

Summary of Financial Implications

| Quality Housing Initiatives | Paper No. | Financial Implications |
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| Pillar One - Providing Quality Products and Services to Customers | | |
| Enhanced customer services comprising the establishment of an in-take hotline to strengthen communication with owners, and the setting up of the Customer Service Teams to handle defects speedily on all new HOS courts | BC 77/2000 HOC 51/2000 QH 04/2000 | An estimated cost of \$7.23 M per year for enhanced customer liaison and an addition staff cost of \$6M and \$10M for enhanced customer service of in-house and consultant projects respectively. |
| Providing a 10-year structural safety guarantee to all Home Ownership Scheme and Private Sector Participation Scheme developments from the date of completion and 20 years for those in Tin Shui Wai | FC 65/2000 | The repair and staff costs will be covered by the HA Insurance Fund with the annual premium for the year 2000/01 estimated at \$19.2M and \$7.5M for HOS and PSPS respectively. |
| Pillar Two – Revamping the Piling Process | | |
| Implementing quality reform on piling works and the control measures on subcontracting of piling works | BC 183/2000 QH 25/2000 | The recent two piling tender returns indicated an increase of 32% in foundation costs. However, it is not yet conclusive as to whether the increase is widespread until there are more tender submissions to confirm the price trend. |
| Pillar Three – Reinforcing Site Supervision | | |
| Strengthening site supervisory resources – Creation of 154 contract posts for two years for in-house projects | BC 158/2000 QH 18/2000 HRC 37,53, 59/2000 | An additional staff cost of \$40M per year. |

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| Outsourcing watertightness tests and final inspection to meet peak production | BC 48/2000 QH 02/2000 | One-off expenditure of around \$20M. |
| Deployment of resident professionals to some in-house building contracts | BC 158/2000 QH 18/2000 | An additional staff cost of about \$17M per year. |
| Reimbursing consultants the cost for providing extra supervisory resources | BC 158/2000 QH 18/2000 | An additional cost of about \$20M per year. |
| Reinforcing training to site staff | BC 158/2000 QH 18/2000 | An additional cost of \$1.4M per year. |
| Improving handover inspection and more efficient use of staff resources through delegation of more authority | BC 158/2000 QH 18/2000 | Saving in staff cost in the long run. |
| Pillar Four - Reforming Listing and Tendering Practices | | |
| The establishment of Premier League and the exclusion of exceptionally low bid | BC 114/2000 QH 10/2000 | These initiatives will reduce cut-throat bidding and normalize tender prices. The increase in monetary term will be justified by the improvement in quality. |
| The launch of the Enhanced Two Envelope System to provide heavier weight on technical competence | BC 113/2000 QH 09/2000 | The recent consultancy adopting the Enhanced Two Envelope system and adopting the latest quality initiatives indicated an increase of 12% in consultancy fee compared with the preceding outsourcing exercise. This normalizes the fee-bidding situation and provides better assurance over quality of service. |

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| Pillar Five – Reinforcing Partnering Culture | | |
| Strengthening communication, mutual understanding and decision making process of the project stakeholders through the project partnering and value management workshops | BC 116/2000 QH 12/2000 | Additional cost of about \$0.16M per workshop. |
| Waiving of Liquidated Damages on ex-gratia basis for delay of piling works | BC 157/2000 QH 17/2000 | This will involve a total waiver of LD of about \$190M for the implementation of QHIs on supervision enhancement and design approval. |
| Pillar Seven - Reinforcing Partnering Culture | | |
| Piloting on the dispute resolution advisor system | BC 182/2000 QH 24/2000 | The cost of the dispute resolution advisor will be equally shared between the Employer and the Contractor. The Employer's share of the cost is insignificant. |
| Pillar Nine - Reinforcing Third Party Control | | |
| Setting up of Independent Checking Unit | HRC 53/2000 | The additional annual staff cost incurred is \$15M. |