rehabilitation Loan Scheme. Buildings with completed renovation works under the two URA's rehabilitation programmes could also seek 50% subsidy in respect of public liability insurance premium, with a ceiling of \$6,000 per year for three consecutive years.

The Hong Kong Mortgage Corporation Ltd. has recently announced its decision to extend its Mortgage Insurance Programme to cover properly maintained buildings, including those rehabilitated under the URA rehabilitation schemes, to enable prospective buyers of these older buildings to secure more favourable mortgage terms. This market force should provide a further incentive for owners of old buildings to undertake voluntary rehabilitation work to improve and upgrade their living environment.

**(8) *Penalties on Owners***

View:

A number of respondents, mainly from the industry and the professional institutes, suggest that property owners should be liable to penalties if they fail to maintain their buildings under a good repair condition.

Response:

To ensure building safety and hygiene, there are existing provisions under the Building Ordinance to address the problems of building defects/dilapidation and unauthorized building works.

To restore the deterrent effect against non-compliance with BD's statutory orders, the penalty levels for various offences have been increased with the enactment of the Buildings (Amendment) Ordinance 2004. To encourage owners to remove UBWs voluntarily, under the Amendment Ordinance BD may issue warning notices against UBWs to owners and register such notices in the Land Registry, and will only deregister the notices upon owners' removal of the UBWs. Registration of the notices also serves to raise community awareness of UBWs as a liability.

The issue of 'preventive maintenance' and the feasibility of introducing mandatory building inspection will be further examined in the second stage consultation.

**(9) *Sinking Fund for Maintenance***

View:

Quite a number of respondents support the establishment of a sinking fund for future building maintenance. Views are divided on the source of funding. Some suggest that the owners should be required to contribute to the fund while some suggest that the Government should provide the funding by imposing a surcharge on rates or a levy on the sale proceeds of property transactions.

Response:

There are already provisions in the BMO guiding the establishment of funds for future maintenance work by owners' contributions. We have reservation over the suggestion of imposing a levy on the sale proceeds of property transactions as a source of funding for the proposed sinking fund as it will be

unfair to require new buyers of residential units to subsidise other owners who neglect their buildings. We will further examine the feasibility of the sinking fund suggestion in the context of the second stage public consultation.

**(10) *Regulating Property Management Companies***

View:

There are strong requests, from the District Council members, OCs and the general public for some form of regulation over the operation of property management companies, particularly if owners were to be mandated to engage building management companies. Suggestions include strengthening of the present self-regulation system, putting in place a licensing or registration system, drawing up rules and codes of practice to guide the operation, and grading the companies according to a performance assessment system.

Response:

There are advantages and associated downsides in introducing regulation over property management companies. For instance, it is commonly acknowledged that a sophisticated registration/licensing system may not be favourable to small and medium-size management companies, thus undermining the chances of older buildings in obtaining the necessary service. Different regulatory options, the institutional arrangement and the resultant resource implications should be thoroughly considered. Any necessary regulation over industry practitioners should be considered in the context of the appropriate mandatory measure to be introduced. This would be taken up in the second stage consultation.

**E. Other Issues**

***Relaxing the Land (Compulsory Sale for Redevelopment) Ordinance***

View:

A few respondents have suggested that the current requirement of 90% ownership of undivided shares in a lot by private developers before a

compulsory sale of the remaining shares could be triggered under the Land (Compulsory Sale for Redevelopment) Ordinance should be relaxed in order to facilitate private redevelopment initiative for arresting the urban decay problem.

Response:

The private sector has been and will continue to be one of the major locomotives in urban renewal. Given the scale of the urban decay problem, we recognise that the private sector must be fully engaged in urban renewal work. With the benefit of the actual experience gained in the operation of the Land (Compulsory Sale for Redevelopment) Ordinance so far, we aim to consult the relevant parties within this year on the feasibility of lowering the compulsory sale threshold for certain classes of lots in order to further facilitate the private sector's redevelopment work. There is however a need to balance the facilitation of private redevelopment on the one hand and the protection of private property rights on the other.