

立法會
Legislative Council

LC Paper No. CB(1)343/17-18(05)

Ref: CB1/PL/DEV

Panel on Development

Meeting on 20 December 2017

Updated background brief on Operation Building Bright

Purpose

This paper provides background information on the "Operation Building Bright" ("OBB") launched in May 2009, and a summary of the major views and concerns expressed by Members of the Legislative Council ("LegCo") on the subject.

Background

2. In May 2009, the Administration, in collaboration with the Hong Kong Housing Society ("HKHS") and the Urban Renewal Authority ("URA"), launched OBB as a one-off special measure for two years to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. OBB aimed to achieve the dual objectives of creating more job opportunities for the construction sector amidst the 2008 financial tsunami as well as improving the safety and maintenance of old buildings and the cityscape.

Funding

3. The original funding of OBB was \$1 billion of which \$700 million was contributed by the Government while HKHS and URA each contributed \$150 million. The funding proposal of \$700 million for the Government's contribution to OBB was approved by the Finance Committee ("FC") on 24 April 2009. Subsequently, the Administration sought approval from FC for further allocations of funding to OBB for three times, thus increasing the total

Government funding for OBB to \$3.2 billion. The resultant total funding of OBB was \$3.5 billion.

Implementation

4. OBB was "building-based" catering for the following two categories of target buildings, subject to meeting the prescribed eligibility criteria in **Appendix I**:

- (a) Category 1 covered buildings with owners' corporations ("OCs"). OCs of eligible buildings might apply for joining OBB to carry out repair works on a voluntary basis.
- (b) Category 2 covered buildings whose owners had difficulties in coordinating repair works, such as buildings without OCs. Depending on the circumstances, the Buildings Department ("BD") would issue statutory repair orders to such buildings to effect the necessary repair works. If the building owners were unwilling or unable to conduct repair works by themselves, BD would arrange consultants and contractors to carry out the works for the owners in default. However, if the owners or OCs of the buildings were willing to organize repair works voluntarily, they could follow the approach for Category 1 target buildings to carry out repair works.

5. As at 30 April 2012, two rounds of applications had been invited from OCs to participate as Category 1 target buildings and a total of 1 375 applications involving 1 753 buildings that had met the eligibility criteria were granted with "approvals-in-principle" for undertaking the repair works. For Category 2 target buildings, 1 398 buildings were selected, most of which were old and dilapidated buildings with default statutory orders, or buildings nominated by LegCo Members and District Council members. In sum, a total of 3 151 target buildings had been included for assistance under OBB.

Major views and concerns of Members

6. Members of the Panel on Development ("the Panel") in general supported the implementation of OBB. Their views and concerns on its implementation are summarized in the ensuing paragraphs.

Assistance to building owners

7. Members suggested that the names of registered contractors for building repair and maintenance works should be made available to OCs for easy reference. There was also a suggestion that surveys on the performance of consultancy companies and contractors be conducted to collect feedback on the works carried out under OBB, and the results be released through suitable platforms for reference by other property owners and OCs. The Administration should also effectively monitor the tendering procedures of OCs to prevent malpractices, and provide comprehensive advice to OCs in respect of various building maintenance subsidy schemes.

8. The Administration advised that a list of authorized persons and approved general contractors had been prepared for OCs' reference. Eligible OCs had to choose at least four contractors from the list when inviting tenders to minimize the possibility of corruption. OCs also had to engage consultancy companies with authorized persons to monitor the repair works to ensure that the works were in order. The authorized persons engaged by OCs had to certify relevant documents such as inspection reports, tender analyses, works contracts, certificates for disbursement of funds and certificates of completion to ensure the quality of the repair works. Consultants of HKHS and URA would also monitor the repair works and vet those documents during the whole process before releasing the grants under OBB.

9. Some members expressed concern that while more building owners would be willing to carry out repair works for their buildings with the financial assistance under OBB, the resulting increase in the demand for building repair and maintenance works, coupled with the major infrastructure projects in the pipeline, would lead to increases in construction costs.

10. The Administration acknowledged the rising costs for labour and construction materials, and advised that it would monitor the situation closely and when necessary, adjust the pace of commencing repair works under OBB to spread out the projects and alleviate possible negative impacts on the market.

Misconduct and malpractice of consultants or contractors

11. Members expressed grave concern about possible corruptive practices and bid-rigging of the consultants or contractors. They noted that cases of suspected non-compliance with the requirements of OBB by the consultants or contractors had been identified, and enquired how the Administration would take action to rectify and prevent such practices.

12. The Administration advised that most of the suspected non-compliance cases related to unintended omissions of the procedural requirements of OBB. HKHS and URA had issued warning letters and reminders on the cases to request the persons concerned to rectify the irregularities. Various measures, with details given in **Appendix II**, had been put in place to guard against corruption and malpractices in the implementation of OBB.

Continuation of the Operation Building Bright

13. When receiving progress reports on OBB at meetings of the Panel, some members suggested that the Administration should consider adjusting the eligibility criteria and make use of any funds remained under OBB to accept new applications from buildings which were less than 30 years old but in highly dilapidated conditions. The Administration had advised members then that it would see whether funds were still available and whether there was room to adjust the eligibility criteria. In June 2012,¹ the Administration advised that based on its estimation, there would be around \$400 million of uncommitted funds which would be used for assisting some more Category 2 target buildings to carry out repair works.

14. Some members asked how the Administration would assist the owners of dilapidated buildings in carrying out repair works after completion of OBB. In particular, they were concerned that it would be difficult for owners of buildings without OCs to properly manage and maintain their buildings. Some members suggested that HKHS, social enterprises, professional institutes or accredited professionals could be engaged to undertake management and maintenance of these buildings. They also suggested putting in place a mandatory requirement for property owners to engage professional building management company to ensure proper management and regular maintenance of their buildings.

15. The Administration advised that, after the completion of OBB, BD, in collaboration with other partner organizations (e.g. HKHS and URA), would continue to provide financial and technical assistance to building owners to enhance building safety. The Administration would closely monitor and evaluate its work in promoting building safety and would bring in new forms of assistance, where necessary.

16. At the Council meeting of 10 June 2015, Members passed a motion on "Stepping up regulation on the repair and maintenance works of private

¹ [LC Paper No. CB\(1\)2099/11-12\(02\)](#)

buildings" urging the Government to, among others, launch a third round of OBB and step up law enforcement to combat bid-rigging syndicates. In the progress report provided by the Administration in June 2015 in response to the motion, the Administration indicated that it did not plan to launch another round of OBB at that time.

Council questions

17. Six questions relating to OBB were raised at Council meetings of 6 January, 24 February and 14 April 2010, and 12 January, 16 February and 13 July 2011 respectively. The hyperlinks are in **Appendix III**.

Latest developments

18. In the Chief Executive's 2017 Policy Address, the Chief Executive announced the plan to roll out "OBB 2.0" with the following major features:²

- (a) to adopt a risk-based approach to focus on residential and composite buildings aged 50 years or more, given that their age poses relatively higher building safety risks;
- (b) to focus on raising the safety standards of target buildings, the subsidies should primarily be used for inspection and repair works required under the Mandatory Building Inspection Scheme ("MBIS") in both the common and private areas. For cases where the owners fail to comply with issued MBIS orders, BD would exercise its power under statute to carry out the relevant inspections and works, and offset the amount charged for those works in default with the subsidies; and
- (c) to ensure that public resources would be allocated to the most needy, subsidies would only be granted to owner-occupiers living in buildings under the target category in (a) above with average rateable values not exceeding \$162,000 in the urban area and \$124,000 in the New Territories (excluding Sha Tin, Kwai Tsing and Tsuen Wan, which are counted as urban areas). It is estimated that 80% of over 5 000 target buildings would fall within the brackets of these average rateable values. For non-elderly owner-occupiers of eligible buildings, the subsidy level

² [LC Paper No. CB\(1\)57/17-18\(01\)](#)

would be set at 80% of the cost of relevant works for common areas (subject to a ceiling of around \$40,000 per flat); plus 50% of the cost of relevant works for private areas (subject to a ceiling of around \$6,000 per flat). In respect of works in the common areas, the Administration intends to grant a higher rate of subsidy to elderly owner-occupiers, viz. 100% of the cost subject to a ceiling of around \$50,000.

19. The Administration plans to launch OBB 2.0 in the latter half of 2018, and will commission URA as the administration agent. Around \$3 billion would be devoted under OBB 2.0 to provide technical and financial assistance to the eligible owners of an estimate of 2 500 buildings.

20. At the Panel meeting to be held on 20 December 2017, the Administration will brief the Panel on the details of OBB 2.0.

Relevant papers

21. A list of relevant papers with their hyperlinks is in **Appendix III**.

Operation Building Bright

Eligibility criteria of target buildings and scope of works

Eligibility Criteria of Target Buildings

Target buildings of the Operation Building Bright ("the Operation") have to meet the following criteria –

- (a) the buildings are residential or composite buildings aged 30 years or above;
- (b) the buildings comprise no more than 400 residential units (this criterion has been dispensed with in processing the new applications under the second round of the Operation, as proposed in paragraph 12 of FCR(2010-11)37);
- (c) the average rateable value of the residential units does not exceed \$100,000 per annum for buildings in urban areas¹, or \$76,000 per annum for buildings in other areas; and
- (d) the buildings lack maintenance or are in dilapidated conditions, requiring repair or maintenance works (examples include buildings subject to statutory orders issued by the Buildings Department).

Scope of Works

2. The grant of the Operation must first be used for repair and maintenance works in common areas of target buildings relating to the structural and fire safety of buildings as well as the sanitary facilities, including –

- (a) repair of building structure, e.g. repairing loose, cracked, spalled or defective concrete;
- (b) repair of external walls of buildings, e.g. repairing defective rendering and mosaic tiles;

¹ Using the Hong Kong Housing Society's current delineation for simplicity, urban areas include Hong Kong Island, Kowloon, Sha Tin, Kwai Tsing and Tsuen Wan.

- (c) repair or replacement of defective windows;
- (d) repair of building sanitary services, e.g. repairing, maintaining and replacing defective soil, waste, rainwater, vent pipes and underground drainage; and
- (e) repair of defective fire safety constructions, and fire service installations and equipment of buildings.

Maintenance works in association with the works in paragraph 2(a) to (e) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

3. After covering the cost of works stated in paragraph 2 above, any remaining grant may be used for additional repair and improvement works in the common areas, including –

- (a) removal of unauthorized building works and illegal rooftop structures;
- (b) improvement of fire safety constructions, and fire service installations and equipment of buildings (including installation and repair of metal gates);
- (c) improvement of building services and facilities, e.g. repairing, maintaining and replacing lifts, electrical wiring, gas risers, installation of closed circuit televisions and fresh water pipes;
- (d) maintenance or improvement works for slopes and retaining walls;
- (e) repair of water-proofing membranes at rooftops and flat roofs and works to alleviate water seepage problems; and
- (f) maintenance or improvement works for barrier-free access and facilities.

Maintenance works in association with the works in paragraph 3(a) to (f) above, including investigation works and professional services; and any incidental or consequential works, such as touch-up and finishing works arising from the repair or remedial works, will also be covered.

Operation Building Bright

Measures to Prevent Corruption and Malpractices

Since the launch of the Operation Building Bright ("the Operation") in May 2009, the Hong Kong Housing Society ("HKHS"), Urban Renewal Authority ("URA") and Buildings Department have been working closely with the Independent Commission Against Corruption ("ICAC") in formulating the application procedures and modus operandi to ensure that proper procedures and safeguards are adopted to prevent corruption and other malpractices in implementation of the Operation.

2. HKHS and URA have, in consultation with ICAC, formulated and issued the "Operation Building Bright Maintenance Guidelines" to owners' corporations ("OCs"), consultants and contractors, stipulating, among other things, the requirements and procedures for selection and management of consultants and contractors, anti-bribery and anti-collusion practices. Consultants and contractors participating in tendering are required to sign undertakings to follow fair and impartial practices in tendering and provision of professional services for the OCs.

3. To uphold the principle of fair tendering, OCs joining the Operation are required to appoint consultants and contractors by way of open tenders. Besides, after invitation of tenderers is advertised in the newspapers, OCs are required to select by random computer ballot at the HKHS' Property Management Advisory Centre a certain number of authorised persons ("APs") and registered general building contractors ("RGBCs") from the list of APs and RGBCs who have expressed interest in carrying out building repair works and invite them in writing to participate in tendering, so as to enhance fairness and competitiveness of the tendering exercise.

4. To further assist OCs to establish the criteria for selection of consultant companies, the "Operation Building Bright Maintenance Guidelines" have been refined to require that consultant companies submitting a tender should provide adequate information to the OCs, including the number of repair projects being undertaken by the consultant, the resources to be allocated to the OC's works contract by the consultant, as well as the particulars of different ranks of personnel who will participate in the works at different stages and the costs involved, so that the OC can consider in a more

comprehensive manner whether the overall tender submitted by the consultant is reasonable.

5. HKHS and URA have also appointed independent professional consultants to carry out the relevant monitoring work, including inspecting the progress of repair works for target buildings and scrutinising the documents and progress reports submitted by consultants and contractors, with a view to ensuring their compliance with the requirements of the Operation before releasing the grants. Both organisations will arrange staff to attend OCs' meetings with a view to providing advice on selection and appointment of consultants and contractors, and coordination of repair works.

6. If irregularities involving misconduct or malpractice of the consultants or contractors are noticed, HKHS and URA will advise the OCs to follow up the matters in accordance with their agreed service contracts. As at 27 May 2011, HKHS and URA issued warning letters or reminders to a total of 58 cases of suspected non-compliance with the requirements of the Operation, requesting the persons concerned to rectify the irregularities. The irregularities included cases suspected of failing to comply with the requirements set out in the "Operation Building Bright Maintenance Guidelines" or breaching the conditions of relevant professional services, cases suspected of contravening the Building Management Ordinance (Cap. 344) or the requirements set out in the code for procurement of supplies, goods and services, as well as cases suspected of unreasonable estimation of the costs of works and tender prices. Twenty-five cases with suspected abnormalities were referred to the ICAC for information or follow-up action. In addition, 44 OCs decided to terminate their contracts with the consultants which have committed irregularities or performed unsatisfactorily and re-appoint new ones to proceed with their repair works. HKHS and URA will continue their follow-up actions on the cases.

7. To promote anti-corruption practices in carrying out maintenance works under the Operation, ICAC has also assisted HKHS and URA in conducting anti-corruption seminars for the OCs, consultants and contractors. To further deter corruption and malpractices in the use of grants under the Operation, HKHS and URA, in consultation with ICAC, have also formulated procedures to step up site visits to the target buildings with ICAC's representatives participating as observers during the visits.

Operation Building Bright

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Development	31 March 2009	<p>Administration's paper on "Operation Building Bright" [LC Paper No. CB(1)1125/08-09(03)]</p> <p>Speaking note of the Secretary for Development on "Operation Building Bright" [LC Paper No. CB(1)1204/08-09(02)]</p> <p>Minutes of meeting [LC Paper No. CB(1)1964/08-09]</p>
Finance Committee	24 April 2009	<p>Administration's paper on "Operation Building Bright" [FCR(2009-10)3]</p> <p>Minutes of meeting [LC Paper No. FC146/08-09]</p>
Panel on Development	23 June 2009	<p>Administration's paper on "Operation Building Bright — Progress and Update" [LC Paper No. CB(1)1947/08-09(07)]</p> <p>Background brief on Operation Building Bright prepared by the Legislative Council Secretariat [LC Paper No. CB(1)1947/08-09(08)]</p> <p>Minutes of meeting [LC Paper No. CB(1)2515/08-09]</p>

Council/ Committee	Date of meeting	Paper
Finance Committee	3 July 2009	Administration's paper on "Operation Building Bright" [FCR(2009-10)33] Minutes of meeting [LC Paper No. FC10/09-10]
Council	6 January 2010	Hansard — written question (No. 18) on "Operation Building Bright" (p. 3738-3742)
Panel on Development	26 January 2010	Administration's paper on "Operation Building Bright — Progress and Update" [LC Paper No. CB(1)930/09-10(05)] Background brief on Operation Building Bright prepared by the Legislative Council Secretariat [LC Paper No. CB(1)930/09-10(06)] Minutes of meeting [LC Paper No. CB(1)1508/09-10]
Council	24 February 2010	Hansard — written question (No. 3) on "Operation Building Bright" (p. 5306-5309)
Council	14 April 2010	Hansard — written question (No. 10) on "Operation Building Bright" (p. 6615-6616)
Panel on Development	22 June 2010	Administration's paper on "Operation Building Bright — Progress and Update" [LC Paper No. CB(1)2247/09-10(03)] Updated background brief on Operation Building Bright prepared by the Legislative Council Secretariat [LC Paper No. CB(1)2247/09-10(04)]

Council/ Committee	Date of meeting	Paper
		Minutes of meeting [LC Paper No. CB(1)2803/09-10]
Finance Committee	9 July 2010	Administration's paper on "Operation Building Bright" [FCR(2010-11)37] Minutes of meeting [LC Paper No. FC9/10-11]
Council	12 January 2011	Hansard — written question (No. 12) on "Operation Building Bright" (p. 4679-4683)
Council	16 February 2011	Hansard — written question (No. 10) on "Asbestos survey under Operation Building Bright" (p. 5690-5696)
Panel on Development	29 March 2011	Administration's paper on "Operation Building Bright — Progress and Update" [LC Paper No. CB(1)1668/10-11(07)] Administration's paper on "Issues arising from appointment of consultants companies under the Operation Building Bright" [LC Paper No. CB(1)1668/10-11(09)] Updated background brief on Operation Building Bright prepared by the Legislative Council Secretariat [LC Paper No. CB(1)1668/10-11(10)] Minutes of meeting [LC Paper No. CB(1)2531/10-11]

Council/ Committee	Date of meeting	Paper
Panel on Development	-	Information paper on "Operation Building Bright — Proposed Adjustment of Disbursement of Grants to Elderly Owner-occupiers" [LC Paper No. CB(1)2510/10-11(01)]
Finance Committee	24 June 2011	Administration's paper on "Operation Building Bright" [FCR(2011-12)33] Minutes of meeting [LC Paper No. FC38/11-12]
Council	13 July 2011	Hansard — written question (No. 13) on "Asbestos assessments under Operation Building Bright" (p. 14015-14018)
Subcommittee on Building Safety and Related Issues	11 June 2012	Administration's paper on "Operation Building Bright — Progress and Update" [LC Paper No. CB(1)2099/11-12(02)] Minutes of meeting [LC Paper No. CB(1)2483/11-12]
Council	10 June 2015	Motion on "Stepping up regulation on the repair and maintenance works of private buildings" Progress report