Response to the Legislative Council’s Select Committee on Building Problems of Public Housing Units

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Introduction

This response is prepared by a team of housing researchers at the Research Centre for Construction and Real Estate Economics, the Hong Kong Polytechnic University. The response is mainly focused on the institutional framework for housing and the housing policies at the macro level, rather than the specific details of causes for the recent poor housing quality incidents. The five major headings in this paper include institutional framework, housing production, building quality, rent certificates & housing vouchers, and mixed development.

1. Institutional Framework

1.1 Housing Authority and Housing Society

There exist some overlapping for the scope of service between the Housing Authority and the Housing Society. That might cause unnecessary confusion to the public; and also inefficiency in the use of public resources. This could be illustrated by the fact, for instance, that the Housing Authority manages the Home Purchase Loan Scheme and the Home Ownership Scheme, whereas the Housing Society administrates the Home Starter Loan Scheme and the Sandwich Class Housing Scheme. It would be more desirable to have a clearer division of labor between the two organizations. It is recommended that the Housing Authority concentrates on providing basic housing for the most needy group of people, by the production of new public rental housing and the redevelopment of older public housing estates. Home ownership scheme should, whenever possible, be replaced by private sector mixed development. On the other hand, the Housing Society should focus on providing housing to facilitate urban renewal projects in parallel with the future Urban Renewal Authority.

1.2 Housing Authority and Housing Department

The authority and responsibility of the Housing Authority should be better defined, particularly with the line of authority between the Housing Authority and the Housing Department.

In theory, the Housing Authority is a statutory body with independent financial and administrative capability. Its main objective is to develop public housing policies for Hong Kong. The Housing Department is the executive arm of the Housing Authority for the implementation of the established public housing policies.

In practice, the Director of the Housing Department is a civil servant. The appointment and dismissal of the Director and other staff at the
directorare grade are to be made by the Government, rather than by the Housing Authority.

Thus, there is confusion whether the Director of the Housing Department is accountable to the Government, via the Housing Bureau, or accountable to the Housing Authority. We recommend that the performance of the Housing Department and its Director should be directly accountable to the Council of the Housing Authority, and the Chairman of the Housing Authority should be empowered to appoint or to dismiss senior staff of the Housing Department in case of poor performance.

2. Housing Production

We support the decision made by the Government not to insist on the rate of production of 85,000 housing units per annum in Hong Kong. Such target causes difficulties in housing production and, in turn, adversely affects today’s housing quality. Particularly to the sub-structure work, which is more uncertain and risky as compared to super-structure work.

The Housing Bureau should establish a clearer and better coordinated housing policy, for the provision of both private and public sector housing, with a focus on the production of quality housing, rather than with a focus on the quantity.

3. Building Quality

3.1 Project Programming

To ensure building quality, we recommend that the Housing Department should allow sufficient time for the project team to give proper consideration to all relevant factors and to mobilize the necessary resources to deliver public housing projects to a good standard. We recognize, though, for public housing project, HOS/PSPS and rental blocks, in presence of mounting housing needs in the past and with the previous 85,000 target, the Housing Department would be strongly tempted to accelerate the construction programme despite the possible adverse impacts on building/construction quality. We strongly recommend that the Government and the Housing Department alike should further look into this issue to see if there are any practical means of addressing the effect of poor building quality to society. At the same time, this should avoid chance of corruption and short piles due to overlook under tight time limits.
3.2 Quality Assurance

The Government and the Housing Department should foster a quality culture according to the Report of the Construction Industry Review Committee. We recommend that:

- The Housing Department should prohibit from subletting the entire contract to another party. The Housing Department should play a more pro-active role in setting their requirements over the performance and management of main/sub-contractors.
- In addition to the control measures introduced recently over piling contracts, we urge the Housing Authority to tighten control over piling and subcontract activities in areas of construction works as a matter of priority.
- Adequate site supervision is crucial; and the Housing Department must do it more properly, to ensure the delivery of works to specifications with the stipulated timetable. Adequate on-site supervisory provision (especially at professional level) is made for critical stages having regard to the nature and complexity of works.
- We support the introduction of more structured site supervision requirements by the Buildings Department. We recommend that the Buildings Department should, if possible, help the Housing Department to monitor building quality. Independent auditing should be carried out on a regular basis as work progresses. This would provide checks and balances to guard against unsatisfactory, poor quality work, sub-structure and super-structure.
- The Government should work with the Housing Department to bring its projects within the ambit of the Building Ordinance as soon as possible, and with independent auditing arrangements to uphold the quality standards of public housing.\footnote{Note: The HA conducted a review in 1999 to enhance the building quality of public housing and has started to roll out 50 initiatives under its Quality Housing Reform since April 2000.}

4. Rent Certificates and Housing Vouchers

On efficiency grounds, the Government and the Housing Department may consider using rent certificates and/or housing vouchers instead of direct housing provision. Eligible households are issued rent certificates that can be used to rent existing housing. To qualify for assistance, a household’s income must be less than a certain percentage of Hong Kong’s median family income. The eligibility requirements for housing vouchers are similar to those for rent certificates: the bulk of payments should go to the households below certain income level. However, to
qualify for a voucher, the household must occupy a dwelling that meets minimum quality standards, such as space per person and building age, etc.

5. Mixed Development

The Government had proposed “mixed development” as one of the possible ways to provide subsidized housing for those who cannot afford to purchase or rent their accommodation in the private market. We support that proposal, for mixed development is a much better scheme than the existing home ownership scheme in promoting home ownership in Hong Kong. By doing so, the Housing Authority will not be directly involved in housing production; and hence avoid building quality problems. Private developers, under the specified lease conditions, will be required to hand back a certain percentage of completed flats to the Government as HOS flats to be sold to the eligible applicants. The private sector is more efficient than the Government in housing production and can be more responsive to changing market conditions. On the other hand, the Housing Authority will still be able to secure financial returns that can be channel to help those who are in housing need.

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