

## **Chapter VIII : Housing**

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8.1 At the Chairman's invitation, the Secretary for Housing, Planning and Lands (SHPL), Mr Michael SUEN, briefed members on the major initiatives and expenditure on housing for the coming year (Appendix V-7).

### **Review of staff establishment**

8.2 Ir Dr Raymond HO stated that he was in support of staffing reviews and streamlining exercises in the Housing Authority (HgA) aiming at achieving 30% cut in establishment, but he urged the Administration to ensure that the deletion of posts would not be targeted at junior ranks. With the management of more HgA estates being contracted out, there should be sufficient staff to monitor the outsourced services so as to maintain the required standard. In response, the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) assured members that the percentage of directorate posts to be deleted was higher than that of the lower ranks. There would be a 37% cut in the directorate ranks as compared to the 30% in the junior ranks. Out of the 27 directorate posts to be deleted, nine were at assistant director level. The proposal would be submitted to the Establishment Subcommittee of the Finance Committee shortly. As for outsourcing of estate management, he reported that around 50% of HgA estates had already contracted out their management services. Such outsourcing arrangements would inevitably result in cuts in estate management staff. In fact, streamlining of the organizational structure was being implemented to enhance the cost-effectiveness of the management of HgA estates to bring it in line with that of private-sector estates. While the workload of the relevant staff would increase as a result, they should be able to cope with the increased workload. The Administration would continue to work closely with the staff unions concerned in respect of the staff redeployment arrangements.

8.3 Ir Dr Raymond HO enquired whether there were plans to redeploy surplus Housing Department (HgD) staff to other departments so as to continue to benefit from their expertise and experience. In response, PSH stressed that the Administration would try its best to redeploy surplus staff to other duties both within and outside HgD. He confirmed that Dr HO's proposed approach was one of the options being pursued. For example, surplus HgD staff would be redeployed to the Buildings Department (BD) to help speed up demolition of unauthorized building works (UBWs). Such an approach would help reduce pressure on staff cuts in HgD, so that reduction of staff could be achieved through natural wastage or expiry of employment contracts instead of compulsory redundancy.

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8.4 Referring to the redeployment of HgD staff to undertake demolition of UBWs, Mr CHAN Kam-lam stressed the importance of effective co-ordination between BD and HgD to ensure good progress. In response, PSH assured members that the co-ordination between the two departments in this regard had been very effective. In fact, a number of HgD staff had been assisting BD to step up enforcement action against UBWs in rear lanes. As reported above, additional efforts would further be made to redeploy more HgD staff to BD to help clear its backlog.

8.5 Mr CHAN Kam-lam further enquired whether a target for demolition of UBWs had been set to facilitate co-ordination and redeployment efforts in this regard. In reply, the Director of Buildings said that according to the revised enforcement policy in 2001 for wider scope of action, it was aimed that with the resources made available then, around 150 000 to 300 000 UBWs would be demolished by 2007.

8.6 In response to Miss CHAN Yuen-han's enquiry about the consultation with staff unions on staff reduction and redeployment arrangements, PSH said that there was close and active exchange of views on these matters between the management, including himself, and all relevant staff unions. There was consensus that to minimize the impact, a phased approach in the deletion of contract posts would be adopted, and such posts would be retained for as long as practicable and where functionally justified. In addition, a scheme had been worked out to offer comprehensive assistance to outgoing contract staff to better equip them for the job market through training, provision of information and introduction to prospective employers where appropriate. The scheme had been producing good results and staff response to it was very positive. The contract staff also showed an understanding of the need for the reorganization and reduction in staff establishment. PSH assured members that the Administration fully understood the concerns of the contract staff, and would make every effort to prepare the staff well for the transition. Staff consultation would continue and all possible means to mitigate the impact would be considered.

8.7 Miss CHAN Yuen-han pointed out that some of the contract staff had joined HgA or HgD as early as 1996 to 1998, and had been employed as contract staff only because of organizational changes. She urged the Administration to work closely with the relevant staff unions in determining the contract posts to be deleted. In reply, PSH assured Miss CHAN that the views of staff unions would be given due consideration.

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8.8 Mr Albert CHAN pointed out that the downsizing of the staff establishment by some 30% would mean a reduction of some 3 500 posts within five years from October 2002 to March 2007 to bring about an annual saving of some \$1.3 billion. He considered the staff cut too much and opined that the saving had been effected at the expense of the junior staff. He pointed out the contradiction in policies over the employment of staff in Government departments. While the Government undertook to create job opportunities, some hundreds of contract staff currently engaged by HgA would be out of job on 1 April 2004 upon the completion of their contracts. He cautioned that the conflicting policies would have impact on staff morale and the quality of services to the public. Following the reduction of staff and hence increased outsourcing of HgA services, it was likely that there would be more drastic decreases in wages in the private market. He pointed out that many staff of HgA's contractors were living below the poverty line because of the exceptionally low wages, such as \$3,000 a month, paid to them. He therefore enquired about the measures taken by HgA to ensure that it would not engage the service of such contractors so as to avoid staff exploitation. He also enquired how HgA and HgD could help reduce unemployment rate in keeping with the general Government policy.

8.9 In reply, SHPL explained that the contract staff concerned were employed for a one-off time-limited project to implement Team Clean's initiatives. Additional funding would have to be sought from the Finance Committee should there be a need to extend the project. He then drew members' attention to the community's call for cuts in Government expenditure and for downsizing the civil service establishment to suit the needs of the society. In his view, while such moves would inevitably lead to staffing cuts, they could also help revitalize the economy. When the economy rebounded, the whole community would benefit and employment rate might go up. PSH supplemented that the 500 staff whose contracts would not be further extended were employed to undertake cleaning and other hygiene duties at the time when the Government wanted to offer more job opportunities during the Severe Acute Respiratory Syndrome period. HgA had already utilized its own resources to extend their services for one month to help implement the Marking Scheme for Tenancy Enforcement in Public Housing Estates (the Marking Scheme). PSH added that in response to Ms LI Fung-ying's earlier call to assist these staff, every effort had already been exhausted to identify jobs for them. In the light of the scaling-down of HgA's work, there was inevitably a decreasing demand for staff and, to ensure proper use of public resources, there was genuine difficulty in retaining these staff.

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8.10 Mr Albert CHAN remained unconvinced and pointed out that since some of the above contract staff were deployed to assist in the implementation of the Marking Scheme, HgA could retain their jobs if it so wished. He emphasized that most of these staff were bread winners in their forties. Refusal to renew their contracts would be a significant blow to them.

### **Rents for public rental housing**

8.11 In relation to the rental review for public housing, Mr Fred LI questioned why no provisions had been made in the estimates for implementing the option HgA had suggested in waiving the rents of the Comprehensive Social Security Assistance (CSSA) households while reducing the rents of all non-CSSA households by 10% (the option). In response, SHPL and PSH elaborated that the option had been put forth pursuant to the Court Order on the judicial review (JR) in respect of HgA's decisions to defer the review of public rental housing (PRH) rents in 2001 and 2002. Members noted that although the Court of First Instance of the High Court ruled in favour of the two applicants for JR, HgA had lodged an appeal against the High Court's ruling. They also noted that in the above Court Order, the High Court had only directed HgA to "forthwith review and determine the variation of rents of the class (or batch) of public housing units to which the applicant's public housing unit is part, according to the true meaning and effect of section 16(1A) of Cap. 283". HgA had further obtained a stay from the High Court to implement the rent review pending the outcome of the appeal. As such, whether HgA would implement the option would hinge on the outcome of the above appeal. In the event of its successful appeal, HgA would need to examine the judgment of the appeal first before determining the next course of action. That being the case, the financial loss arising from the option had not been reflected in the estimates.

8.12 In reply to Mr Fred LI's further enquiry, PSH confirmed that the quoted overall financial loss, estimated at \$2.55 billion a year, was actual rental loss to HgA. Taking into account the potential savings of \$1.8 billion a year achieved by the Social Welfare Department after deducting the corresponding amount in CSSA payment, the actual net financial loss to the public sector was \$0.74 billion a year.

8.13 Mr Fred LI and Miss CHAN Yuen-han sought to ascertain whether as stated in recent media reports, HgA would implement the option regardless of the outcome of the Government's appeal to the decision of the Court. In response, SHPL clarified that he had never made such a statement.

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Mr CHAN Kam-lam considered the above clarification necessary because in SHPL's speech, it seemed that HgA had decided to adopt the option.

8.14 Mr NG Leung-sing noted from SHPL's speech that HgA would consult the public later in the year on the formulation of a comprehensive, objective and flexible domestic rent policy which would reflect tenants' rental affordability and ensure the sustainability of the PRH programme. In his view, given the above plan, the upholding of a consistent housing policy as stated by SHPL might not be feasible. Instead, HgA should aim at implementing a housing policy that could respond to the needs of the times, so that balance between quality and quantity could be maintained to achieve sustainable PRH development. Mr NG also said that the standard of PRH should be adjusted so that users could better understand HgA's financial position. As such, apart from cutting costs in the design, management and maintenance of PRH estates, consideration should also be given to reviewing the standard of materials and facilities for PRH. In response, SHPL thanked Mr NG for his views, and assured him that his views would be given due consideration.

### **Financial matters in relation to Home Ownership Scheme**

8.15 Mr NG Leung-sing asked whether the surplus Home Ownership Scheme (HOS) flats could, as HgA's retail and carparking facilities to be divested, be injected into the Real Estate Investment Trust (REIT) scheduled for listing on the Stock Exchange of Hong Kong in 2004-05. In reply, SHPL explained that REIT would be introduced solely for the above divestment exercise. As such, Mr NG's view could not be considered at the moment.

8.16 Mr Albert HO questioned Government's commitment to maintaining the financial viability of HgA as evidenced in the cessation of HOS sale, the disposal of the Hunghom Peninsula Private Sector Participation Scheme flats, etc. In this regard, Mr Albert CHAN enquired if the Administration would review its decision to cease HOS sale in consideration of its implications on HgA's financial position. In his view, to improve HgA's financial position, ways should be explored to increase its income instead of just cutting costs and divesting assets. In response, SHPL pointed out that HOS involved waiver of land premiums which in fact was a form of subsidy by the Government. Nonetheless, discussion between HgA and the Government was underway to ensure HgA could continue to support itself and operate with a stable source of income notwithstanding the loss of income from the cessation of HOS sale.