

LegCo Panel on Financial Affairs
Information Paper
on
Performance of the
Electrical and Mechanical Services Trading Fund

Purpose

The purpose of this paper is to inform members of the performance of the Electrical and Mechanical Services Trading Fund (EMSTF), including its competitiveness and viability.

Background

2. The EMSTF was set up in August 1996 with the aim of improving service quality and productivity. At that time, an untying programme, under which user departments would be free to untie from services provided by EMSTF, was scheduled for introduction three years after the EMSTF was established. The purpose of the untying programme is to enable customers to select a service provider who can provide best value-for-money services. The untying programme, which was promulgated to all user departments last year, consists of four phases stretching over a period of three years. The first phase started on 1 August 1999, thereby allowing nine customers the freedom to retain the services of EMSTF or to choose alternative service providers to meet part or all of their electrical and mechanical service needs. These nine customers represent about 25% of the EMSTF's total business volume.

Performance of the EMSTF

3. Since its establishment, the EMSTF has been improving its performance and preparing for the implementation of the untying programme. In the past three years, the EMSTF has achieved satisfactory improvements particularly on service quality, productivity, customer service, cost control and competitive pricing.

4. To meet customers' specific needs, the EMSTF, during preparation of service level agreements with customers, has discussed and agreed with them performance measurement targets to be specified in the service level agreements. The performance measurement targets typically include equipment/system availability, response time to fault calls, time to repair, etc.

5. Over the past three years, EMSTF has achieved a cumulative productivity gain of 15% through re-organization, streamlining of business processes and other improvement initiatives. With extensive staff participation in its Works Improvement Teams and Business Process Improvement Teams, the EMSTF has succeeded in its quest for continuous productivity improvements.

6. After three and a half years of trading fund operation, the number of staff has been reduced by 6%, despite a 16% increase in business volume. EMSTF's productivity achievements were duly recognized when it won the Hong Kong Award for Services – Productivity Category 1998, jointly organized by the Hong Kong Coalition of Services Industries and the Hong Kong Productivity Council.

7. In order to share productivity gain with its customers, who are treated as business partners, the EMSTF has offered them a 5% reduction in price in real terms each year for three consecutive years. EMSTF's commitment in terms of productivity improvement is above and beyond what is required by the Government's Enhanced Productivity Programme.

8. The EMSTF is committed to total quality management through continuous improvement towards customer satisfaction. As of today, all its business units have attained ISO9000 Quality Management System accreditation and EMSTF is the first Government department to have obtained ISO9001 Corporate Certification. This testifies to EMSTF's competitive edge in service quality among competitors within the industry.

Competitiveness

9. Proactive customer loyalty and retention programmes are essential to maintaining a stable customer portfolio. Working level seminars and high level seminars, regular and ad hoc liaison meetings are organized to enhance two-way communication with clients, to give customers the technical and business solutions they need, and to forge long-term partnerships with existing customers.

10. As a result of deregulation and outsourcing of existing services by some customers who are untied, loss of some existing business may happen but this is likely to be outweighed by business growth and new business. The key to achieving business growth is for the EMSTF to demonstrate its competitiveness in terms of quality and cost effectiveness.

11. The EMSTF has been carrying out benchmarking on price and practice, and the data obtained indicate that it is now generally comparable to major competitors in the market. It is particularly strong in areas of reliability, the range and depth of technical expertise, independent professional judgement and accountability. Nevertheless, there are still areas for further improvement in terms of quality and cost-effectiveness.

12. The EMSTF has responded proactively to business opportunities through participating in open tender exercises for projects in the public sector. Of the 14 tender submissions it made last year, the EMSTF won nine. Even when the EMSTF did not win the contract, it was understood that its tender prices were among the lowest offers. These results confirm that the EMSTF services are generally competitive.

Viability

13. Apart from customer retention strategy, EMSTF continues to explore and develop new business opportunities, not only to compensate for possible loss of existing business, but also to achieve growth. Areas for new businesses include new government buildings, cultural and leisure facilities, schools, health services, etc. In addition, to tie in with its commitment to environmental protection and sustainable development, EMSTF will further expand its business into new areas such as energy management, facility management, as well as indoor air quality measurement and improvement.

14. Given that the first phase of the three-year untying programme commenced only five months ago, it is too early to draw any conclusion as regards the long-term impact of untying on the EMSTF business. Nevertheless, based on a recent assessment, it is anticipated that on the whole, there will be net business growth over the next three years, and the corporate business outlook of the EMSTF will

be steady in the medium to long term, albeit with short-term fluctuations anticipated in some business areas.

Staff Relations and Training

15. There has been a steady improvement in staff relations on all fronts since the establishment of the EMSTF. Staff are showing increasingly positive response to changes and new initiatives for improvement. The most valuable asset of EMSTF is staff and their full range and depth of professional expertise and technical skills. Therefore the EMSTF has continuously been keeping the workforce up to the forefront of technological advancement so as to be competitive. It will continue to transform the frontline staff into a truly customer-oriented multi-skilled workforce. It will also continue to promote team spirit, a learning culture and close collaboration among staff of different engineering disciplines to deliver one-stop-shop quality service for customers.

16. Customer service and management training will also continue to be organized to equip the staff better for the challenges ahead. These initiatives will help the EMSTF to re-deploy staff and resources more efficiently and effectively. This is important when dealing with workload fluctuations in various business areas, which are likely to happen when customers are given the freedom to choose alternative service providers for part or all of their services.