

立法會
Legislative Council

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by the Administration)

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Panel on Housing

**Minutes of special meeting
held on Monday, 27 September 1999, at 4:30 pm
in the Chamber of the Legislative Council Building**

Members present : Hon LEE Wing-tat (Chairman)
Hon Gary CHENG Kai-nam, JP (Deputy Chairman)
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon LEE Cheuk-yan
Hon NG Leung-sing
Hon James TO Kun-sun
Hon CHAN Yuen-han
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP

Members attending : Ir Dr Hon Raymond HO Chung-tai, JP
Dr Hon TANG Siu-tong, JP

Members absent : Hon Edward HO Sing-tin, SBS, JP
Hon Albert HO Chun-yan
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon Ronald ARCULLI, JP
Hon CHAN Kam-lam
Hon Andrew WONG Wang-fat, JP
Dr Hon YEUNG Sum
Hon LAU Kong-wah
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon Timothy FOK Tsun-ting, SBS, JP

Public officers attending : For item I

Housing Bureau

Ms Sandy CHAN, Principal Assistant Secretary (2)

Housing Department

Mr Tony Miller, Director

Mr Joseph C F KONG, Business Director/Development

Mr LAU Kai-hung, Business Director/Allocation & Marketing

Mr LAM Sze-chuen, Chief Structural Engineer/3

For item II

Housing Bureau

Ms Rebecca PUN, Principal Assistant Secretary

Attendance by invitation : For item II

Sandwich Class Housing Owners' Rights Concern Group

Mr TANG Hau-chuen, Joseph

Mr LAM Wai-hei

Mr LAM Kim-wah

Miss WONG Yuk-bing

Hong Kong Housing for the Sandwich Class

Ms LAI Kam-ling, Connie

Hong Kong Housing Society

Miss L C WONG, Executive Director (Acting)

Mr Francis LAW, Director (Planning & Development)

Mr NG Sai-ho, Director (Projects)

Clerk in attendance : Ms LEUNG Siu-kum, Chief Assistant Secretary (1)2

Staff in attendance : Miss Becky YU, Senior Assistant Secretary (1)3

I Uneven piling in Tin Chung Court (LC Paper No. CB(1) 1954/98-99(01))

On behalf of the Housing Authority (HA), the Director of Housing (D of H) apologized for the inconvenience caused to the purchasers of Tin Chung Court (TCC) as a result of the excessive uneven foundation settlements at some TCC blocks. As the Director of Housing, he took full responsibility for what had happened in TCC, and stressed that any subsequent remarks he might make on the construction industry in answer to members' questions should not be taken in any way as an attempt to evade responsibility.

Sequence of events

2. D of H explained that there were altogether 15 public housing blocks in three Phases of TCC, 11 of which, including six blocks of Phase 1 i.e. blocks F, G, H, J, K and L, were sold under Phase 20A of the Home Ownership Scheme (HOS). The problem of uneven settlement at TCC was revealed when HA requested the contract manager, Messrs Hsin Yieh Architects & Associates Limited (HYA), to confirm the compliance status of the six blocks upon completion of construction. At the same time, the building contractor also reported that they had problems with the installation of lifts in Block L. The piling contractor, Messrs B+B Construction Company Limited (B+B), was instructed to demonstrate compliance with the foundation contract. HYA was also directed to carry out a comprehensive assessment and propose any required remedial measures to ensure that the buildings were structurally safe and fit for domestic use. To ensure impartiality, an independent structural consultant, Messrs C M Wong & Associates Limited (CMW), was appointed to carry out a third party check on the overall structural safety of all the 15 blocks. CMW concluded that while all the 15 blocks at their current state were structurally sound, there was concern on the adequacy of the foundation for the six blocks in Phase 1. With the exception of Block G, uneven settlement had been reported in the other five blocks. Of these, Block L was the only block that had a magnitude of uneven settlement of 1 in 269 which exceeded the settlement tolerance of 1 in 300 as specified in the HA's piling contracts. As for the other four blocks, no anomalies had been revealed even though the settlement encountered to date was greater than that estimated. Nevertheless, strengthening works to the foundation of these five blocks were recommended to ensure structural safety. As the strengthening and reinstatement works would take about 12 months, the Home Ownership Committee of HA approved at its meeting on 23 September 1999 that purchasers of the six blocks of TCC could rescind the Agreement for Sale and Purchase (ASP).

3. D of H added that HA had set up a five-member investigation panel to probe into accountability for the incident. Of these, four were HA members and the other was an independent. The remit of the panel covered areas such as the cause of and accountability for the problem, avenues for redress and recommendations to prevent recurrence of similar events. The panel would submit its report to the Chairman of HA in three months' time. Pending the outcome of the investigation report, no tenders for HA projects would be considered from either HYA or its sub-consultants. Meanwhile, HD had specifically instructed both in-house and contract managers to undertake

verticality check on all its development projects, to strengthen project supervision and to double check previous findings. Furthermore, HA would be meeting with representatives of the industry with a view to advocating a change in the culture of the industry. The last meeting on the subject was held on 4 September 1999, during which a number of proposals to improve the structure and employment pattern of the industry as well as the procurement policy of HA had been put forward. It was hoped that a fruitful conclusion could be reached soon.

Monitoring role of the Housing Department

4. Mr LEE Cheuk-yan remarked that the TCC incident was not a surprise given the poor track record of HD in monitoring the construction of public housing estates. He however considered it unacceptable that the problem of uneven settlement in Block L was only discovered two years after completion of the foundation. He queried if HD had performed its monitoring role during the course of piling work. Expressing similar concern, Mr TAM Yiu-chung noted that although all contractors of HD were required to attain certification by the International Standards Organization, sub-standard construction works were still prevalent. He questioned the effectiveness of the existing monitoring system of HD in ensuring the quality of public housing flats, particularly when there was still a large number of sites amounting to 140 that were under construction.

5. D of H explained the roles of HD in managing its consultants and contractors. He pointed out that as HD was only staffed to design and manage housing projects equivalent to an annual production of 35,000 flats, it would have to contract out to private architect consultant firms the management of any projects in excess of the production limit. Given that HD was recently going through a peak in flat production where 60,000 flats were to be completed by the end of this year and 90,000 flats thereafter, it was inevitable that a considerable number of projects had to be contracted out to private consultants. These consultants were employed to carry out duties, including inspection of construction methods, standards, monitor progress and compliance with specifications, in the same way as performed by HD's own in-house project managers and in accordance with the same procedural manuals. The Business Director/Development (BD/D) added that these consultants had to submit monthly progress reports on the projects and to report any non-compliance to HD as part of their normal professional and contractual duties. These reports would be examined at the bimonthly liaison meetings between HD and the consultants. D of H stressed that as consultants were hired for their professional competence, it would be unreasonable to expect HD to deploy additional staff to supervise these consultants. Nevertheless, HD would strengthen the existing Consultant Management Unit in the light of the TCC incident.

6. Mr LEUNG Yiu-chung remained concerned about the effectiveness of HD's monitoring mechanism in view of the Director's comment on the need to strengthen the management unit. In reply, D of H admitted that HD had experienced unusual difficulties with malpractices of the industry over the past year. These included the use of sub-standard concrete and irregular assembly of precast elements by contractors. There was also a case of suborning of testing laboratory staff by a piling contractor which was still under investigation by the Independent Commission Against Corruption (ICAC).

He assured members that HD would work closely with the ICAC in the investigation. BD/D agreed that there was always room for improvement in respect of supervision. To this end, HD had set up an independent audit team to carry out audit check both on sites and at the offices of consultants in order to facilitate a better understanding of the operation of the consultants.

7. Mr LEUNG was of the view that the Administration was shifting its responsibility to the industry. Expressing similar concern, Ms CHAN Yuen-han asked how HD, as the Government's housing agent, could ensure quality of public housing flats to prevent recurrence of the incidents in Ping Tin Shopping Centre and On Ning Garden. D of H reiterated that as the Director of HD, he had the responsibility to ensure that the flats which HA offered for sale or rent were safe and up to standard. Nevertheless, it would be unreasonable to expect HA to overlap the supervision work contracted out to consultant firms, particularly when HD's contractors were obliged under the professional and business ethics to ensure that all flats should be made to specifications. He stressed that HA would not accept sub-standard flats nor tolerate anyone who tried to take advantage of HA.

8. Mr CHENG Kai-nam considered that heavy penalties should be imposed on defaulting contractors as a deterrent for non-compliance. Ms CHAN also opined that in addition to blacklisting the defaulting contractors, HA should institute legal proceedings against the contractors concerned. In reply, D of H assured members that HA would not be soft on those who tried to take advantage of HA. Subject to the outcome of the investigation panel, HA would take necessary disciplinary and legal actions against any officers or parties concerned. D of H nevertheless emphasized that the ultimate solution to enhance construction quality was to foster a cultural change in the industry in the long term. To start with, HA was reviewing its procurement policy to link the existing performance scoring system to preferential tender so that well-performed consultants and contractors could be given more opportunities to secure contracts. To improve quality control, HA had proposed to require a higher percentage of site workers who had passed the relevant trade tests from the current 35% to 50-60%. An independent audit team would also be set up to examine projects managed by both in-house and consultants. To tackle the problems arising from multiple sub-contracting, HA was working closely with the Hong Kong Construction Association on the formulation of a new sub-contracting system. As regards the exemption of HA's buildings from the provisions of the Buildings Ordinance, D of H explained that the exemption was granted on the basis that HD had sufficient professional capability to ensure the quality of flats. He nevertheless agreed that the practice might need to be reviewed pending further discussions with relevant departments.

Cause of uneven foundation settlement in Tin Chung Court

9. On the cause of uneven foundation settlement in Block L, D of H advised that he was not in a position to comment on this as the case was still under investigation by the investigation panel. He assured members that the report of the panel would be made available to the public upon completion of the investigation. Mr LEE Cheuk-yan was not convinced that the Administration should use the report as an excuse since HD should

know by now the exact cause of the settlement problem in Block L. In reply, D of H stressed that he had no intention to hide anything from members nor the public but was concerned lest his comments on the case would prejudice any legal actions to be taken by HA. He nevertheless pointed out that CMW had identified two areas of concern during the review of records for Block L. Firstly, the recorded length of some of the piles in Block L did not satisfy the requirements of static formula. Secondly, B+B did not use the results from two boreholes sunk by HA's appointed ground investigation contractor to calculate the settlement. It was believed that the present piles at their recorded depth would not have been accepted if the settlement calculations had been based on these two boreholes. CMW suggested that there were two possible explanations to the problem. One of them was that unforeseen ground conditions such as the presence of soft layers was not detected during the ground investigation works. The other was that the records might not represent the actual pile details on site. D of H however reiterated that he was not in a position to comment on these two suggestions due to the subjudice nature of the case.

10. Ir Dr HO Chung-tai questioned the rationale for the use of Daido piles in public housing sites in Tin Shui Wai, including TCC, given that these piles were not permitted to be used in public works projects and private developments. He asked if HD had checked all other sites using the same type of piles. D of H confirmed that HD had inspected all the 123 foundation contracts and concluded that these were in order from a technical point of view. The Chief Structural Engineer/3 (CSE/3) supplemented that Daido pile was one type of the precast prestressed concrete piles which had been approved by the Building Authority. Daido pile had been used in HA's housing projects since its introduction in mid-1980 and its performance had been proved satisfactory. Ir Dr HO however cautioned that the false setting of Daido pile would provide an inaccurate basis for calculation of settlement. He remained of the view that HD should discontinue the use of Daido piles in public housing projects as was the case with other public works projects. CSE/3 assured members that HD had specific requirements on the design and construction of foundation using Daido piles. In areas where underground obstruction such as boulders were encountered, HD would require piling contractors to use pre-boring to ensure that the Daido piles had been driven to the required founding level. Loading test and pile integrity tests would be carried out on a random sample of piles to verify their length and capacity to sustain the superstructure.

11. Noting that B+B was a party under investigation, Mr NG Leung-sing asked why it was invited to demonstrate compliance with the foundation contract and to witness the investigation process. CSE/3 explained that as B+B would be required to compensate HA for any problems arising from the foundation, it was given the opportunity to demonstrate that the design and construction works of the foundation complied with the requirements under the piling contracts. He added that as the integrity tests on the actual pile length might affect the foundation, B+B was invited to witness the entire process with the presence of CMW to ensure impartiality.

Remedial works

12. On the effectiveness of the proposed remedial works, D of H advised that the preliminary report by CMW was presented to the Building Committee of HA on

23 September 1999. While HA was satisfied with the findings showing that the six blocks at TCC were structurally safe, it had decided to take a second look at the recommendations by CMW, particularly on the methodology for the reinforcement works. To this end, the Civil Engineering Department of the Hong Kong University had been approached for a third party opinion. HA would take into consideration all views collected before any contracts for remedial works were put up for tender. D of H assured members that HA would not put the blocks up for resale until they were proved to be completely safe.

13. Mr HO Sai-chu expressed concern that it would take more than 12 months to complete the remedial works if the situation deteriorated. In reply, D of H reiterated that both HYA and CMW had confirmed that the six blocks at TCC were structurally safe. Reinforcement works were required only to prevent further uneven settlement. CMW also agreed that the strengthening works were feasible and would take about 12 months. D of H however pointed out that an additional three months would be required taking into account the lead time for checking of methodology and tendering of contracts. As regards the basis upon which the consultancy fees for the reinforcement works was arrived at, BD/D advised that the fees would be paid on basis of the institute scale for the total amount of work done. Dr TANG Siu-tong remarked that the cost of \$120 million for remedial works should be subject to the scrutiny of the Director of Audit to ensure their cost-effectiveness.

Special arrangements for purchasers

14. The Business Director/Allocation & Marketing (BD/A&M) advised that HA had designed a special package to accommodate the different needs of the affected purchasers. They could either choose to rescind or wait for the completion of the buildings. For those who chose to rescind ASP and buy another HOS flat, they would get full refund of deposit plus interest at a rate of 2% above the prime rate calculated from the date of their signing of ASP up to date of repayment of deposit to purchasers and would be given top priority to buy another flat in HOS Phase 21B. For those who chose to proceed with the purchase and wait for the completion of the buildings, HA would account for an interest for the delay in completion in accordance with the terms and conditions as stipulated in ASP. For those who did not want to make another purchase after rescission, their applications for public rental housing (PRH) would be reinstated if they were applicants on the Waiting List. Sitting tenants of PRH, licensees of Temporary Housing Areas, Interim Housing or Cottage Areas could retain their units which had not been surrendered. Those who were required to vacate their flats due to clearance or redevelopment would be offered PRH flats or Interim Housing units according to their eligibility. Letters advising the purchasers on the options and arrangements together with a rescission option form would be sent out by end of September 1999. The purchasers were requested to return the forms by end of October 1999.

15. Mr TAM asked if HA would consider allowing TCC purchasers who had imminent housing need to buy another flat in HOS Phase 21A instead of 21B. In reply, BD/A&M cautioned that it would be unfair to the 30,000 HOS applicants if TCC purchasers were given top priority to buy flats under Phase 21A. Besides, as the date upon which TCC

purchasers should return their option forms coincided with the sales period of Phase 21B where some completed flats were also made available, this would provide a wider choice of flats for TCC purchasers.

16. Given that the TCC incident had undermined the public's confidence in HOS flats, Ms CHAN considered that HA should allow all TCC purchasers under HOS Phase 20A to rescind ASP. In response, BD/A&M reiterated that apart from the five blocks at TCC where reinforcement works were required, the other 10 blocks were found structurally adequate in all aspects by CMW. Therefore, it would not be appropriate for HA to allow purchasers of these 10 blocks to rescind ASP. He added that to ease TCC purchasers' worry, HA had undertaken to take up the maintenance responsibility resulting from ground settlement for ten years for all the six blocks at TCC.

Investigation panel

17. Dr TANG expressed concern on the independence of the investigation panel given that four out of five members of the panel were in fact HA members. He opined that additional independent members should be appointed to the panel to ensure impartiality. D of H declared that he was also an ex-officio member of HA. From his experience, all members of HA, both individually and collectively, were highly independent. He assured members that they would drive HD very hard in the discussion of policy or in the pursuit of investigation of any problems surrounding the incident. Dr TANG was not convinced of the Administration's response. He remarked that the series of recent incidents had undermined the reputation of HA, and that consideration should be given to re-structure or dissolving HA with a view to re-gaining public confidence in the Government.

Conclusion

18. The Chairman shared members' concerns that HD should review its existing monitoring system, and that heavy penalties should be imposed on defaulting contractors as a deterrent for sub-standard building work. He said that the Panel would follow up the subject after the release of the investigation panel's report in three months' time. To facilitate future discussion, the Administration was requested to provide information on the issue of criminal liability in respect of sub-standard building works by contractors engaged by private developers and those engaged by HA.

(Post-meeting note: The Administration's response was circulated vide LC Paper No. CB(1) 124/98-99.)

II Construction quality of flats under Sandwich Class Housing Scheme and remedial works after Typhoon Sam

Meeting with the Sandwich Class Housing Owners' Rights Concern Group and the Hong Kong Housing for the Sandwich Class

(LC Paper No. CB(1) 1915/98-99(01) and (02))

19. Ms LAI Kam-ling expressed grave concern on the poor quality of Sandwich Class Housing Scheme (SCHS) flats which had been further aggravated after the attack of the recent typhoons. To this end, Ms LAI strongly requested that the Housing Society (HS) should extend the "Defect Liability Period (DLP)" for SCHS flats and follow up any building maintenance and repair issues raised by owners without delay.

20. On behalf of owners of the Highland Park, Mr LAM Wai-hei remarked that they had suffered severe water seepage problem during the attacks of recent typhoons. He opined that apart from extending DLP for one year, HS should compensate owners for the loss of renovation as a result of water seepage. Consideration should also be given to setting up an independent investigation panel to probe into accountability for the seepage problem.

21. As the representative of owners of the Pinnacle, Mr LAM Kim-wah was disappointed that HS had failed to fulfil its pledge to make good all the defects reported by owners within three weeks. He therefore urged HS:

- to complete the rectification works as soon as possible;
- to re-confirm its pledge to undertake the maintenance responsibility for the Pinnacle for an indefinite period;
- to compensate the loss of owners as a result of delay in rectification works; and
- to penalize the responsible officers.

22. On behalf of owners of the Cascades, Miss WONG Yuk-bing said that they also experienced water seepage during typhoons. To tackle the problem at root, Miss WONG considered that HS should re-service the external walls of the blocks. Water test to all water pipes as well as air-conditioners and lift shafts should be carried out to prevent further leakage. As a responsible developer, HS should also undertake the maintenance responsibility for the Cascades for an indefinite period.

Meeting with the Administration

(LC Paper No. CB(1) 1915/98-99 (02) and (03))

23. Before commencing discussion, the Executive Director/HS (Acting) (ED/HS (Ag)) took the opportunity to respond to some of the points raised by the deputations. On building quality, ED/HS (Ag) stressed that HS adhered great importance in ensuring that the quality of SCHS flats was up to the required standards. She nevertheless agreed that there was room for improvement in the workmanship of labour. On water seepage, ED/HS (Ag) recognized that Hong Kong had been attacked by a number of severe tropical storms this summer, and that the combination of heavy rainfall and extremely strong wind brought by the typhoons had caused water seepage in some SCHS flats. HS would ensure that remedial works would be carried out by the contractors concerned. On DLP, ED/HS (Ag) explained that in accordance with the normal procedure, when owners took

over the flats, the independent Building Surveyors would accompany the owners to inspect the flats. Should owners consider that there were defects requiring rectification, the Building Surveyors would assist them to fill in the "Defect List" and forward it to the main contractor for necessary follow-up. Apart from defects raised during DLP, HS would also instruct the main contractor to make good any latent defects of which they were responsible after the expiry of DLP. The delay in remedial works in the Pinnacle was due to the need to wait for suitable materials. On compensation, ED/HS advised that comprehensive insurance had been taken out by HS for the common areas and building fittings of all SCHS estates as soon as the developments were occupied. Should owners notice any damages to the building fittings, they could notify the Management Office which would report the damages to the insurance company for assessment for compensation.

24. The Chairman enquired about the number of flats affected by water seepage during typhoons. ED/HS (Ag) advised that HS had received reports of water seepage from owners of about 50%, 70% and 25% of occupied flats in Highland Park, Pinnacle and Cascades respectively since the attack of typhoons Sam and York. After inspecting the flats, it was discovered that the water seepage were mostly from windows and through the grills of air-conditioners. The Chairman asked if the problem of water seepage in these estates was attributed to the poor design of air-conditioners. The Director (Projects)/HS (D(P)/HS) answered in the negative as the same type of air-conditioners was commonly used in Hong Kong and its performance was found to be satisfactory. He added that seepage was not uncommon during typhoons since rain could penetrate through the air-conditioners under the exceptionally strong wind. The problem would be more noticeable for buildings at high altitudes such as the Highland Park because they were exposed to all wind directions.

25. Mr LEE Cheuk-yan considered that the seepage was a structural rather a design problem. ED/HS (Ag) clarified that the structural safety of all SCHS flats had been verified by the Buildings Department before Occupation Permits were issued. The problem of seepage could arise as a result of poor workmanship in the installation of air-conditioners. To this end, HS had been engaging additional workers to inspect and remedy the affected units one by one. Appropriate remedial works had been carried out to those flats corresponding to the sources of seepage. As to how HS could ensure the quality of rectification works, ED/HS (Ag) advised that the remedial works made after typhoon Sam had been put to test during the attack of typhoon York. While most works were proved to be satisfactory, some required further improvement. HS would ensure that the contractors concerned would make good these cases. Mr NG Leung-sing however opined that the effectiveness of the remedial work should be measured by the satisfaction rate of complainants. To this end, HS was requested to provide information on its procedures for handling complaints and its performance pledge for remedial works.

(Post-meeting note: The Administration's response was circulated vide LC Paper No. CB(1) 208/98-99.)

Conclusion

26. While acknowledging that water seepage was a common problem to many flats, including luxurious flats, during typhoons, Mr HO Sai-chu asked if HS had carried out water testing to all the windows before final acceptance of SCHS estates. D(P)/HS confirmed that the test referred to was mandatory under the existing legislation. However, the gust used in the test was incomparable with that of typhoon Sam which had reached 148 kilometers per hour.

27. Mr LAM Wai-hei was not convinced of HS's explanation given that no seepage had been reported by other housing estates, including Tsui Yiu Court, which had similar altitude as Highland Park. He was disappointed that HS had failed to take into account the problem of seepage through air-conditioners in the design of Highland Park. He also pointed out that the worker who carried out the remedial works did not wear a safety belt. Mr LAM Kin-wah was dissatisfied that the Project Architect had declined that there was water seepage in walls in the Pinnacle. ED/HS (Ag) undertook to liaise with the contractor concerned to ensure that all workers on SCHS sites would wear a safety belt at work.

28. To facilitate members' understanding, the Administration was requested:

- to provide the number of flats affected by water seepage in Tsui Yiu Court and Highland Park for comparison purpose;
- to provide concrete data to illustrate the effectiveness of the remedial works made after typhoon Sam and confirm if the number of complaints received during typhoon York had been reduced; and
- to respond to submissions from owners of various SCHS estates.

(Post-meeting note: The Administration's response was circulated vide LC Paper No. CB(1) 208/98-99.)

III Any other business

29. There being no other business, the meeting ended at 6:50 pm.