

**Information Paper for Legislative Council  
Panel on Public Service**

**Involving the private sector in provision of services provided  
by the Housing Department**

This paper informs Members how the Housing Department (HD) makes use of private sector resources in the provision of its services and related new initiatives currently being studied by HD.

**Background**

2. In line with the Government's general policy to contain growth in the civil service, HD will consider contracting out its services where-

- (a) it is cost effective to do so;
- (b) there is a shortage of manpower within HD;
- (c) expertise is only available outside;
- (d) an independent service is required; or
- (e) demand for the service fluctuates rapidly over time.

3. HD has been contracting out some of its services to the private sector for some time. These include construction and maintenance work; cleaning and security guard services; management of Home Ownership Courts, newly built public rental housing estates, carparks and commercial centres; employment of consultants for project management, design, quantity surveying, specialised maintenance activities and development of information technology projects. Contractors' performance has generally been satisfactory and has met the requirements of HD.

4. Most of the services contracted out are either new initiatives or expanded services, and therefore do not result in any surplus staff. In other cases, surplus staff, if any, are absorbed through internal redeployment.

## **Case for greater private sector involvement**

5. In view of growing demand for more responsive and customer-focused services, increased home ownership, increased housing production and better development opportunities for staff, HD considers that there is a good case for involving the private sector in a wider range of HD's activities.

### Growing demand for more responsive and customer-focused services

6. Modern housing management requires quick and effective response to customers' demands. As HD operates within a structure which is subject to Government regulations in respect of finance, accounting, procurement, pay and conditions, their flexibility is constrained, for example, in deployment of manpower at short notice to meet sudden changes in demand, the ability to contract out services quickly in response to unexpected customer needs, and the ability to offer commercial services comparable to those available in the private sector.

### Increased home ownership

7. The newly launched Tenants Purchase Scheme (TPS) has added urgency to re-assessing HD's future management and maintenance role. Roughly 9,000 of the HD's 15,000 staff are involved in the management and maintenance of the Housing Authority's housing stock of about 660,000 flats. Under the TPS, the Government has pledged to offer at least 250,000 flats for sale to tenants over ten years, and no less than 25,000 in any one year. When tenants become owners, HD will cease to be responsible for internal maintenance and tenancy control. In addition, new TPS owners can choose their own management agency two years after each estate is offered for sale. HD will have to downsize its operations as a result.

### Increased housing production

8. To meet the Government's pledge to shorten the average waiting time for public housing applicants to three years by 2005, HD will increase public flat production. The resources used by HD for housing production will be stretched to their limits. In the light of different requirements at different stages of the construction programme, HD will, instead of recruiting more staff, consider using private sector resources to achieving production targets.

### Better development opportunities for staff

9. While HD anticipates the need to downsize its management and maintenance operations, the housing management business in the private sector is growing due to the increasing number of private housing projects. There is a strong demand for trained and experienced housing management staff. A more flexible and competitive arrangement than that of a government department is needed for to meet the needs of society and to provide an alternative avenue of career development for HD staff.

### **Corporatisation study**

10. HD has commissioned a consultancy study on the opportunities for the further involvement of the private sector in some of its services. In setting the targets for the study, HD has set the following requirements which will have to be fulfilled for any recommended new corporation or equivalent body -

- (a) to operate on a self-financing basis and assume responsibility for profits and losses;
- (b) to be able to compete with the private sector for the same services; and
- (c) to offer new opportunities to HD staff.

### **Communication with staff**

11. Informal discussion about the opportunities for corporatisation is taking place between HD senior management and representatives of staff associations. Such informal discussion aims at securing staff acceptance of the need for change, and increasing staff awareness of the potential opportunities that can be brought by corporatisation.

12. In March this year, the Director of Housing met representatives of all staff associations of HD to discuss the subject in greater detail. HD also sounded out some 1200 staff at an open forum in March 1998. Staff are updated on the progress of this exercise through HD publications such as the bi-monthly staff magazine, the "House Talk" and the weekly "Message from Director".

### **Implications for staff**

13. It would be premature to forecast the impact of the proposed consultancy study would have on staff in HD. It is the Government's policy to redeploy as far as possible staff identified surplus to requirement within the Civil Service. If after exhaustive efforts have been made and redeployment is not possible, affected staff will have to be retired from the service on abolition of office terms according to statutory provisions.

### **Way forward**

14. We expect the consultancy study to be completed soon. HD will consider carefully the findings and recommendations of the study when available, taking into account the concerns of and possible impact on affected staff. We shall keep staff fully informed of developments and, if major changes are contemplated, consult them in advance on staffing arrangements and conditions of service.

Housing Department  
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