

Chapter VIII : Housing

8.1 At the Chairman's invitation, the Secretary for Housing (S for H) gave a presentation providing details on housing expenditure and highlighting developments in housing policy (Appendix V-7).

Building quality

8.2 In the light of the recent exposure of a series of scandalous incidents relating to the building quality of public housing developments, members expressed serious concern about the operation and monitoring mechanism for the implementation of the public housing programme by the Hong Kong Housing Authority (HA) and the Housing Department (HD). They considered it necessary for the Housing Bureau (HB) to take the lead to carry out a comprehensive review of the public housing delivery process with a view to introducing measures to improve the building quality and to avoid future occurrence of similar incidents. In their opinion, a review of this nature totally fell within the responsibility of HB which was to formulate policies and programmes on housing matters and co-ordinate and monitor the delivery of these policies and programmes by HA, HD and Hong Kong Housing Society. Given the seriousness and implications of the unveiled incidents, they queried the reasons for the Administration's failure to include suitable provision in the Estimates in this respect. It reflected that HB was not committed to find a total solution to the problem and was not willing to take up responsibility to ensure better housing for all.

8.3 In reply, S for H explained the delineation of responsibility between HA and HB. He said that HA was a statutory body established by the Government with the responsibility for implementing Hong Kong's public housing programme within the objectives of the Government's Long Term Housing Strategy. Operational matters, such as planning, construction and monitoring of the production process including public housing quality and the procurement of construction contracts, were matters directly taken up by HA through its executive arm, the HD. HB, on the other hand, assumed a role to ensure adequate supply of land resources for housing developments, apart from the formulation of overall housing policies.

8.4 S for H further advised that whilst no specific provision had been made in the Government's Estimates to address the issue of improving building quality in public housing flats, which expenses would be borne by HA, any such incidental expenses would be absorbed by HB under its general provision. In fact, HB had been maintaining regular dialogue with HA and HD with a view to exploring means to improve the situation. He assured members that adequate resources had been

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reserved by HA for the purpose of improvement. He then highlighted the efforts being taken by HA and HD which involved the investigations into recent incidents of substandard piling works. In addition, HA had published a major consultative document entitled "Quality Housing - Partnering for Change" which sought to provide a broad strategic direction in the provision of quality housing through partnering and sustained improvement with all of HA's stakeholders. After the conclusion of public consultation on 31 March 2000, discussions would be held among HA, HD and the Administration to finalize the recommendations for improving quality progressively in the long run.

8.5 The Director of Housing (D of H) added that 40 recommendations had been identified in the aforesaid consultative document to enhance the quality of housing produced by HA. Based on the views collected so far, there was a growing consensus on recommendations in three areas in particular, viz. the procurement of contracts by HA; the supervision in the execution of works; and the practice of subcontracting in the construction industry. In parallel with the consultation exercise, a separate audit by a private sector practitioner on the delivery process of public housing from planning through to occupation had been commissioned. In a bid to improve product and service quality, a series of initiatives would be taken by HA which included the introduction of a 10-year structural guarantee; the lengthening of the Defects Liability Period from one year to two years; the deployment of Defect Co-ordinators to handle defects after-intake speedily; the reassessment of the method for calculating liquidated damages; and the extension of the contract period so that there would be no excuse of a pressure of time leading to poor quality. D of H assured members that HA and HD would be moving forward with other Government bureaux as issues such as the subcontracting system, the long term employment of construction workers and the training for construction workers were of an industry-wide nature and not confined to HA. Nevertheless, he cautioned that the problem at hand was not simply about a failure of the system. There was an element where people deliberately set out to subvert the system by corruption or coercion. Those matters would be dealt with by the Police and the Independent Commission Against Corruption, as well as by himself if the staff of HD were involved. More importantly, such malpractice would have to be tackled at root by the construction industry.

8.6 S for H pointed out that despite the recent revelation of a number of incidents involving HA, the Government did not see a need for a total revamp of HA's structure. He said that HA was an independent statutory body established by the Government with the formal responsibility for implementing Hong Kong's public housing programme and HB would play its role in maintaining close discussions with

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HA and HD on the way forward for improving public housing quality. Any proposals for further strengthening of HA and HD's co-operation would be explored in the context of the public consultative document with active input from HB.

8.7 Some members were dissatisfied with the Administration's reply. They pointed out that despite the fact that HA and HD were responsible for implementing public housing programmes, S for H would still bear responsibility in his capacity as a member of HA for which the Chairman and other members were also appointed by the Chief Executive (CE) on behalf of the Government. They therefore considered it unacceptable for HB to evade its responsibility in this regard. Furthermore, regardless of the division of responsibilities, HB had the overall responsibility of formulating policies and programmes on housing matters which they considered should also cover public housing quality. Hence, HB should have a role to play in public housing quality, for which resource provisions should have been required. The lack of resource provisions to take the matter forward in HB's level was disappointing and regrettable. It might undermine the effectiveness of the programme to improve the building quality of public housing developments.

8.8 On the resources earmarked by HA for implementing the new initiatives to improve building quality, D of H assured members that there was no higher priority than improving housing quality within HA and it would spend as much resources as needed. While pointing out that the budget of HA and thus HD was beyond the scope of the draft Estimates, the Chairman remarked that it might be difficult for D of H to give an exact amount at this stage because it would depend on a number of variable factors. If the recommendations in the consultative document went ahead, a cost element would be involved. However, as far as the internal reform of HD itself was concerned, it may or may not cost money in dollar terms, but it would certainly cost management time. The on-going audit by outside consultant would also incur additional expenses.

8.9 Addressing members' concerns, D of H undertook to keep members informed of the details of the reform measures when they were finalized.

8.10 While declaring interests as a member of HA, Mr CHENG Kai-nam referred to the motion recently passed by the Legislative Council Panel on Housing urging HB to convey the views of the Panel to CE, requesting him to appoint a statutory committee to undertake a review of the operation of the entire construction industry and asked what actions S for H would take in this direction. S for H replied that the wording of the motion had just been given to him and would be conveyed to the top level of the Government including the CE. Internal discussions would be held

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shortly to examine the way forward in response to the motion. Mr CHENG remarked that as the problem had been identified for quite some time, HB as a policy bureau should be more proactive and should have taken measures on its own initiative even without the Housing Panel's motion.

8.11 Mr Edward HO referred to the Administration's proposal to improve the weighted scoring system for assessing consultancy projects by adjusting the weighting between technical score and fee score for Quantity Surveying Consultancy from 50:50 to 70:30 and opined that it was a clear indication that professionals were being led by laymen in HD because apart from Quantity Surveying Consultancy, the performance of other consultants would also impact on building quality. He queried whether the lack of requisite professional expertise in HD's senior management, coupled with its bloated structure and huge establishment, were major causes of inadequate supervision leading to substandard building works.

8.12 In reply, D of H explained that the consultative document had already recommended the proposal for industry reform so that technical inputs would be given greater emphasis than the fee element during tender assessment. Discussions had been held with professional institutes and other private sector practitioners for increasing the weighting of technical score for other consultancy appointments. As regards the structure of HD, D of H briefly introduced the measures being taken to progressively downsize the department as part of a major privatisation exercise. At the moment, the emphasis was on the management and maintenance part of the department which employed about 9 000 staff. He informed members that with favourable response from the staff on the proposed voluntary release package, HD was confident that its privatisation drive would roll forward to a good start. As for in-house technical expertise, D of H emphasized that HD had a wide spectrum of expertise and in the level of senior directorate, all of the professions were well represented.

Housing supply

8.13 Mr NG Leung-sing enquired about the staffing requirement for designating a directorate officer as Project Director for every housing project in the 13-year flat production programme, the arrangement to absorb the displaced staff after the peak production period and the effectiveness of the procedures for resolving site delivery and flat production problems.

8.14 S for H advised that to expedite housing supply, the Steering

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Committee on Land Supply for Housing (HOUSCOM) chaired by the Financial Secretary had devised a new accountability system for monitoring flat production and a well-structured mechanism for resolving speedily problems affecting housing projects at both central and district levels. A directorate officer, or "Project Director", from either HD, the Lands Department, the Planning Department (PD) or the Territory Development Department would be tasked with the responsibility to oversee some 20-30 housing projects each in the flat production programme and was responsible for their timely completion. Each Project Director would also be assisted by his own subordinate staff.

8.15 On procedures for resolving site delivery and flat production problems, S for H advised that each Project Director was responsible, to him through his Head of Department and ultimately the Financial Secretary, for resolving problems holding up site delivery and flat production at the appropriate district forum and would immediately bring any insurmountable difficulties encountered at district level to his Head of Department and, if necessary, to the Housing Project Action Team chaired by S for H for individual projects or the panel headed by the Secretary for Housing and Secretary for Planning and Lands for quick resolution. HOUSCOM was the final decision making body for problems related to housing production that could not otherwise be resolved. Such an arrangement had proved to be quite effective as only a few cases had been escalated to himself or the Secretary for Planning and Lands for decision and so far, none had to be resolved through the HOUSCOM.

Sustainable housing development

8.16 Noting that in the coming year, HB would oversee a review conducted by PD of 110 hectares of agricultural land and 66 hectares of industrial land with a view to facilitating rezoning for housing development, Mr SIN Chung-kai enquired whether the opportunity would be taken to review the planning of small houses so as to ensure sustainable housing development in Hong Kong. S for H said that while the small house policy was under the purview of the Secretary for Planning and Lands, on-going reviews of the provision of industrial and agricultural land, and their possible conversion for housing development, were conducted jointly by HB and PD. In the past two to three years, 56 and 76 hectares of agricultural land and industrial land were rezoned for housing development respectively. The Director of Planning (D of P) added that a number of studies to identify new areas for development in order to meet the housing production target were being conducted in the Northeast and Northwest New Territories.

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8.17 While supporting the review, Mr SIN was worried that without a corresponding review of the planning standards of small houses, land resources were not put to optimum use as the agricultural land thus rezoned might be used to build small houses which were limited to three storeys. He opined that if the height restriction was removed, high rise buildings could be built instead and some land could be spared for other purposes. In response, D of P advised that it was PD's objective to identify sufficient supply of land to further Hong Kong's development including the delivery of housing sites. A review was being conducted by the Planning and Lands Bureau on the small house policy. If there was a resulting change to the policy, the relevant planning standards would also be reviewed accordingly.

Subsidized housing benefits

8.18 Given that the sale of subsidized home ownership flats represented a major source of HA's income, Dr YEUNG Sum enquired about the impact of the partial replacement of subsidized home ownership flat production with loans on HA's financial position, and thus its ability to build more units with a view to reducing the average waiting time for public rental housing to three years in 2005 as pledged by CE. He was worried that even with the provision of housing loans, the prospective home owners would have to face a greater burden because the prices of private sector housing were much higher than subsidized home ownership flats. As such, he questioned whether the policy was in fact aimed at stimulating the property market.

8.19 While acknowledging that subsidized home ownership flats still had a role to play in regulating overall housing supply, S for H explained that the flat reduction programme was proposed in response to the aspirations of prospective home buyers who had a stronger preference for buying private housing. The offer of housing loans would give them a much wider choice, for example in the size, location and age of flats. There was no intention to stimulate the property market with the introduction of the scheme. S for H assured members that a gradual and progressive approach would be adopted in rolling forward the programme and the mix between housing loans and subsidized home ownership flat production would be reviewed annually.

8.20 S for H further indicated that as the agreement reached with HA was for the reduction of only 4 000 to 6 000 units annually from 2003-2004 to 2006-2007, no adverse impact was envisaged on HA's financial position. In the long run with a greater reduction of subsidized home ownership flat production, the Government would ensure that sufficient financial resources were available to HA to sustain the public housing programme. The Government would be reviewing its financial

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agreement with HA taking into account new developments in this matter. At members' request, S for H undertook to provide a written reply on the financial implications of the flat reduction programme for HA in the initial four-year period after its introduction.

Squatter control

8.21 Noting that the estimated expenditure in 1999-2000 for squatter control was \$364.2 million while it was anticipated that only some 2 500 new erections would be detected and demolished in 2000-2001, Mr CHAN Kam-lam queried whether resources were put to effective use. Acknowledging that there was room for improvement in the efficiency of HD's Squatter Control Section, D of H said that progressive efforts were being made to reduce the staffing of the section.

8.22 As to why the provisions for deterring squatter activities remained high even with the downsizing initiative, D of H explained that notwithstanding a number of major clearance and demolition projects scheduled for this year and the next two years, a less obvious but equally necessary and by far more expensive aspect of the work of the Squatter Control Section was to carry out constant and frequent patrols in the territory. He pointed out that there were about 400 000 illegal structures territory-wide with a population of some 200 000 squatters, the majority of whom were in the New Territories which was a large area to patrol. Out of these 400 000 structures which were not all residential, about 145 000 were on Government land with the remainder on private land. Sufficient staff had to be deployed to prevent and detect illegal squatting activities.