Chapter II   Organizational structure for the planning and production of public housing units

Introduction

2.1   As at 2001, 48.8% of the people in Hong Kong were residing in some form of public or government-funded or subsidized housing.   Between 1973 and 2000, a total of 941,000 public housing units were constructed to provide rental housing or HOS units for those eligible.   Of these 941,000 public housing units, 780,000 (83%) were built by HA alone, and the remainder by the Hong Kong Housing Society (HS) and private developers. This Chapter provides background information on the development of the roles and functions of HA, its organizational structure and interface with the Government in the planning and development of public housing.

Provision of public housing before the establishment of the present Housing Authority

2.2   In the 1950's and 1960's, a number of housing agencies were established to deal separately with different aspects of the overall housing problem.   These included: HS established in 1948 to provide families with homes at affordable rents; the Resettlement Department created to build and manage resettlement housing after the Shek Kip Mei fire that broke out in 1953; the Architectural Office of the Public Works Department, which planned and built low-cost housing blocks for low-income families (with monthly family incomes of less than $400 in 1954); and the former HA set up in 1954 to build and manage low-rent housing for somewhat better-off families (with monthly family incomes between $400 and $900 in 1954).   There were also the Housing Division of the Urban Services Department (USD) responsible for the management of resettlement estates in the urban areas, and the Housing Board set up in 1965 to advise the Government on housing policy matters.

Establishment of the present Housing Authority

2.3   In October 1972, the Government announced the target of providing housing for over one and a half million people by 1983.   In order to meet this ten-year housing target, the Government decided to reorganize the various housing agencies.   It was under these circumstances that on 1 April 1973, the Housing Ordinance (Cap. 283) was enacted to vest in a single body, i.e., a reconstituted HA, the powers and functions then separately exercised by those agencies.

Functions

2.4   The reconstituted HA was tasked to plan and build public housing estates for categories of people determined by HA with the approval of the then Governor.   It was also responsible for managing public housing estates throughout the territory, including cottage areas, temporary housing areas and transit centres as agent for Government; preventing and controlling squatting; and planning and co-ordinating improvements to squatter areas.   Apart from exercising these executive functions, the reconstituted HA was also conferred by the Housing Ordinance with the function to advise the Government on all matters of housing policy.

2.5   Since 1973, the functions of HA have been gradually expanded through various amendments to the Housing Ordinance.   In 1977 HA assumed the responsibility to plan, build and manage units provided under the HOS and to nominate purchasers for units built under the Private Sector Participation Scheme (PSPS).   In 1988, following the abolition of the Housing Branch, the Government further entrusted HA with the direct financial responsibility for the HOS, the new Home Purchase Loan Scheme, temporary housing areas and cottage areas.   The main duties of HA are summarized in **Appendix II(1)** (see paragraph 2.35).

Financial arrangements

2.6   When HA was reconstituted in 1973, arrangements were made for it to be financially autonomous with powers to hold property, to prepare and

execute proposals, plans and projects for the construction of buildings, to borrow money, and to invest surplus funds in securities, etc.   At the time of reconstitution, HA took over all low-cost housing estates built by the former HA and the Government and all resettlement estates with temporary grants from the Government to cover the deficits thus far incurred.   HA was then required to ensure that the revenue accrued to it from its estates was sufficient to meet its recurrent expenditure.   The Government supported the housing programme of HA by the provision of land on concessionary terms and, where necessary, with finance to HA.   Each year HA was required under the Housing Ordinance to submit to the Governor for his approval a programme of its proposed activities and estimates of its income and expenditure for the next financial year.   This requirement has remained the same after 1997.   HA now submits its proposed activities and estimates of income and expenditure for the next financial year to the Chief Executive of the Hong Kong Special Administrative Region.

2.7   When HA was given direct financial responsibility in 1988, the Government created a capital structure in HA comprising permanent government capital, contributions to domestic housing and non-domestic equity. Since then, HA has taken over the contingent liability for unsold units under the PSPS and contingent liability for default guarantees in respect of mortgage arrangements for units built under the HOS and PSPS.   Before these arrangements were put in place, such contingent liabilities were borne by the Government

Exemption from the Buildings Ordinance

2.8   When the Housing Ordinance was enacted in 1973, a subsection was added to section 41 of the Buildings Ordinance (BO) (Cap. 123) to exempt buildings upon any land vested in HA or over which HA has control and management from the provisions of the BO, in addition to the exemption applying to buildings belonging to the Government.   This added exemption does not apply to PSPS flats, which are not built on land vested in HA. Details of this exemption are provided in Chapter IV.

Composition of the Housing Authority

Membership

2.9   According to the Housing Ordinance, HA comprises of the Director of Housing (D of H) and such number of public officers, not exceeding three, and such number of other persons as the Chief Executive may appoint. Members of HA are appointed by the Chief Executive for a period of two years and they are eligible for re-appointment.   During the past decade, the membership size of HA has been in the range of 25 (from 1990/91 to 1993/94) to 32 (from 1996/97 to 1999/2000) including the Chairman.   Since December 1994 the Secretary for Housing (S for H) has been appointed as a member of HA.

Chairmanship

2.10   The Housing Ordinance provides that the Chairman and Vice Chairman of HA shall be appointed by the Chief Executive. [1]   Before 1 April 1988, S for H was appointed as the Chairman of HA (CHA) in his official capacity.   Following the abolition of the Housing Branch in April 1988, a non-civil servant was appointed as CHA and he was given remuneration initially pitched at 40% of the salary of an officer at D6 level under the directorate pay scale of the Government.   The level of remuneration was revised to 50% of the salary paid to an officer at D8 in 1989.   Sir David Akers-Jones was the first non-official CHA.   He was succeeded by Dr Rosanna WONG Yick-ming on 6 July 1993, who stayed in office until 30 September 2000.

2.11   D of H who is the ex officio member of HA under the Housing Ordinance has all along been the de facto Vice Chairman of HA. [2]

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[1]   Before July 1997, the appointment was made by the Governor of Hong Kong.
[2]   D of H is the Vice Chairman of HA by convention and there has not been any official appointment.

Committee structure of the Housing Authority

2.12   Over the period in which the Select Committee is interested, HA met five to six times a year and had various committees appointed to discharge its functions.   As at April 1995, HA had eight standing committees: Development Committee, Building Committee (BC), Commercial Properties Committee, Establishment and Finance Committee, Home Ownership Committee, Management and Operations Committee, Complaints Committee and Appeal Committee.

2.13   In mid-1997, HA was restructured along business lines with a view to further enhancing its operational efficiency, providing a greater focus on core business and fostering business planning.   The number of standing committees has remained at eight but with revised division of work and terms of reference as a result of the restructuring.   A full list of HA committees with their terms of reference is in **Appendix II(2)**.

2.14   Committees of HA discharge their responsibilities under delegated authority.   They work independently in accordance with their terms of reference.   However, where decisions made by committees have major policy implications, approval of HA is required.   The Chairman of each committee is required to submit an annual report on the work of the committee to HA for consideration.

2.15   The chairmen of these standing committees are appointed by HA. Persons who are not members of HA may also be appointed as members.   It has been an established practice for CHA to make the nominations for membership of committees for the consideration and consent of HA. Nominations are usually approved by circulation of "presumption papers" [3] to HA without discussion.   Members of committees are normally appointed for two years, subject to re-appointment.   Past experience indicates that committee members normally serve for eight or even 10 years.   It is an

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[3]   "Presumption papers" were used by HA committees to deal with minor issues and extensions to existing approved policies without the necessity for holding a meeting.

established practice that CHA sits on all standing committees except Complaints Committee.

Building Committee

2.16   Amongst the eight committees of HA, BC is the committee which oversees the housing projects from planning to completion. It also advises HA on the most efficient and cost-effective means of implementing the construction programmes approved by the Strategic Planning Committee and monitors the progress of the programmes (see Appendix II(2) for terms of reference).

Membership

2.17   Membership of BC, like other committees, is recommended by CHA and approved by HA.   From 1995/96 to 1999/2000, the membership of BC was in the range of 15 to 18.   Before April 1998, five official members sat on BC.   They were the Secretary for Works or his alternate, D of H and three HD staff.   Since 1998/99, the number of official members has been reduced to three, with the Secretary for Works or his alternate, D of H and the Deputy Director of Housing/Works staying as BC members.

2.18   During the period of April 1987 to early 2001, the successive chairmen of BC are as follows:

> (a)   Mr Edward HO Sing-tin, from April 1987 to end of March 1996; and

> (b)   Mr Daniel LAM Chun, from April 1996 to end of March 2001.

Scope of responsibilities

2.19   Under its terms of reference, BC advises HA on the most efficient and effective means of implementing the construction programmes as well as major improvement and renovation programmes approved by the Strategic Planning Committee.   The Select Committee notes that during the period from 1996 to 2000, BC did examine, on a number of occasions, broad strategic issues such as design and cost control of pile foundation, the impact of bunching of production on the construction industry and labour market, control measures on subcontracting of HA piling works and enhancement of quality of public housing construction.

2.20   In pursuance of its main function to oversee development projects, BC is responsible for:

> (a)   approving the client brief, control plan, development programme and project estimate for the entire development at the planning stage;
>
> (b)   approving the scheme design and project budget for each phase of the development at the scheme design stage;
>
> (c)   selecting and approving the appointment of consultants of all categories for outsourced projects;
>
> (d)   approving the award of works contracts including foundation works, building works, building services, maintenance and improvement contracts at the tendering stage;
>
> (e)   monitoring the progress of all housing projects during the construction stage; and

(f)   overseeing the management of HA's lists of contractors and consultants, considering and approving actions concerning their status on such lists, and taking disciplinary actions against non-performing contractors and consultants.

2.21   The respective flow charts of public housing production for in-house projects and outsourced projects which show the involvement of BC at different stages are in **Appendices II(3)** and **II(4)** respectively.

Mode of operation

2.22   BC held regular monthly meetings and special meetings to discuss and approve discussion papers submitted by HD.   Most BC meetings lasted about half a day.   The Select Committee notes that the papers submitted to BC were prepared by HD staff which, like all other papers submitted to HA or its committees, were discussed and cleared at the weekly meetings chaired by CHA and attended by D of H, Deputy Directors of Housing and the heads of branches of HD.   This process had already been in operation during the period when papers related to the four incidents were scrutinized by BC.

2.23   According to HD, different types of papers were handled differently by BC.   Where the matters to be considered by BC were regarded as non-controversial, they were either dealt with through circulation of "presumption papers" or approved as straightforward items without discussion. "Presumption papers" were used in dealing with minor issues and extensions to existing approved policies without the necessity for holding a meeting. "Straightforward papers" required no discussion at committee meetings, unless requested by BC members at least one day before the meeting.   The "presumption papers" approval procedure has been operating since 1981 and the "straightforward papers" approval procedure was put in place from July 1996 onwards.   Between 1996/97 and 1998/99, 8% to 15% of works tenders was approved by way of "presumption papers", while 30% to 50% of works tenders was approved as straightforward tenders without being raised for discussion at BC meetings.   As for routine matters which did not require HA to make any decision, such as situation report on matters of interest to HA, BC was kept informed through information papers submitted by HD.

2.24   At each meeting of BC, apart from HD official members, the relevant HD officers responsible for individual projects also attended the meeting to make presentations on their proposals.   They answered questions from BC members and, if required, would provide supplementary information outside the meetings upon the request of members.

2.25   The workload of BC from 1995/96 to 1999/2000 is shown in Chart 2.1.

Chart 2.1: Workload of Building Committee from 1995/96 to 1999/2000

Year	No. of meetings	Papers processed	Contracts awarded	Total contract value (in Million)
1995/1996	12	528	144	$11,367M
1996/1997	14	682	200	$15,543M
1997/1998	17	794	267	$32,693M
1998/1999	13	542	165	$49,823M
1999/2000	16	258	193	$16,580M

2.26   The Select Committee notes from the evidence provided by ex-BC Chairmen and HD as well as from the minutes of BC meetings that during the period of the four incidents, BC monitored housing development projects mainly from a strategic point of view.   Members of BC seldom went into the details of the proposals under consideration, in particular their technical aspects. BC relied heavily on HD to bring to its attention major problems, if any, in respect of progress, cost and quality of individual projects.   It was HD's duty to ensure that proposals presented before BC were in compliance with the principles earlier endorsed by BC.   In monitoring the progress of works, BC relied on the monthly progress reports prepared by HD, which only reflected delays of projects of three months or longer.

Housing Department

2.27   When the Housing Ordinance was enacted in 1973, it was decided by the Government that HD should be the executive arm of HA.   HD was formed in 1973 by amalgamating the then Resettlement Department and the Housing Division of USD.   Since its establishment, HD has been providing executive support to HA in the planning and implementation of its public housing programmes.   Staffed by about 12,000 civil servants as at 2001, HD is headed by D of H.

2.28   From 1990 to mid-2002, the Directors of Housing were:

> (a)   Mr FUNG Tung, from 8 June 1990 to 5 July 1996; and

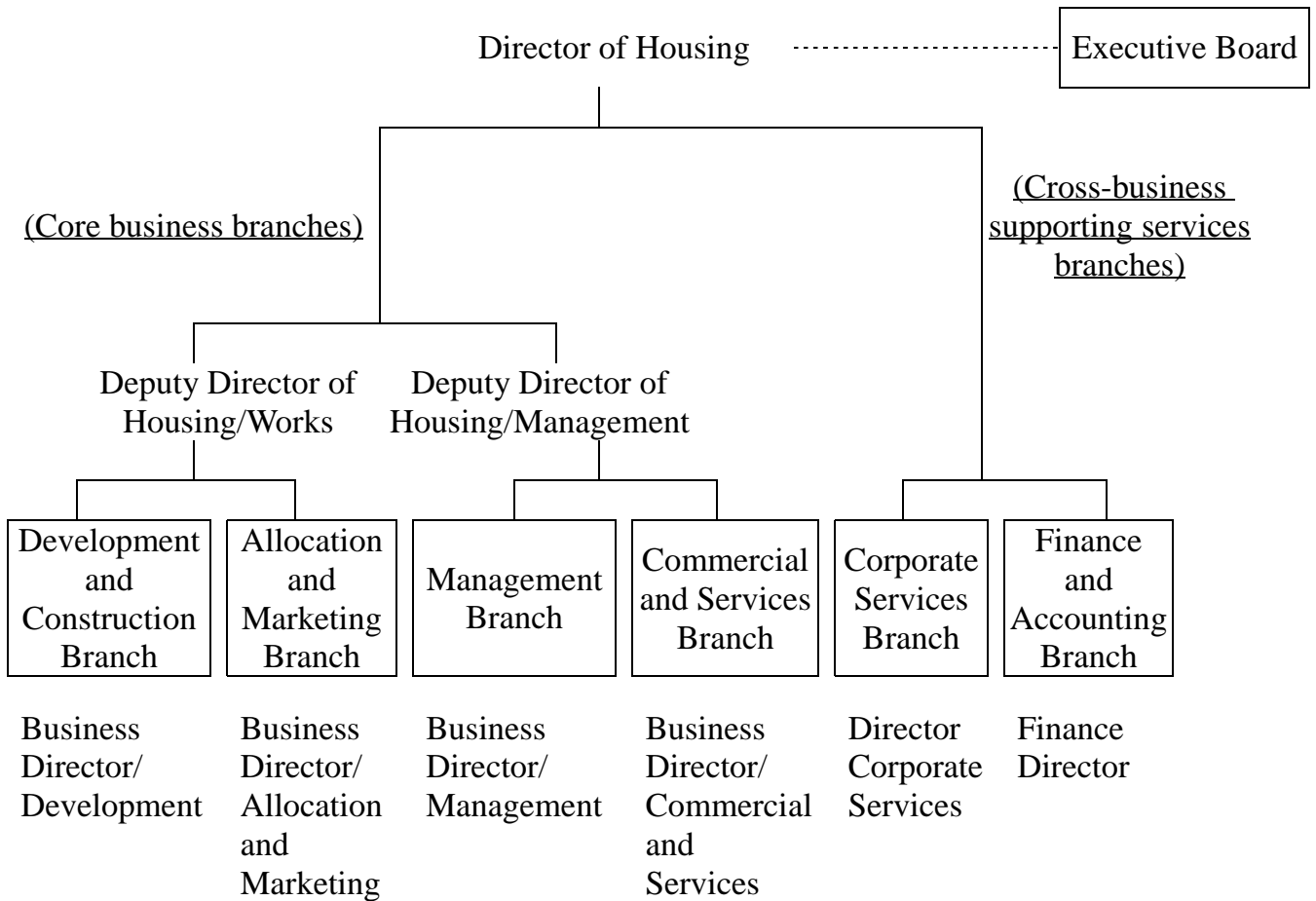> (b)   Mr J A MILLER, from 6 July 1996 to 30 June 2002.

Organization and reorganization of Housing Department

2.29   To cope with the increasing production targets to meet housing demand and rising public expectation, HD underwent a series of organizational changes at the corporate and divisional levels in the 1990's.   As early as 1994, HD saw the need to reorganize the branches of HD in order to provide a strengthened management structure to better cope with the changing level and scope of HD's services and activities.   The various branches were reorganized into five branches with more defined responsibilities.   Among them, the New Development Branch and Maintenance and Construction Services Branch dealt with different aspects of public housing production.   They had a total establishment of 1,975 staff.

2.30   In April 1997, HD underwent a major restructuring at the corporate level under the Management Enhancement Programme following a consultancy study to explore ways to develop the best approach in financial and administrative management.   The restructuring aimed to streamline the operations of HD along business lines; to focus responsibility with greater delegation down the organization; and to make a clearer distinction between responsibility for day-to-day operations and strategic guidance.   Under the

new structure shown in Chart 2.2, HD was reorganized into four core business branches and two cross-business supporting services branches.

Chart 2.2: Organizational structure of the Housing Department (as at April 1997 after restructuring)

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                    Director of Housing ---------------------- [Executive Board]


                                                              (Cross-business
(Core business branches)                                   supporting services
                                                                  branches)


      Deputy Director of     Deputy Director of
      Housing/Works          Housing/Management


[Development  [Allocation                   [Commercial   [Corporate   [Finance
 and           and          [Management       and Services  Services     and
 Construction  Marketing      Branch]         Branch]       Branch]      Accounting
 Branch]       Branch]                                                   Branch]

Business      Business      Business        Business       Director     Finance
Director/      Director/     Director/       Director/       Corporate    Director
Development    Allocation    Management       Commercial     Services
               and                           and
               Marketing                     Services
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2.31   Each core business branch was headed by a Business Director who was responsible for developing and overseeing daily operation of his business, setting service goals and performance standards, and securing and monitoring deployment of resources within his branch.   All six Business Directors and the two Deputy Directors of Housing sat on the Executive Board chaired by D of H. The Executive Board was responsible for setting strategy, clearing policy, agreeing targets and monitoring progress.   It delegated full day-to-day operational authority to the heads of the core businesses.   The Select Committee notes that as a result of the restructuring, the Deputy Director of

Housing/Works no longer monitored the operation of development projects. Since then he provided leadership and advice on major policy issues through the Executive Board, leaving the overall responsibility and accountability for the daily operation of individual branches to the respective Business Directors.

Development and Construction Branch

2.32   The Development and Construction Branch (D&CB) was basically the former New Development Branch with the responsibility for planning, designing and overseeing the construction of public housing projects.   But unlike the New Development Branch which was discipline-based with each section headed by an Assistant Director of its own discipline, D&CB was organized with Assistant Directorate posts open to all disciplines and each Assistant Director oversaw the work of staff of different disciplines.   The organization structure of D&CB as at April 1997 is in **Appendix II(5)**.   The Construction Services Division of the Commercial and Services Branch provided quantity surveying and geotechnical services to D&CB.

2.33   The then structure of D&CB was meant to be transitional, pending the outcome of a comprehensive business re-engineering consultancy study conducted by Coopers and Lybrand on the works process.   Pursuant to the recommendations of the consultancy study, D&CB was transformed further in November 1997 into a process-oriented set-up to enhance the project management function.   Before that, project management was by practice undertaken by architects.   Since November 1997, there are three divisions in the new D&CB:

> (a)   Project Management Division: It was tasked with the responsibility for project management.   Three Project Manager posts were created to ensure the compliance of client's requirements for each and every stage of the development process;

(b)   Works Division: It was responsible for the day-to-day work including design, tendering and contract management of in-house projects.   The Division, under which a Consultant Management Unit was created, had also the sole responsibility for managing consultants, which hitherto was shared by different section heads on discipline basis; and

(c)   Development Division: It continued to provide professional support services to other Divisions as before.

An organization chart of D&CB together with the functions of the three Divisions as at November 1997 is in **Appendix II(6)**.

2.34   In March 1999 D&CB absorbed the responsibility of the Construction Services Division of the Commercial and Services Branch together with its staff establishment of 569 posts.   At the same time D&CB was further reorganized on a regional basis into four Divisions to address staff concern that each Project Division should have project management function, works function and consultant management function.   From then on, D&CB has become the sole branch in HD responsible for planning, design and building public housing and associated facilities for HA.   An organization chart of D&CB as at March 1999 is in **Appendix II(7)**.   This organization structure remains largely unchanged until today.

Housing Bureau

2.35   Prior to April 1988, formulation of policy on public housing was the responsibility of the Housing Branch in the Government Secretariat.   To provide HA with greater freedom and flexibility to respond to public demand and financial autonomy to deploy resources, the Government abolished the Housing Branch on 1 April 1988 after the approval of the Long Term Housing Strategy (LTHS) by the then Governor in Council.   Duties of the Housing Branch were redistributed to HA and the then Lands and Works Branch.   HA became responsible for the formulation of policy on public housing, and was entrusted with the responsibility for implementing and reviewing LTHS as well

as planning, co-ordinating and monitoring the public housing programme. HA however was required to seek the approval of the then Governor in Council before making any changes on policy matters relating to LTHS and rental policy and pricing policy for HOS and PSPS.   The functions not assumed by HA were taken over by the then Lands and Works Branch (which was split into the Works Branch and the Planning, Environment and Lands Branch in September 1989).   Such functions included the supply of land to HA.   After the abolition of the Housing Branch, the Government still retained control over the overall housing policy.

2.36   In response to public concern about rapid increases in property prices in the early 1990's, an inter-departmental Task Force on Land Supply and Property Prices, chaired by the then Secretary for Planning, Environment and Lands, was set up in April 1994 to examine the problem.   The Task Force recommended a package of measures to strengthen the monitoring of housing demand and supply and co-ordination of government activities relating to land supply and housing production.   A new Housing Branch headed by S for H was thus established in November 1994.   It was renamed the Housing Bureau (HB) on 1 July 1997.   From December 1994 to April 2002, Mr Dominic WONG Shing-wah was S for H.   Since the implementation of the Accountability System for Principal Officials on 1 July 2002, the functions of HB have been transferred to the Housing, Planning and Lands Bureau.   In this Report, a reference to HB includes, where appropriate, the newly created Housing, Planning and Lands Bureau, which now succeeds the former HB and is headed by the Secretary for Housing, Planning and Lands.

Interface among the various authorities involved in the planning and production of public housing

Relationship between Housing Authority and Housing Department

2.37   As explained in paragraph 2.27 above, HD is the executive arm of HA.   It implements the policies set by HA.   HD is represented on each of the eight committees of HA, except the Complaints Committee.   All papers to HA and its committees are prepared by HD staff.   Before their submission to the

relevant committees for consideration and/or approval, these papers have to be discussed and cleared at meetings held on Monday which are chaired by CHA and attended by D of H, Deputy Directors of Housing and the heads of branches of HD.

2.38   The relationship between CHA and D of H, the de facto Vice Chairman, is not stipulated in the Housing Ordinance.   To the extent that his department is the executive arm of HA, D of H is responsible to CHA and by convention, his performance appraisal required under civil service rules is done by CHA.   There appears to be clear understanding between CHA and D of H on the delineation of their responsibilities.   CHA focuses on the work at the policy and committee levels and on external affairs, whereas D of H concentrates on the daily operation of HD.   Staff matters fall within the purview of HD.   CHA or HA does not have the power to interfere with the appointment and dismissal of HD staff who are civil servants.

Relationship between Housing Authority and Housing Bureau

2.39   As explained in paragraphs 2.10 and 2.35 above, before the Housing Branch was abolished on 1 April 1988, S for H was responsible for policy matters relating to housing and he was appointed as CHA in his official capacity.

2.40   Between 1 April 1988 and 17 November 1994, there was no policy branch in the Government overseeing the work of HA.   During this period, HA was given the direct responsibility for planning, co-ordinating and monitoring the public housing production programme.   Communication on policy matters between HA and the Government was done at the Governor-in-Council and CHA level, while the implementation details were worked out between HD and other Government Branches/departments.   With the re-establishment of HB on 18 November 1994, communication at both policy and implementation levels in relation to public housing was carried out through HB.   The principal role of HB before 1997 in the production of public housing was to assist HA to obtain sites for public housing developments, and to devise a computer model to project long-term housing demand.   After 1997, HB took up an enhanced role of setting public housing policies at the macro and

strategic levels, while HA formulated operational policies and implemented the public housing programme under the strategic framework set by the Government.

Relationship between Housing Bureau and Housing Department

2.41   During the period of study by the Select Committee, while HB had the overall responsibility for housing policies, it did not monitor the work of HD. Procedurally, papers prepared by HD for consideration and/or approval by HA and its committees did not need to be cleared by HB beforehand. Nevertheless, in practice, where HD considered that the papers touch on major policy issues, HD would forward the draft to HB for comment.

2.42   As regards resources required for its operation, HD had to obtain the support of HB for the creation/deletion of civil service directorate posts before formal approval was sought from the Civil Service Bureau, Finance Bureau and the Legislative Council. [4]   This arrangement was similar to that between a government department and its overseeing Policy Bureau in the Government.

2.43   HD relied on HB for co-ordinating discussion with other Government departments on planning, transport and the provision of facilities for other departments in new estates.   HB also assisted HD in resolving problems concerning individual sites, such as conflicts of timing and other requirements, among various departments.   For this purpose, the Housing Project Action Team was set up in late 1994 and aimed to facilitate the delivery of individual projects, resolve site-specific problems and streamline Government planning and approval procedures.   The Team was chaired by S for H.

2.44   D of H was answerable to CHA direct.   The only aspect of work D of H was answerable to S for H was squatter control and clearance, for which HD acted as an agent for the Government.   The Select Committee notes that Mr J A MILLER took up the post of D of H in July 1996.   S for H had since mid-1997 been countersigning his performance appraisal reports.   The reason

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[4]   The organization chart of the Government as at 6 September 1995 shows that HD is under HA.

provided by the former S for H was that among the Policy Secretaries, he best understood the work of D of H.

<u>Tripartite relationship among Housing Bureau, Housing Authority and Housing Department</u>

2.45   In a nutshell, during the period of study by the Select Committee, the tripartite relationship among HB, HA and HD can be summed up as follows:

> (a)   overall policy direction and strategic objectives for the public housing programme were set by HB after 1997;
>
> (b)   within this overall policy framework, HA determined the operational details of public housing policy and implemented it through HD;
>
> (c)   HB assisted HA in obtaining land for public housing development and ensured that the policies considered and formulated by HA were consistent with the housing policies and strategies of the Government; and
>
> (d)   HD was assisted by HB in co-ordinating discussion with other government departments for tackling project-specific and site-specific issues.