

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

QUALITY HOUSING : PARTNERING FOR CHANGE

Annual Report on Enhancing Public Housing Quality for 2000/01

PURPOSE

This paper informs Members of the progress of the implementation of the recommendations for enhancing public housing quality as at end March 2001^{Note1}.

BACKGROUND

2. To drive the quality reform of the construction industry, the Housing Authority (HA) published a consultative document entitled “Quality Housing : Partnering for Change” on 27 January 2000 for public consultation (Paper No. HA 8/2000 refers). At its meeting on 14 April 2000, the HA endorsed the two-phased implementation plan containing 50 Quality Housing Initiatives under 11 pillars to enhance housing quality (Paper No HA 24/2000 refers).

3. Phase One implementation covers 25 recommendations under six pillars, which aim to address immediate public concerns and are vital to customers and building safety.

4. Phase Two implementation covers the other 25 recommendations under five pillars for enhancing sustained improvements in the construction industry and aims at partnering on all fronts. These recommendations are more complex and involve interfacing with more stakeholders. Implementation requires joint effort of various stakeholders of the industry.

^{Note1} Progress reported up to end March 2001 unless otherwise stated.

5. A multi-disciplinary departmental task force has been set up to oversee the implementation of the 50 recommendations. To ensure that all the improvement measures are carried out progressively, we have submitted progress reports to inform the Building Committee (BC) on a quarterly basis, and this is our fourth report. As at end March 2001, a total of 35 papers on Quality Housing Initiatives have been processed (A List of QH Papers at **Annex A** refers).

PROGRESS

6. Since April 2000, we have been actively turning the initiatives in the reform blueprint into materialization to bring forth the intended improvements. The implementation status of the 50 recommendations is summarized below -

Recommendations		Implementation Status (as at end March 2001)		
		Already Implemented	Partially Implemented /Launched As Pilot System	Development Work In-Progress
Phase 1	25	14	9	2
Phase 2	25	5	9	11
Total	50	19	18	13

7. As at end March 2001, out of the 50 recommendations, 37 have been successfully implemented, partially implemented or launched as pilot systems. The implementation status of individual recommendation is shown at **Annex B**. Our major achievements in implementing these improvement measures are highlighted in the following paragraphs.

Phase One Implementation

8. As the recommendations under Phase One implementation involve a wide spectrum of processes, systems and stakeholders, we have prioritized their implementation sequence and drawn up a practical action plan. Bearing in mind that we have been facing a production peak, we need to strike a balance between the pace of reform and the pressure on staff during peak production. So far, we have launched 23 out of 25 recommendations under Phase One implementation.

Pillar One - Providing Quality Services and Products to Customers

9. As we prioritize the implementation sequences of the reform, quality assurance for customers is our foremost consideration. We have successfully implemented all the measures to provide quality products and strengthen customer services under this pillar. These include :-

(a) **Provision of a 10-year structural safety guarantee to all new and existing HOS / PSPS developments from the date of completion and a 20-year guarantee for those in Tin Shui Wai**

After announcing the operational details for structural guarantee in October 2000 (Paper no. BC 127/2000, HOC 77/2000, QH 15/2000 refers), the Department has received a cumulative total of 1,386 referrals up to end February 2001. Of these, the Department had made appointment with owners on 1,163 cases and completed inspection in 1,030 cases. Based on preliminary findings, about 25% of the inspected cases were covered and actionable under the guarantee. It is not envisaged the existing HOS stock has extensive structural problems. Apparently, the guarantee is unlikely to impose onerous burden of repair costs, but entails extensive staff involvement and administrative work.^{Note2}

^{Note2} Ascertainment of alleged defects under plastered surface of concrete involves opening up work for inspections. As a token of goodwill towards owners but without accepting liability under the guarantee, HD has been patching up works unavoidably disturbed by the verification process where the alleged defects were found falling out of the guarantee. Owners are informed of the inspection results and given full knowledge of HD's goodwill.

(b) **Enhanced customer services**

We have established an in-take hotline to strengthen communication with tenants and owners, and set up the Customer Service Teams to handle defects speedily on all new HOS courts (Paper no. BC 77/2000, HOC 51/2000, QH 4/2000 refers)^{Note3} and two rental estates selected on a trial basis (Paper no. RHC 88/2000, QH 21/2000 refers).

(c) **Lengthening the Defect Liability Period from 1 year to 2 years**

For building tenders returned from March 2000 onwards, we have lengthened the Defects Liability Period from 1 year to 2 years. Besides, the retention money has been increased from 1 % to 2% of the total contract sum to induce contractors to provide better services after project completion.

(d) **Outsourcing some of the final flat inspection work to consultants**

In order to maintain a consistent handover standard during the production peak, we have outsourced the final flat inspection works of 32,500 flats to four consultants (Paper no. BC 48/2000, QH 02/2000 refers). As at end February 2001, they have completed the inspection of 13,200 flats.

Pillar Two - Revamping the Piling Process

10. We have taken resolute actions to introduce a series of measures to safeguard the quality of piling works, incorporating all the recommendations from the Investigation Panels on Tin Chung Court and Yuen Chau Kok. We have developed the piling reform package comprises eight key measures as follows (Paper no. BC 84/2000, QH 05/2000 refers) –

^{Note3} Based on the feedback on the enhanced customers services in Tsz Oi Court and Kam Tai Court, we will fine-tune the services for other new HOS courts coming on stream.

(a) **Strengthening HA's site inspection**

To strengthen site inspection, we have enhanced professional input, staff deployment for site inspectorate team, training and surveillance. We have deployed resident engineers to all active piling sites after April 2000, underpinned by engineering inspectorate and further strengthened with enhanced geotechnical engineering input, in line with Buildings Department's (BD) new requirements on Quality Supervision promulgated in June 2000.

(b) **Strengthening Risk Management**

To address the high technical risks under the design-and-build approach and to achieve more pragmatic risk sharing with contractors, we have strengthened risk management by conducting more comprehensive geotechnical investigation, widening the use of engineer's design for piling contracts^{Note4} and reducing the rate of liquidated damages.

(c) **Strengthening acceptance requirements of piling works**

To increase the objectivity of final acceptance tests, we have strengthened our acceptance requirements of piling works by revising our specification and ensuring that pile installations have met all contract requirements before pile caps are cast.

(d) **Strengthening Contractor's management and supervision**

To overcome the problems of contractor's over-reliance on developer's supervision and unduly excessive subcontracting, we have strengthened contractor's management and supervision, especially by restricting subcontracting activities to one level only.

(e) **Reinforcing independent building control**

To address the community's legitimate expectation of an objective third party scrutiny of our work, we have strengthened independent checking. In November 2000, we have established the Independent Checking Unit (ICU) reporting to the Director of Housing to parallel BD's regulatory checking, initially focussing on foundation works and general building plans. ICU will progressively take up

^{Note4} From May 2000 to February 2001, 12 out of 19 piling contracts have adopted engineer's design for piling works.

more types of parallel checking.

(f) **Strengthening HA's listing of piling and ground investigation contractors**

To induce their consistent good performance, we have strengthened the listing control on piling and ground investigation contractors. In October 2000, we have established HA's own list of piling contractors.

(g) **Reviewing the Department's organization structure and management policy**

To facilitate clear accountability, we have been reviewing the Department's organization structure and practices. We are reviewing the procedures for the piling process with focus on end results and parallel the BD's practice. The revised manuals will be issued for use by the project staff in the first quarter of 2001. To ensure the effective procurement of external resources, we have fixed a pilot project to try out the direct engagement of specialist consultants as opposed to the present engagement under the architect-led consultancy arrangement.

(h) **Strengthening human resource management**

To strengthen human resources management, we have enhanced staff reporting system and corruption prevention measures.

11. As a further step to strengthen the control on subcontracting for piling works, we have developed another reform package comprising five key measures as follows (Paper no. BC 97/2000, QH 06/2000 refers) –

(a) **Restricting proportion of sub-contracting**

We have inserted special tender condition regarding submission of the proposed scope of subcontracting for new piling tender.

(b) **Restricting multi-layered sub-contracting**

We have imposed contract requirements to limit subcontracting at principal piling activities to one layer at the main contract level.

(c) **Strengthening contractors' supervision on their sub-contractors**

We have included in new contracts Buildings Department's new supervision requirements to strengthen the contractor's role in supervision of the works including the part undertaken by their subcontractors.

(d) **Strengthening control on piling sub-contractors**

We have required the piling contractors to appoint their subcontractors from prescribed lists.

(e) **Strengthening control on piling design**

Piling designs for new HA projects are subject to regulatory vetting by the Independent Checking Unit as an effective means of control. Also, the piling contractors are required to employ consultants, subject to our listing control, to certify their designs for design-and-build piling contracts.

12. Altogether, we have implemented more than 80% of the 52 items on revamping piling process for HA projects (Paper no. BC 183/2000, QH 25/2000 refers). In 2001/02, we will establish HA's own list of ground investigation contractors and introduce Preferential Tender Award System to induce consistent good performance from piling contractors.

Pillar Three - Reinforcing Site Supervision

13. We firmly believe that quality construction depends on quality supervision on site. To maintain the quality of our products during the production peak, we have worked with both contractors and consultants to strengthen site supervision level. Actions already taken include the following -

(a) **Deployment of sufficient and competent site staff**

To reinforce site supervision for in-house projects, we have reviewed the benchmark manning scale of site staff. In the last eight months, we have recruited 162 additional site staff including those seconded from consultants. For consultant projects, we have reimbursed the project supervision cost to the consultants for providing extra staff for enhanced requirements to safeguard the quality of supervision.

- (b) **Deployment of resident professionals**
We have deployed resident engineers to all 26 piling sites. 12 assistant resident engineer have been recruited to strengthen site supervision of piling contracts. We have deployed 10 new recruits as resident professionals to complex building projects.
- (c) **Training to site staff**
We have provided mandatory induction training courses for all new recruits including consultant site staff to reinforce site supervision. Some trade practices / skills and refresher courses are available to in-house staff.
- (d) **Delegation more authority to project teams**
We have delegated more authority to project teams and resident professionals, enabling them to resolve technical problems on site more speedily.
- (e) **Streamlining handover procedures**
To streamline the procedures of handover inspections, we have prepared an aligned inspection and defect reporting form for domestic flats to be used by our site staff, the management agencies and the tenants / HOS owners to facilitate inspection and handling of defects.

Pillar Four - Reforming Listing and Tendering Practices

14. For many years, we have adopted a strategy of using standardized design for our housing production. With the public expectation on the built environment rises to a new dimension, we need to take a proactive stance to adopt a site-led and value driven delivery strategy to optimize site potential, enhance identity, improve diversity and lessen the impact of territory-wide standardization. The site specific design approach provides the flexibility for the adoption of either standard blocks or non-standard design or any combination thereof to address the specific site conditions. At its meeting on 9 November 2000, the Authority approved the introduction of flexible housing production mix from 2004/05 onwards (Paper no. HA 66/2000 refers).

15. Under the site specific design approach, every project will be subject to a conscious design decision, This entails strong design input and calls for greater emphasis on technical and design aspects in consultant selection. To this end, we have launched a number of pilot projects for the measures to reform the practices for procuring consultancy services (Paper No. BC 113/2000, QH 9/2000 refers). These include :-

(a) **Enhanced two-envelope system**

With greater emphasis on performance and design input, the technical / fee score ratio under the enhanced two-envelope system has been adjusted to 80:20 for projects demanding heavy design. This enhanced system has been successfully tried out in the HOS project at Aldrich Bay Phase 5 in August 2000.

(b) **Open Design Competition**

To enable the Authority in securing the optimal site specific design for a prominent, thematic housing project where design input is of utmost importance, the Authority launched its first Open Design Competition for the design of a HOS project at Shui Chuen O in Shatin in November 2000. Response to the Competition has been overwhelmingly positive with over sixty entries. The results will be announced in end March 2001.

(c) **Design and build**

To promote greater integration of design and production processes, we will launch the pilot project at Upper Wong Tai Sin Phase 3 to try out the “design and build” mode of procurement in mid 2001.

(d) **Direct appointment of consultants of different disciplines**

Direct appointment allows flexibility where specialist expertise is required independent of the lead consultant. We will launch a pilot project at Tseung Kwan O Area 74 South Phase 1 and 2 for trying out the direct appointment in mid-2001.

16. For the procurement of construction services, we need to ensure that the selection of business partners and assessment process remain fair, open and objective. We have developed a number of measures to secure competent contractors and to exclude those who fail to meet acceptable standards (Paper No. BC 114/2000, QH 10/2000 refers). These include –

(a) **Extension of Preferential Tender Award System (PTAS) to piling and building services work**

Since September 1999, we have introduced the PTAS for building contracts. This is based on a 80:20 score weighting between tender price and performance to duly recognize the effort and capability of contractors. To ensure all round improvements in our construction, we will extend the PTAS to cover the piling and building services contracts.

(b) **Exclusion of Exceptionally Low Bids**

To counter irrational price bidding and to ensure quality end product, we have introduced measures to exclude exceptionally low bid where the tenderer's ability to deliver is doubtful.

(c) **Establishment of a 'Premier League'**

To establish a strategic partnership with contractors who have proven consistently outstanding performance, capability to deliver quality product, a solid corporate profile and a strong commitment to partnering, we have developed the details of the 'Premier League' for its establishment in April 2001 (Paper No. BC 184/2000, QH 26/2000 refers).

(d) **Enhancing objectivity of performance assessment**

The Performance Assessment Scoring System (PASS) has been used to assess the performances of the contractors for many years. A dry-run on PASS 2000 was carried out last year. Incorporating feedback from stakeholders, we have been reviewing the system for progressive roll-out. We shall report to BC in May 2001. Meanwhile, as a key feature in enhancing objectiveness of the existing PASS, Independent Team under PASS Control Unit has taken up two thirds of Output Assessment since July 2000.

17. To enhance the representativeness and objectivity of the disciplinary mechanism, we shall review the membership of the List Management Committee in 2001.

Pillar Five - Establishing a Partnering Culture

18. We believe that the foundation for sustaining the success of our reforms will be the establishment of a partnering culture. To this end, we have taken actions to achieve more equitable risk-sharing. The measures include-

- (a) **Achieving more equitable risk-sharing**
We have revised the contractual arrangements for achieving more equitable risk-sharing risks with our partners (Paper no. BC 47/2000, QH 01/2000 refers). These include wider use of engineers' design of piling works on site with complicated ground conditions, reducing the level of Liquidated Damages for piling to remove incentives for cutting corner and providing for extension of time due to unanticipated complex ground conditions based on contractor's design.
- (b) **Extension of construction periods**
To allow contractors to deliver quality housing under the enhanced quality requirements, we have extended the construction periods of new piling and building contracts since March 2000 by one month and two months respectively.
- (c) **Waiving of Liquidated Damages**
To reduce the technical risks of Contractors in justifiable circumstances on the merits of individual cases, we have obtained BC's approval in October 2000 (Paper no. BC 157/2000, QH 17/2000) on the principles for assessing the waiving of Liquidated Damages for delay due to unanticipated complex ground conditions and the Quality Housing Initiatives on supervision enhancement and design approval on piling works.

19. To establish and foster the partnering culture, we have continued strengthening communications with other stakeholders. These include-

(a) **Site Works Forum**

We have conducted four sessions of Site Works Forum with in-house staff, consultants and contractors for quick resolution of common site problems. Over 120 items have been cleared through the discussions. Procedural changes to empower changes by project teams were also initiated and materialized.

(b) **Project partnering workshops**

To foster a partnering spirit during project implementation, project teams under eight pilot projects have held partnering workshops with the contractors to enhance mutual understanding and communication. We will progressively roll out more project partnering workshops.

(c) **Value management workshops**

To strengthen the decision making process to achieve optimum value for money, pilot Value Management Studies will be arranged for projects at planning and design stages. The first workshop has been convened for Shek Pai Wan in August 2000 to achieve cost-effective solutions.

(d) **Channels to obtain feedback**

We have also taken proactive actions in obtaining feedback from the internal and external stakeholders through the workshops on various subjects, formal and informal meetings on a regular basis to fine-tune the implementation details of the reform measures.

(e) **Partnering Symposium**

To reinforce stakeholders' commitments in delivering quality housing, a Partnering Symposium was held on 19-20 October 2000 with active participation of the Authority's major stakeholders. The Symposium provided a forum for these stakeholders to exchange views and ideas in enhancing building quality, and to facilitate implementation of / or reaffirming quality initiatives through partnering.

Pillar Six - Re-engineering Departmental Operations

20. A consultancy study to review the production process for HA's housing developments has been completed. The Consultant's initial recommendations have been presented to BC and staff in October 2000, as the Department takes steps to integrate them into the 50 Initiatives of the Quality Reform. The consultant has conducted further study and made proposals to assist the Department in implementing organizational reform. We will submit the proposal on strengthening project management to BC for consideration shortly.

21. As we are still going through a peak production, we need to handle the re-engineering with care. Focus should be on deploying additional resources to strengthen site inspection and motivating staff to concentrate on quality of construction. To this end, we have created additional posts for the ranks of professionals, assistant professionals and site supervisory staff. We have also recruited more graduate professionals to assist the project teams in meeting the peak production. At the same time, we have taken actions to reduce paperwork and to streamline the decision making process -

- (a) We now adopt a less prescriptive approach on management control. Quality audits have adopted a qualitative approach focusing on enhancing product quality, rather than using a quantitative approach to find non-conformities in projects.
- (b) We have revised our procedures to allow greater delegation of authority, expedite decision-making and facilitate problem solving on site using professional judgement.
- (c) We are reviewing and further streamlining site inspection procedures and paperwork, yet maintaining control on quality.

Phase Two Implementation

22. Recommendations under Phase Two implementation are more complex and involve interfacing with more stakeholders. Some of pillars, such as uplifting professionalism of the construction workforce and enhancing productivity are amongst the major topics examined by the Construction Industry Review Committee (CIRC) chaired by the Hon. Henry Tang.

23. Since we launched the Phase Two implementation in June 2000, we have worked with other stakeholders to explore various implementation options so as to establish the best approach. So far, we have launched 14 out of 25 recommendations. Our achievements are summarized in the following paragraphs.

Pillar Seven – Reinforcing Partnering Culture

24. Contractual disputes during project implementation are common. To resolve disputes speedily, we have obtained BC's approval in December 2000 (Paper no. BC 182/2000, QH 24/2000 refers) regarding the use of dispute resolution advisers in complex building contracts and the launch of pilot projects^{Note5} to test out the mechanism for settlement of disputes.

25. To ensure sustainable customer satisfaction, we need to proactively address the needs of customers as end-users of our products. To tap customer feedback, we will conduct customer satisfaction survey on customer services and design upon the completion of in-take and defects rectification period of the HOS courts. The first round of the surveys will be conducted on the two HOS courts namely Tsz Oi Court and Kam Tai Court selected for trial of the enhanced customer services.

26. To enhance the objectivity and consistency in the appraisal of the performance of the consultants, we are examining measures to normalize the extremity in performance reporting. Consultation is being made with internal and external stakeholders aiming to completing the review in 2001.

Pillar Eight – Enhancing Quality Monitoring Assurance

27. To ensure consistency of product quality, we have established global benchmark sample flats to demonstrate quality acceptance standard for all stakeholders to follow in November 2000. In view of the multiple parties involved in the sample flat approval and handover inspections, we have clarified their roles and responsibilities to reaffirm the Contract Manager's role as the single acceptance authority under the contract.

^{Note5} The pilot projects adopting the dispute resolution advisor systems are the piling contract at Fanling Area 36 Ph.3, building contracts at Tin Shui Wai Area 101 Ph.2 and Upper Wong Tai Sin Ph.3. These contracts will commence in the second half of 2001.

28. We have conducted a consultancy study to explore the viability of effecting warranty insurance. We are concerned about the absence of a mature market in Hong Kong for the proposed insurance product. As deliberated at the joint Home Ownership Committee and Building Committee Meeting in September 2000, it was decided that we would not adopt the warranty insurance until after the success of the insurance scheme in the local context and the effectiveness of other initiatives to provide quality assurance could be ascertained.

Pillar Nine – Reinforcing Third Party Control

29. In recognition of the community's expectation for an objective third party scrutiny of Housing Authority (HA) projects, Government has been examining the various options on bringing HA's construction works under the ambit of the Buildings Ordinance, and the associated implications on matters of legal, technical, resources, programming and staff concerns, in close liaison with Housing Department, Buildings Department and the concerned bureaux.

30. Full building control cannot take place in short term. We have taken interim measures to parallel the practice of building control (Paper No. BC 161/2000, QH 19/2000 refers). These measures include :-

- (a) The establishment of an Independent Checking Unit under the Director's Office in November 2000.
- (b) The progressive alignment of HD's procedures and practices to BD's requirements.
- (c) Strengthening administrative control over accountability through the application of equivalent Authorized Persons / Registered Structural Engineers in consultant projects and the designation of contractors' Authorized Signatories / Technical Directors.
- (d) Revisiting HD's specifications, procedures and practices.
- (e) Engagement of Independent Structural Checking Consultant for selected projects.
- (f) Strengthening staff training on the buildings regulations and their application.

Pillar Ten – Uplifting Professionalism

31. A **professional and respectable workforce** is important to the delivery of quality construction. To uplift the construction industry's status, it requires joint effort from the Government, developers, contractors, sub-contractors, workers and training authorities. Manpower development for construction workforce, including professionals, technicians, supervisors and workers, has been one of the major topics examined by the CIRC.

32. We have contributed actively to the work of CIRC and will make reference to CIRC's proposals in formulating our implementation details and timeframe on the initiatives to uplift the professionalism of the construction workforce. There are however some recommendations, such as the workers registration and registration of sub-contractors etc., which depend on the steer of central government and the joint effort of other stakeholders in the industry for their materialization. On these recommendations, the Department will make its best effort to work collaboratively with the Government and the industry to bring them into fruition.

33. A **safe working environment** is essential for attracting and retaining workers, we have implemented 'Pay for Safety' Scheme and strengthened contract requirements on site safety. We have also engaged Occupational Safety and Health Council (OSHC) as consultant to formulate the site safety strategy for HA. The consultancy report was endorsed by BC in June 2000 (Paper no. BC 80/2000 refers). We have implemented the OSHC's recommendations in stages, and submitted regular reports to BC on a quarterly basis. Implementation includes exercising the disciplinary and reward schemes established in tender and contract systems, managing accidents occurrence to below target rate, successfully completing an improvement review symposium on site safety management with other stakeholders, organizing in-house and external site training sessions and participating various site safety campaigns with other stakeholders.

Pillar Eleven – Improving Productivity

34. As sustained improvement is the key to future success, we have worked with the industry together to strive for greater efficiency and productivity in housing construction. A number of measures have been implemented as follows :-

- (a) To **promote wider use of prefabrication**, a mock-up installation to examine the buildability of prefabricated bathroom was completed. A pilot scheme has been initiated by contractor to incorporate prefabricated bathroom, and precast wall tile panel in Tseung Kwan O Area 73A Phase 2. We will conduct review on design, technical and operational details before drawing up policy framework.
- (b) A pilot system on **wider use of Information Technology** to enhance contract administration is being arranged, including electronic document management system, security and site quality control via digital camera, video to improve communication between site and headquarters.
- (c) To facilitate the development of **integrated production process**, we have sought approval from BC vide paper no. BC 113/2000, QH 9/2000 on the piloting of new procurement strategy in relation to the site-specific design. Pilot schemes have been identified for the Open Design Competition and Design & Build Contract.
- (d) To plan for a **pilot “Green Estate”**, Diamond Hill has been selected as a full pilot project. Project brief has been prepared for development of the detailed planning and design parameters.
- (e) To **reduce construction waste and improve the environment**, we have formulated policy framework to improve the environmental friendliness of building through the use of HK-BEAM (Residential). We have also introduced waste management plan for demolition/piling/building contracts tendered-out from August 2000 onwards.
- (f) We have already implemented measures to tighten up the **control over the sub-contracting** of piling works and we will introduce measures to improve the transparency of the sub-contracting system of the building works.

- (g) We have introduced a **Comprehensive Integrity Action Plan** to promote ethical integrity (Paper no. BC 115/2000, QH 11/2000 refers). It covers Staff Integrity, Site Organization, Procurement and Contract, Inspection Arrangement, and Material Testing. Upon thorough consultation with the line managers and staff associations, we shall streamline the administrative procedures. We shall issue a revised Departmental Staff Circular. Meanwhile, the listing criteria and contract provisions will be enhanced to promulgate the same measures for the consultants and contractors.

- (h) To **promote research** within the industry, we have issued a consultative document to obtain feedback from the professional bodies, trade associations, academic institutions and other stakeholders on the setting up the HA Research Fund and the Excellence Award Scheme. We are considering the feedback and suggestions for further development of the implementation details.

FINANCIAL AND STAFFING IMPLICATIONS

35. For the quality measures implemented in new projects or projects under construction, the financial and staffing implications have been assessed and submitted to the relevant committees for endorsement. A summary of the financial implications of these quality measures is attached at **Annex C**.

36. Regarding the financial effects, as the HA puts greater emphasis on quality performance, tender prices and construction costs may increase in short term. In the longer term, the industry should provide better value for money through the application of new techniques, process re-engineering, reduction of waste and non-value added activities.

37. The overall financial effect of the whole implementation package, which will be reflected in the tender prices, may not be easily assessed, as the quality initiatives interact with one another when implemented progressively. We will be in a better position to evaluate the financial implications after the full implementation of the reform measures. We will then provide a detailed financial assessment to BC for consideration. Nevertheless, we believe that any ultimate increase in project cost will be fully justified on the face of the better quality and value for money in our products and services.

38. On the staff resources aspect, the Department is making its best effort to absorb the additional workload occasioned by the Reform from within existing resources. Additional staff resources are mainly for reinforcing the site supervision of in-house projects and for setting up of the Independent Checking Unit (Paper nos. HRC 37/2000, 53/2000 and 59/2000 refer). To cope with the peak production, the Department has strengthened the site staff resources by recruiting additional staff resources, outsourcing part of the final flat inspection works to consultants, and by internal redeployment of staff from supporting functions to site supervision teams.

PUBLIC REACTION AND PUBLICITY

39. In the public consultation exercise for the Consultative Document “Quality Housing : Partnering for Change”, the public generally supported the reform proposals. When devising the implementation details and programme for the quality initiatives, we have consulted the concerned stakeholders. We have considered their views and addressed their concerns as far as practicable before finalizing the implementation details. A summary of the stakeholders’ responses to the quality initiatives implemented since April 2000 is at **Annex D**.

THE CIRC REPORT

40. As mentioned in paragraph 32 above, the Department has actively contributed to the work of the CIRC during its review. The CIRC report released in January 2001 has recognized the effort of the Authority’s on-going Quality Housing Reform, endorsed and incorporated our reform measures.

41. A mapping between the CIRC recommendations and the Authority’s Quality Reform measures indicates that the great majority of CIRC recommendations specifying Housing Authority as the implementing party have either been rolled out or are in the pipeline under the Authority’s Quality Housing Reform Programme or its Site Safety Strategy Initiatives. These are shown at **Annex E**.

EFFECTS ON QUALITY

42. The 50 Quality Housing Initiatives cover all essential aspects of delivery of quality public housing, from site specific design approach, procurement strategies, contract arrangements and specifications, supervision to completion, partnering and customer services. These reform measures bring about strengthening in all these essential aspects, both on the side of the HA and other stakeholders. By embarking these reform measures, we are well in place to ensure product quality and better services to our customers. With the 50 Quality Housing Initiatives progressively implemented, they have taken effects in assuring our built quality, providing better customer services and regaining public confidence.

WAY FORWARD

43. The Authority and the Department are fully committed to improving the built quality of the public housing. Since we launched the Quality Reform, we have made good progress and we have taken proactive actions in obtaining feedback from other stakeholders in striving for continuous improvement. We will continue to review the effectiveness of the quality measures and closely monitor their financial effects to the projects to ensure value for money.

44. Meanwhile, we are actively working on the implementation details of the remaining initiatives in pursuit of their early materialization. A broad timeframe for the implementation of the remaining initiatives is shown at **Annex F**.

45. Quality reform requires the joint effort of the industry. Given the added momentum the CIRC report will provide, we will work in collaboration with stakeholders and the industry to strive for the common goal of built quality.

INFORMATION

46. This paper is issued for Members' information.

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