

Public Accounts Committee of the Legislative Council

(12 May 2011)

**Report No. 56 of the Director of Audit
Chapter 7: Hong Kong Housing Authority :
Management of Commercial Properties**

Speaking Points of the Director of Housing

Chairman,

The Housing Department is the executive arm of the Hong Kong Housing Authority. As such, we are responsible for managing some 710 000 public rental housing flats and 169 000m² of commercial and retail premises. As the Director of Audit knows, I welcome this study as an important adjunct to our own internal auditing system. The independent oversight that is provided by the Director of Audit and his colleagues is an integral part of our systems of checks and balances.

2. The Housing Department is tasked to implement policy determined by the Housing Authority. In this regard, I am pleased to see that the Report confirms that, in line with the direction given by the Housing Authority, the Department has taken a number of initiatives to maximise the use of surplus retail and car parking facilities and reduce vacancy rates through conversion and market re-ordering exercises. The surplus provision of these facilities has mainly come about as a result of factors beyond our control, such as the ageing population in our older public rental housing estates, competition from nearby new developments, the outdated design of many of our facilities and of course the expansion of the public transport network. Nevertheless, we continuously strive to ensure that such facilities are used in a manner that is best able to provide the services that our residents expect.

3. Despite the divestment of commercial properties in 2005, the Housing Department still manages a wide portfolio of commercial and non-domestic properties which comprises 1 800 shops, 1 100 shopstalls, 900 educational facilities and Government lettings, 6 800 welfare premises, 8 400 factory units

and 27 000 parking spaces in public rental housing estates, Home Ownership Scheme courts and Tenants Purchase Scheme estates scattered around the territory. About 70% of the retail facilities are managed by property services agents.

4. I note that the Report contains a recommendation that we should carry out a review of the 2005 divestment exercise. We agree with this recommendation and, since the final transfers of legal title which took place in July last year, we are now preparing to carry out the review.

5. With such a large-scale operation, we recognise that there will be room for improvement in the day-to-day management of the Housing Authority commercial facilities, and we do constantly review our operations. However, I must point out that in certain circumstances, in particular in cases of deliberate abuse of lease conditions, or criminal activities, for example those associated with organised gambling, my colleagues on the ground may not be in the best position to take action. In such cases, we will bring in the relevant law enforcement agency and work with them. This does not mean to say that we are in any way complacent and are not taking steps to tackle irregularities. Indeed, since the introduction of the Marking Scheme in 2003, we have handled a total of 408 cases where demerit points have been awarded for breaches of the tenancy conditions. In the last year, we have issued one notice-to-quit under the Marking Scheme and another two for breach of tenancy agreement. As a result, we have recovered three premises altogether. As an on-going measure, we have implemented independent checks on site and have stepped up action against any irregularities found. This is, of course, in addition to action taken following successful criminal prosecutions.

6. Any system is only as good as the people who administer it. For this reason, we have been working closely with colleagues as well as staff of the property services agents to ensure that they understand the requirements and follow up properly. One issue that we work hard to balance is the challenge to encourage staff to use their judgement when enforcing our rules while minimising the risk of corruption or malfeasance. This is where the appropriate checks and balances come into play. While we strive to operate in a properly commercial manner, we must also have regard to our social and community responsibilities. This is a difficult balancing act and we have to work hard to try to get it right.

7. As I said earlier, I welcome the audit review of the management of the Housing Authority commercial properties by the Housing Department. I want to express my appreciation for the professional manner in which this exercise was carried out and, in particular, for the opportunity the Department has been given to respond to some of the findings and to clarify many points ahead of the finalisation of the Report. As Members can see for themselves, we have generally accepted the recommendations and these have either already been implemented or will be in due course. Where policy clearance is required, we will of course seek approval from the Housing Authority or its sub-committees.

8. We have prepared some supplementary information sheets and a checklist on cases identified in the Report to help Members understanding of the commercial operations undertaken by the Housing Department on behalf of the Housing Authority.

9. With such a large portfolio to manage, my colleagues and I will continue to do our best to provide a high standard of management services to our tenants. We never forget that we must provide a range of services to our residents and tenants and we must do so to the best of our ability.

10. Thank you.