

# Economic Performance

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## Economic Performance

We endeavour to achieve economic sustainability throughout the entire life cycle of our public rental housing (PRH), starting from the planning and design phase to the demolition phase. We aim to adopt and implement functional and cost-effective design, sound procurement practices, resources maximisation and adopting the latest viable technology, to ensure the best use of our resources while maintaining quality housing stocks.

According to the data obtained from the Housing Authority (HA) building tenders received in 2009, and our cost consultants superstructure costs for our developments are about 32% lower than those of similar structures in the private sector, which indicates our success in adopting a cost-effective approach to plan and build PRH.

During the year, we continued our efforts in optimising housing resources through minimising the vacancy and abuse of PRH estates as well as enhancing preventive maintenance, restoration and improvement of older estates.

Economic Performance Targets for period 2009/10	Progress
Implementing the new rent adjustment mechanism and following up the outcome of the Review of Domestic Rent Policy.	Fully Met
Continue to minimise the vacancy of PRH estates.	Fully Met
Conduct tenancy control and education campaigns with an aim to reduce abuse of housing resources.	Fully Met
Continue on assessment of older estates and enhance their preventive maintenance, restoration and improvement.	Fully Met

## Financial Performance

HA is financially autonomous. Our public housing programmes are sustained through internally generated funds such as rental of public housing and sale of surplus Home Ownership Scheme (HOS) flats. The financial performance is highlighted below. Financial statements for 2009/10 are provided in our [Annual Report](#).

Highlights of our financial performance:

### Consolidated Income Statement in 2009/10

	HK\$ M
Consolidated Operating Account Surplus	1 529
Funds Management Account Surplus	6 138
Agency Account Deficit	(13)
Surplus for the year	7 654

### Consolidated Operating Account in 2009/10

	HK\$ M
Rental Housing Operations Deficit	(1 464)
Commercial Operations Surplus	461
Home Ownership Assistance Operations Surplus	2 589
Consolidated Operating Surplus before Non-operating Items	1 586
Less: Expenditure on Non-operating Items	(57)
Surplus including Non-operating Items for the year	1 529

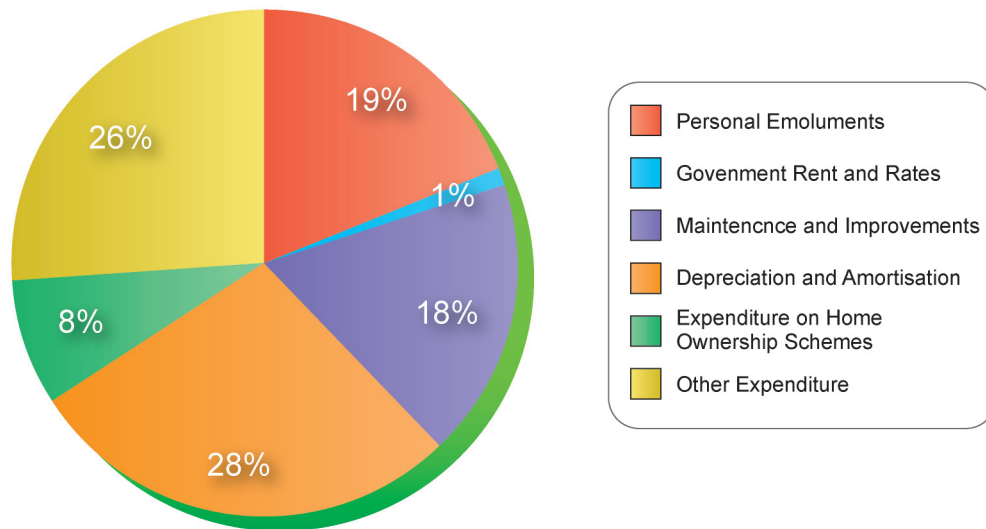
### Capital Expenditure for the Fiscal Years 2005/06 – 2009/10

Items	HK\$ M				
	2005/06	2006/07	2007/08	2008/09	2009/10
Construction	3 467	3 634	4 950	5 845	5 511
Improvement Works	214	107	162	249	384
Computer Systems	84	111	117	107	127
Total Capital Expenditure	3 765	3 852	5 229	6 201	6 022

As at 31 March 2010, the HA's available investment funds stood at HK\$62 174 million which was with a surplus of over HK\$5 799 million higher than 2008/09.

During the year, the recurrent expenditure of HA was HK\$13 799 million, i.e. HK\$2 811 million lower than 2008/09.

### Analysis of Recurrent Expenditure 2009/10



## Housing Rent Adjustment and Assistance Policies

With effect from 1 January 2008, the income-based rent adjustment mechanism allows rent for PRH estates to be adjusted upward or downward with reference to the change in household incomes of the residents. This provides an objective yardstick to determine when and to what extent that PRH rent should be adjusted in relation to the affordability of the needy. The first rent review will be conducted in 2010, with subsequent reviews to be held every two years thereafter.

Since 1992, we have offered a Rent Assistance Scheme (RAS) to relieve tenants' financial hardship. The scheme offers either a 25% or 50% rent reduction to tenants depending on their level of financial hardship. In view of the recent economic downturn, we have strengthened our promotion of Rent Assistance Scheme to alleviate the financial burden from tenants through broadcasting on our [Housing Channel](#) and on radio and dispatching posters and leaflets in PRH. At the end of March 2010, there were around 11 740 families receiving assistance from this scheme.



Poster of Rent Assistance Scheme

## Resource Optimisation

It is our policy to provide adequate and affordable PRH to the needy. Currently around two million people in Hong Kong live in our rental units.

Despite facing tremendous demand for PRH, we pledge to keep the average waiting time for PRH at around three years for applicants in the general Waiting List, and two years for those in the elderly one-person Waiting List. In 2009/10, we totally allocated 20 875 flats to applicants on the Waiting List with an average waiting time of around two years for general applicants and 1.1 years for elderly one-person applicants.

	Average Waiting Time for PRH	
	Our Pledge	Actual Waiting Time
<b>General Applicants</b>	3 years	2 years
<b>Elderly One-person Applicants</b>	2 years	1.1 years

It is always our target to ensure maximisation of public housing resources. This is partly achieved through reducing vacancy rates and curbing the abuse of housing resources by tenants.

### Reducing Vacancy Rates

During the year, we launched the 14th Express Flat Allocation Scheme (EFAS) to provide a fast track for Waiting List applicants to acquire PRH flats which are less popular. We have also offered rental reduction incentives to encourage PRH tenants to take up flats which have remained vacant for one year or more. Tenants are entitled to a 50% rental reduction for eight months and 12 months if they have taken up flats that have not been let out for 12 to 24 months or over 24 months respectively. Under this scheme, we received 25 650 applications and over 1 000 families benefited in 2009.

To shorten the vacancy period between tenancy changes, we carry out letting activities and refurbishment work concurrently. Under the Acceleration-on-demand programme, we will arrange to accelerate the unfinished refurbishment works when the flat is accepted by an applicant and to allow the applicant to take over the flat in 14 days. The programme greatly shortens our turnaround time for the refurbishment. As at 31 March 2010, the average turnaround time for the refurbishment of vacant flats under the programme was slightly better than the target, from 46 days to 34 days.

## Combating Tenancy Abuse

We must prevent and eliminate abuse of our precious housing resources to ensure that they are used efficiently, rationally and equitably. In this regard, we engaged our frontline estate staff to help combat tenancy abuse through daily housing management and biennial flat inspections.

Under the Housing Subsidy Policy, the Policy on Safeguarding Rational Allocation of Public Housing Resources and other housing and tenancy management policies, we conduct the biennial income and assets declaration. This exercise involves some 170 000 tenancies annually and aims to identify and require better-off tenants to either return their units or pay extra rents to the HA.

Our frontline estate staff will identify suspected cases through their daily duties, flat visits and the biennial income and assets declaration. All suspected cases will be referred to our Public Housing Resources Management Sub-section (PHRM) for thorough investigations. Public Housing Resources Management Sub-section will also randomly select high-risk cases to conduct in-depth investigations. In 2009/10, the Public Housing Resources Management Sub-section completed some 12 500 in-depth investigations relating to occupancy, income and asset declarations. To intensify the investigation, a Web Patrol Team was established in early 2009 to track potential abuse cases through the web.

To bring home the message of cherishing the valuable public housing resources, we conduct regular publicity and promotional programmes to enlist support from the community at large. During the year, we organised road shows in 10 estates and a slogan competition to enhance tenants' awareness. The winning entry "Stop Tenancy Abuse, Act for the Needy!" was used as our new publicity slogan.



### 萬千家庭輪候中 濫用公屋豈能容

Stop tenancy abuse,  
act for the needy

公共房屋是社會的寶貴資源，必須善用及公平編配給真正有需要的人士，否則在輪候冊上的公屋申請人獲配單位的時間便會大受影響。任何人士如發現懷疑濫用公屋個案，請立即向房屋署舉報。

Public housing resources are precious. They should be used appropriately and fairly allocated to those in genuine need. Any form of tenancy abuses will prolong the waiting time of the public housing applicants on the Waiting List. Please report any suspected cases to the Housing Department.

**舉報濫用公屋途徑：**  
Ways to Report Tenancy Abuses:

- 1 致電房委會熱線 2712 2712  
Call the Housing Authority Hotline 2712 2712
- 2 填交「舉報濫用公屋郵表」  
Send in the Tenancy Abuse Report Aerogramme
- 3 登入房委會 / 房屋署網站 (www.housingauthority.gov.hk) · 遞交電子表格  
Submit an online form at the Housing Authority / Housing Department Web Site (www.housingauthority.gov.hk)
- 4 聯絡屋邨辦事處職員  
Contact estate staff

### 切勿縱容以下濫用公屋行為： Stop the following tenancy abuses:



- 丟空單位  
● Non-occupation



- 分租或轉租單位  
● Subletting



- 進行非法活動  
● Operating illegal activities



- 作非住宅用途  
● Non-domestic usage



- 虛報資料  
● False declaration of information

如公屋租戶被證實濫用公屋，除會被終止租約外，更可能會被檢控。如屬下列嚴重濫用行為，房屋署將不予警告，而採取終止租約行動：

- 把單位分租（不論有沒有租金收入），或
- 責任在控證實的另居居所，或逾三個月非經常持續居住於單位（「經常持續」一詞按其常義詮釋，審理個案時以合理標準為準）之後，
- 在單位進行非法活動。

Tenants who are proven to have abused public housing resources would have their tenancies terminated and may be prosecuted. For the following cases of serious breaches, Housing Department will terminate the tenancies without warning:

- subletting (with or without rental income), or
- staying in proven alternative accommodation or not retaining regular and continuous residence for over three months ("regular and continuous" to be construed in accordance with its ordinary meaning and reasonableness is the crucial yardstick in judging the cases), or
- using the premises for illegal activities.

請即舉報

Aerogramme on "Stop Tenancy Abuse for the Needy"

## Surplus Home Ownership Scheme Flats

We ceased the production and sale of Home Ownership Scheme (HOS) in 2002 due to the repositioning of the government's public housing policy, resulting in 16 700 surplus Home Ownership Scheme flats in stock. To optimise our housing resources, we have launched a phased programme to sell all the surplus Home Ownership Scheme flats gradually since 2007.

Phase	Commencement Period	Surplus Home Ownership Scheme Flats Offered for Sale	Home Ownership Scheme Flats Sold	Percentage of Home Ownership Scheme Flats Sold
Phase 1	January 2007	3 056	3 052	99.87%
Phase 2	August 2007	3 255	3 255	100%
Phase 3	February 2008	3 052	3 018	98.89%
Phase 4	September 2008	3 221	1 900	58.99%
Phase 5	October 2009	1 392	1 391	99.93%

Upon completion of five sale phases, we sold about 12 700 Home Ownership Scheme flats in total. Approved by the HA's Subsidised Housing Committee, Phase 6 of selling surplus Home Ownership Scheme flats have been scheduled for sale in June 2010.



Surplus Home Ownership Scheme flats sold in the Phase 5 Sale - Yau Chui Court

Prior to each sale phase for the surplus Home Ownership Scheme flats, we prepared the sales literature in compliance with both internal and external guidelines where appropriate. These guidelines include Circular Memorandums issued by the Legal Advisory and Conveyancing Office of the Lands Department; guidelines issued by the Real Estate Developers Association of Hong Kong; reports issued by the Law Reform Commission of Hong Kong and publications issued by other relevant parties.



Sales Literature of Home Ownership Scheme flats - Kam Tai Court

## Flexible Letting Strategies

After adopting a range of market-oriented letting strategies, where premises are let at market rents through open tenders, direct negotiations and walk-in applications, our retail premises reached an overall occupancy rate of 94.5% during the reporting year.



Specialty shop in Nam Shan Estate

Our efforts to optimise the use of available facilities have successfully brought in a number of new tenancies. Our vacancy reduction measures include modernization of existing spaces to keep pace with today's lifestyle trends and transformation of old and small market stalls into larger "themed" areas. One of our successful examples is the conversion of 15 small market stalls into a specialty shop for the sale of high quality, safe and fresh agriculture and aquaculture products in Nam Shan Estate. Another successful showcase is

the conversion of under-used spaces in Tin Heng car park to a Telebet cum Volunteer and Training Centre operated by the Hong Kong Jockey Club. Opened in May 2009, the Centre has realised our sustainable approach by not only maximising the usage of space, but also by providing volunteer services and creating job opportunities for residents in Tin Shui Wai.



Interior of the Telebet cum Volunteer and Training Centre



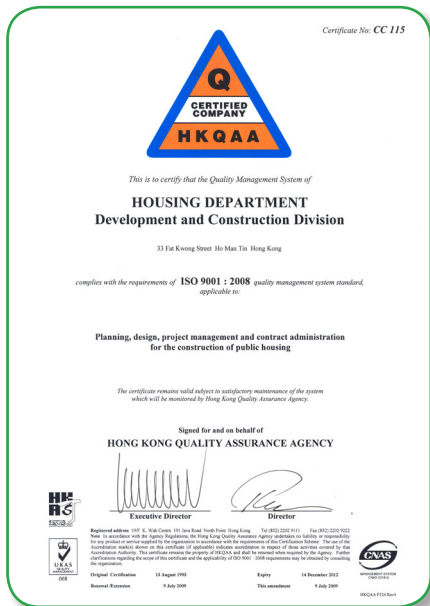
Tin Heng car park converted to a Telebet cum Volunteer and Training Centre

We have implemented a number of initiatives to use up less popular spaces such as

- Converted some 7 300 square metres of space into community welfare centres providing neighbourhood, day-care and counselling facilities, residential care homes for the elderly, youth centres and social outreach offices;
- Converting an open car park site at Tin Ching Estate in Tin Shui Wai into a six-storey Amenities and Community Building to be utilised by over 20 non-governmental organisations and service organisations; and
- Converting a number of surplus car parking spaces at several estates into motorcycle parking spaces.

# Operation with Cost-Effectiveness

## Management System and Process Enhancement



ISO 9001:2008 Certificate for Development and Construction Division

To align with international trends on effective management, we have adopted ISO 9001 Quality Management System (QMS) and ISO 14001 Environmental Management System (EMS) to gauge, control, and improve our operations and environmental performance in various units/divisions. During the year, we successfully upgraded our Quality Management System to ISO 9001:2008 for our development and construction works, while migration of Quality Management System to 2008 version for our maintenance works was completed in early 2010. In addition to the implementation of both Quality Management System and Environmental Management System, our Development and Construction Division also introduced European Foundation for Quality Management (EFQM) Excellence Model principles into its management, as a step forward for continuous improvement.

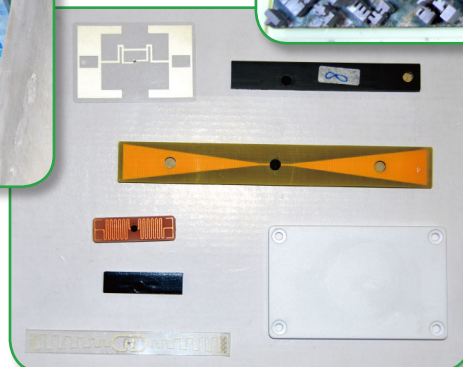
Other than our rigorous internal management systems, we also fine-tune our initiatives and practices from time to time to improve work efficiency. For instance, we introduced a 3-D and elemental design in the early stages of design conception through the use of Building Information Modelling (BIM) to allow multi-disciplinary co-ordination at the design stages, thus avoiding excessive co-ordination and unnecessary re-work at the later construction stages. Another example is the application of Radio Frequency Identification (RFID) to facilitate the monitoring of precast concrete facades and other building components on site.



Read/write data using the Radio Frequency Identification reader on the embedded tag



The 3D printing model of So Uk Estate.



Samples of Radio Frequency Identification tags

## Procurement Practices

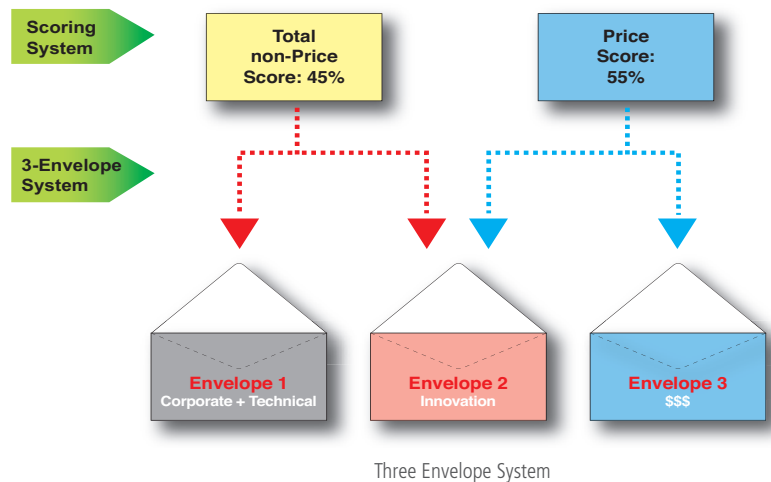
Our building works involve a wide range of contractors. It is important to work with them closely to improve our work efficiency and overall performance. Our New Integrated Procurement Approach adopts a hybrid “design and build” model in conjunction with more traditional “design-tender-build” method. This partnering approach allows us to make the best use



Kai Tak Site 1 B development

of external resources from experienced contractors to encourage innovations in design while maintaining the standards and quality control of our housing stocks. This approach is being used at Kai Tak Site 1B development to increase working efficiency and to procure for innovations, by applying a “three-envelope system” for tendering which is a very innovative procurement approach, being the first of its kind in the world.

To drive the continual improvement on environmental, health and safety performance of our contractors, we required all building and piling works contractors to attain ISO 14001 EMS and OHSAS 18001 Occupation, Health and Safety Management System certificates so as to ensure that appropriate environmental, health and safety practices are adopted for site works.



## Repositioning our Commercial and Retail Activities

To catch up with the private market trends, we have repositioned our commercial and retail facilities to make the best use of resources and to optimise their market value for the best possible commercial returns.

Under this repositioning approach, there will be two shopping centres to be opened in 2010, including Choi Tak and Yau Lai. The Domain, located above the Yau Tong MTR station with about 23 000 square metres of retail space, is



Construction Site of the Domain

anticipated to be opened in 2012 and will become the centerpiece of Kowloon East. We aim to turn this new shopping centre into a hip destination representing distinctive lifestyle with a range of entertainment facilities and gastronomic delights.

To turn our ideas into reality, we have invited and consulted specialists about social and market requirements, the optimum trade mix and appropriate facilities to cater for the young, the trendies and the general community. We are working closely with the consultants to establish leasing strategies, implement promotion activities and determine interior design and decoration requirements for this new shopping highlight.

### **Enhanced Maintenance Strategy**

Managing around 700 000 PRH, we always try to preserve and rejuvenate rather than demolish older estates in order to maintain the balance between environmental, social and economic concerns. Throughout the years, we have launched [Total Maintenance Scheme](#), [Comprehensive Structural Investigation Programme](#) and [Estate Improvement Programme](#) to maintain housing quality. As some 50% of our PRH will reach their 30-year mark within the next decade, we need to develop a long-term and sustainable maintenance and re-development plan for all our estates. To this end, we introduced an Enhanced Maintenance Strategy to meet these imperative needs during the year.

Under the Enhanced Maintenance Strategy, we have proactively planned and synchronised maintenance programmes for estates to extend their effective life-span and minimise disturbance to tenants. This enhanced strategy adopts a systematic and integrated approach to safeguard housing quality according to their “age” as follows:

- Carry out a general inspection every five years for estates over 10 years old;
- Conduct more detailed and thorough investigations every 10 years for estates over 20 years old;
- Initiate modernisation programmes such as lift modernisation and re-waterproofing of roofs for estates of 25 years old; and
- Determine if estates should be redeveloped or revitalised and retained for a further period of at least 15 years under the Comprehensive Structural Investigation Programme for those around 40 years old.

## Total Maintenance Scheme

The first phase of our Enhanced Maintenance Strategy is the Total Maintenance Scheme (TMS) which provides comprehensive in-flat inspections and maintenance services to all PRH estates in a continuous five-year cycle. The Total Maintenance Scheme is carried out by inspection teams which are composed of In-flat Inspection Ambassadors, works coordinators and building maintenance workers. The inspection teams will rectify minor repairs on the spot, while works orders will be issued for major problems that require further rectification.



Total Maintenance Scheme maintenance activities



Total Maintenance Scheme maintenance activities

As at the end of March 2010, our Total Maintenance Scheme covered 160 estates with an overall access rate of about 75% and repairs have been completed in around 280 000 flats. After the inspection, the flats' conditions are recorded on Personal Digital Assistants (PDAs). This enables the development of a comprehensive database on the repair conditions and maintenance history of our housing estates to facilitate future repair work and data analysis, support research and development, and formulate more sustainable maintenance strategies.

Tenants are satisfied with our services as reflected in the survey results which report consistently high levels of customer satisfaction with an average score of 85%. Our proactive reach out approach is definitely one of the key factors for the success of the Total Maintenance Scheme. Our other efforts include:

- Operation of a maintenance hotline supported by a call centre to enhance the accessibility of the scheme;
- Launching of a comprehensive communications programme including videos and displays, education paths, mobile exhibitions, tea gatherings, briefings and seminars to widely promote the Total Maintenance Scheme and the importance of day-to-day home maintenance; and
- Establishment of the Maintenance Education Booths in about 40 PRH estates by our Inspection Ambassadors to provide practical information as well as clear “DO’s and DON’Ts” items in relation to “do-it-yourself” maintenance activities in tenants’ homes.



TMS – Communications Programme and Maintenance Education Booths



## Comprehensive Structural Investigation Programme

The Comprehensive Structural Investigation Programme provides a “health check” on the structural condition of estates that are around 40 years old. The Comprehensive Structural Investigation Programme aims to determine whether these old estates should be demolished for redevelopment or retained for improvement and revitalisation so as to maximise operational efficiency and optimize the economic value of housing assets. During the year, we completed evaluations in three estates, including Mei Tung, Kwai Ching West and Oi Man Estates. Evaluations on a total of 13 estates were completed since the Comprehensive Structural Investigation Programme was launched in 2005. Among all the evaluated estates, So Uk Estate and Block 22 in Tung Tau Estate are planned to be demolished

for redevelopment, while others will be retained for at least another 15 years after improvement.



So Uk Estate



Block 22 in Tung Tau Estate

Over the next few years, there will be more than 30 estates reaching or approaching their 40-year mark; we will extend the Comprehensive Structural Investigation Programme to 2018 to facilitate the development of a maintenance and re-development strategy for old PRH estates.

## Information Technology (IT) Application

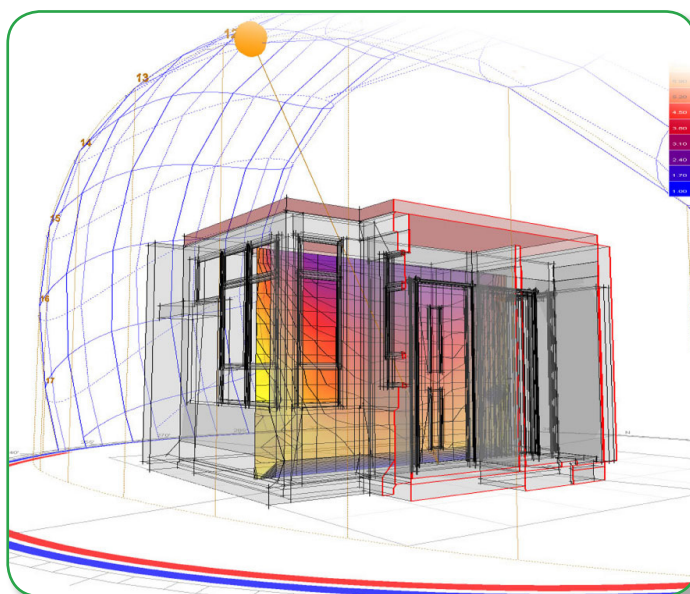
We have identified opportunities to adopt IT applications as far as possible to enhance overall operation efficiency and achieve greater customer satisfaction.

Currently IT applications are widely used in the following areas to enhance our services:

- The Total Maintenance Scheme System (TMSS) and the Mobile Application System for Housing Management (MASHM) to facilitate better customer services and support frontline staff in their daily operations;
- The Radio Frequency Identification (RFID) technology for equipment and materials tracking;
- The Building Information Modelling (BIM) for planning and design of our estates with more three-dimensional visualisation as well as four-dimensional simulation, building services clash detection and avoidance; and
- e-Services and e-links such as the GovHK portal to provide convenient customer services platforms for tenants.



The 3D printing model of a standard modular flat.



Building Information Modelling daylight analysis on a typical standard flat

In the coming three years, we will implement the integrated Enterprise Resources Planning (ERP) solution by two phases. The first phase which lasts for 18 months will focus on the replacement of our current Finance and Procurement Systems. This will provide a single integrated system for our applications, modernising our back office support systems with industry best practices, streamlining business processes and enhancing business decisions with integrated information. The second phase of the Enterprise Resources Planning, which focuses on our estate maintenance requirements, will commence within the next two years.