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Commission 9 - Valuation and the  
Management of Real Estate

**The Future of Real Estate  
Management: Privatization of  
Public Housing Management**

by Conny M W Wang (HKSAR), 15 April 2010

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**BACKGROUND**

- A. In Hong Kong, there is about half of the total population living in public housing which includes public rental housing (PRH).
- B. Privatization is considered a solution to the existing public housing management structure, i.e. contracting out public housing management from the Housing Authority (HA) to the Private Services Company (PSC).

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## BACKGROUND

- C. The HA starts to implement privatization to PRH estates to improve its bulky manpower structure, enhance cost effectiveness and time efficiency in managing public housing.
- D. In order to oversee the performance of the PSCs in the privatization programme, the HA conducted tenant satisfaction surveys periodically. According to the result of the surveys, the performance of the PSCs is satisfactory.

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## AIM OF THE STUDY

- ◉ To test whether privatization of real estate management in public housing can provide better service, and therefore, make recommendations on whether the HA to continue with privatization or not.
- ◉ In order to achieve the aim, the study will cover the following objectives: -

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## OBJECTIVES

- To review the implementation of privatization by the HA and to investigate the influence of the privatization programme to the HA;
- To conduct a tenant satisfaction survey to test whether privatization of real estate management in public housing can provide better service or not; and
- To review the implementation of privatization of real estate management in public housing and make possible recommendations.

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## IMPLEMENTATION OF PRIVATIZATION (HOUSING AUTHORITY)

- 1) **Cost Effectiveness**
- 2) **Beneficiaries of Privatization**
- 3) **Disengagement**
- 4) **Voluntary Deployment Scheme**

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## 1) COST EFFECTIVENESS

- Cost saving is undeniable one of the main themes of privatization. The salaries of civil servants in Hong Kong are at the high side. However, for those departments with large numbers of staff like the Housing Department imply a huge burden on salary expenses. In order to balance the salary expenses and allocation of cost distribution, privatization is definitely a solution to save costs if the performance quality is not affected.

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## 2) BENEFICIARIES OF PRIVATIZATION

- By implementation of privatization of real estate management, the government is certainly one of the beneficiaries. Not only costs can be saved, but also reduction of manpower can improve the operation burden of the government. Since the government has to be responsible for the services provided by housing staff, reforms on housing services are deemed necessary. Privatization provides a solution to alter the form of housing management and to re-structure the supervision channels of public housing.

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### 3) DISENGAGEMENT

- Disengagement can entirely apply to contracting out of public housing management tasks originally taken up by the HA staff to private sector companies. Moreover, the public housing estates under the private sector management are incorporating private sector practice into the delivery of real estate management services to public services.

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### 4) VOLUNTARY DEPLOYMENT SCHEME (VDS)

- Under the VDS, the joiners should be employed by one of the private management agencies which have been awarded with a real estate management contract from the HA. The VDS staff can then receive the government pension when they left. In the past, no pension could be received before the retirement age. The VDS not only allows the staff to take the pension but the private management agencies also provide at least 2-year employment contract to the VDS staff.

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## TENANT SATISFACTION SURVEY UNDER PRIVATIZATION

- A. Personal face-to-face interview is used for the tenant satisfaction survey.
- B. To collect perception and feedback of residents on the performance of the various private services companies (PSC) in terms of quality & service attitude of management office staff, cleansing services, repair & maintenance services, security services and others (include content and timing of notice posting, arrangement of recreational activities, festival decoration).

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## TENANT SATISFACTION SURVEY UNDER PRIVATIZATION

- C. To evaluate the performance of the PSCs by analyzing the residents feedback by taking mean, median, mode and standard deviation through Microsoft Excel to analyze the data; and
- D. To assess whether the performance of the PSCs is acceptable to the end users of the services, i.e. the residents of the target PRH estates.

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## TEST

- A. All questions are in a two-option scale including “YES” and “NO”. There are 25 questions in the questionnaire. The focus of the questions is exactly the same as the questionnaire conducted by the HA.
- B. Through the questionnaire, One (1) score will be assigned to each “YES” answer and Zero (0) score will be allocated to each “NO” answer. Therefore, the maximum score of each questionnaire is 25.

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## TEST

- C. If the passing rate 13 is obtained in the questionnaire, the performance of the PSC is classified as satisfactory with respect to the respondent. In order to test the overall performance of the PSC in the target PRH estates, the passing rate 13 of all the questionnaires will be taken to review whether over 92% of the questionnaire can achieve this level.
- D. If the result is positive and the standard deviation falls within 5% at confidence limit, the hypothesis is justified.

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## LIMITATIONS

- ◉ The use of primary data through conducting surveys meets the obstacle of sampling size. It is impossible to put questionnaires into the letterbox of each flat.
- ◉ Therefore, surveys can only be conducted by face-to-face interviews. As a result, the limitation of resources for conducting interviews made the size of sampling relatively small.

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## RESULT AND ANALYSIS

- ◉ Before taking the data of the questionnaire into account, the sub-hypothesis is 92% or above of respondents considered the PSCs' performance to be satisfactory, i.e. above the passing rate 13,
- ◉ i.e. if 92% or above respondents in all of the three target public rental housing (PRH) estates offer the scores higher than the passing rate 13, the sub-hypothesis is verified.

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## TARGET PRH ESTATES

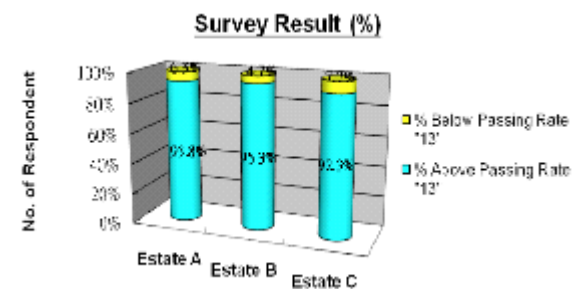
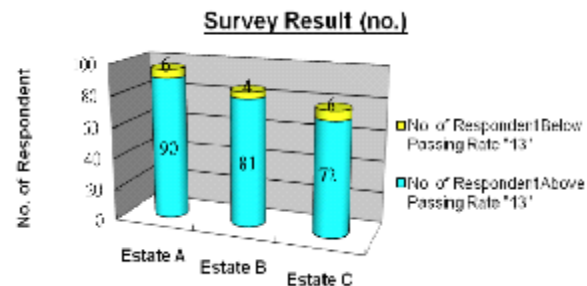
- Three target public housing estates located at New Territories and Kowloon in Hong Kong are selected for the study

- Numbers of Interviewee

Estate	Nos. of Interview	Nos. of Valid Interview
A	128	96
B	112	85
C	105	78

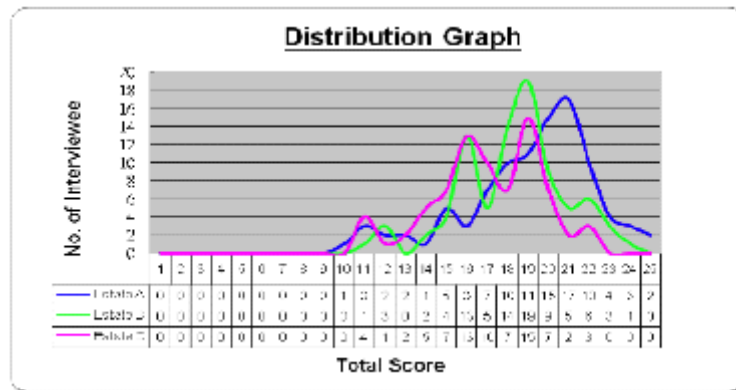
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## FINDINGS



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## By Taking The Mode



## SURVEY CONCLUSION

- The survey shows that the respondents (the residents of the three target PRH estates) may consider the performance of the PSCs much above satisfactory through the sub-hypothesis, 92% or above of respondents considered the PSCs' performance to be satisfactory, i.e. above the passing rate 13.
- The study matches with the result conducted by the HA. It induces that the hypothesis is justified, the Housing Authority should continue to implement privatization of real estate management in public housing.

## REVIEW

### A. Further Research

- *Actual cost comparison between the HA and the PSC*
- *Tenant Satisfaction Survey*
- *Housing Staff Survey*

### B. Recommendations to the Government

### C. Revision on Privatization Scheme

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## CONCLUSION

- Through the study, the testing of the sub-hypothesis of the tenant satisfaction survey, both the government and the end-users are beneficial in the implementation of privatization.
- The government is recommended to continue the privatization programme in real estate management in public housing in order to allow more public housing residents to enjoy the reform by having taken the concerns and constraints as well as the negative impacts on housing staff into account.

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**Thank You**

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