

CHAPTER 8

Architectural Services Department Government Property Agency

Provision and management of quarters

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PROVISION AND MANAGEMENT OF QUARTERS

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PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Provision of quarters

Classification of quarters

1.2 It is the Government's policy to provide quarters for eligible civil servants as a type of housing benefits or for operational need. Quarters are classified as follows:

- (a) ***Non-departmental quarters (NDQs)***. NDQs are provided to house officers who are eligible for quarters by their terms of service and for whom departmental quarters (DQs) are not provided;
- (b) ***Post-tied quarters***. Post-tied quarters are provided for holders of specific posts who are required to live at or very close to their places of work; and
- (c) ***DQs***. DQs are allocated to eligible officers by the heads of departments in accordance with the Accommodation Regulations. They are further classified into the following categories:
 - (i) ***Disciplined services quarters (DSQs)***. DSQs are provided, subject to the availability of resources, for married officers of the rank and file, local married officers in the rank of inspectors and superintendents of the Hong Kong Police Force (HKPF) and comparable ranks in the other disciplined services departments. The policy objective on the provision of DSQs is to maintain morale in the disciplined services departments;
 - (ii) ***Judiciary quarters***. Judiciary quarters are provided for Judges of the Court of First Instance of the High Court and above of the Judiciary;
 - (iii) ***Operational quarters***. Operational quarters are provided for housing a restricted group of eligible officers who, by virtue of their ranks or postings, are required to perform specific operational duties; and

- (iv) **General quarters.** General quarters are quarters without immediate operational requirement but, with the agreement of the Government Property Agency (GPA — Note 1), are retained by the department. These quarters are made available for allocation to all interested eligible officers within the department.

Post-tied quarters and operational quarters are designated by the department with policy support from the policy bureau and approval from the GPA. As at 1 April 2008, there were 23,124 government quarters, including 21,897 DSQs (i.e. 9,729 government-built DSQs, 12,129 non-government-built DSQs and 39 leased DSQs) for the seven disciplined services departments (Note 2). Details are shown at Appendix A.

Responsibilities of the GPA and the Civil Service Bureau

1.3 The GPA is responsible for making available quarters accommodation to government bureaux and departments for allocation to government officers. The major responsibilities of the GPA in respect of DQs and NDQs are to:

- (a) formulate and review policy on the provision, standards and management of government quarters;
- (b) ensure proper utilisation and management of government quarters in line with established policy; and
- (c) arrange purchase, leasing and disposal of government quarters.

1.4 The major responsibilities of the Civil Service Bureau (CSB) in respect of NDQs are to:

- (a) allocate quarters to eligible officers in accordance with Civil Service Regulations; and
- (b) ensure that quarters are put to their intended uses.

Note 1: *The GPA was established in April 1990. It took over the responsibility for dealing with various aspects of government property matters from the Government Secretariat, the then Buildings and Lands Department (now the Buildings Department and the Lands Department), and the Rating and Valuation Department.*

Note 2: *The seven disciplined services departments are the Correctional Services Department, the Customs and Excise Department, the Fire Services Department, the Government Flying Service, the HKPF, the Immigration Department and the Independent Commission Against Corruption.*

Acquisition of quarters

1.5 Government quarters are usually acquired by construction through the Public Works Programme, direct purchase and leasing. If quarters are to be constructed through the Public Works Programme, an appropriate site has to be identified. The GPA, in consultation with the Architectural Services Department (ArchSD), ensures that the site can be utilised to the optimum for constructing the proposed quarters. If quarters are to be leased, the GPA has to identify suitable flats in consultation with user departments and the ArchSD for technical advice.

1.6 As at 1 April 2008, there were 21,897 DSQs. Of these 21,897 DSQs:

- (a) 4,131 DSQs were constructed under five DSQs projects (see para. 2.2) from 1999 to 2002; and
- (b) 4,304 DSQs were converted from the Home Ownership Scheme (HOS) flats purchased from the Hong Kong Housing Authority in 2004-05.

1.7 In July 2006, the Finance Committee of the Legislative Council approved \$352 million for constructing 336 DSQs in Tuen Mun for the married junior police officers of the HKPF. The works commenced in November 2007 and were scheduled for completion by March 2010.

Roles of the ArchSD

1.8 The ArchSD is the works agent for government buildings and facilities development. It offers a comprehensive range of multi-disciplinary professional and technical services. In respect of facilities development (such as the construction of quarters), the ArchSD aims to provide efficient, cost-effective and timely architectural and associated professional and project management services. Its work involves:

- (a) assisting user departments in developing their requirements;
- (b) designing the facilities to meet users' requirements and the Government's needs; and
- (c) appointing consultants and contractors, and inspecting works to ensure that the facilities are up to standard.

Grades of quarters

1.9 Quarters are graded from Grades AA to JKL according to the size, quality and standard of finishing, view, location, environment, and provision of facilities and amenities. The GPA is responsible for determining the grades of quarters which are subject to periodic review.

Payment of rent and other charges for occupying quarters

1.10 Officers occupying quarters are required to pay rent appropriate to their salaries. They are required to pay, normally by deducting from their monthly salaries, a rental charge equivalent to 5% (for Grades H to JKL quarters) or 7.5% (for Grades AA to G quarters) of their salaries. They are also required to pay for their own water, gas and electricity charges. They are not required to pay property management fees, government rent and rates, and car park fees. Property management fees and car park fees are paid by the Government.

Rules and regulations governing the provision and management of quarters

1.11 The rules and regulations governing the provision and management of quarters are set out in:

- (a) the Accommodation Regulations;
- (b) the Civil Service Regulations;
- (c) the Stores and Procurement Regulations (SPRs);
- (d) government circulars; and
- (e) departmental manuals/instructions/guides.

Audit review

1.12 In 1996, the Audit Commission (Audit) conducted a review of “Management of surplus non-departmental quarters”. The results of the review were included in Report No. 26 of the Director of Audit (March 1996). The audit revealed that there was room for improvement in disposing of surplus NDQs. In 2007, Audit conducted a review of “Allocation and management of disciplined services quarters”. The results of the review were included in Report No. 49 of the Director of Audit (October 2007). Audit found that there was room for improvement in the allocation and management of DSQs and made a number of recommendations. The Administration generally agreed with all the audit recommendations and took action to implement them.

1.13 Audit has recently conducted a review to examine the economy, efficiency and effectiveness in the provision and management of quarters. The review, which complemented the audit review of “Allocation and management of disciplined services quarters” in 2007, has focused on the following areas:

- (a) construction of DSQs (PART 2);
- (b) supply of domestic appliances to new DSQs (PART 3);
- (c) management of surplus NDQs (PART 4); and
- (d) release of DSQs sites (PART 5).

1.14 In carrying out the audit review, Audit examined the records and interviewed the staff of the ArchSD, the GPA, the HKPF and the CSB. Audit has found that there are areas where improvements can be made. Audit has made a number of recommendations to address the issues.

Acknowledgement

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of the ArchSD, the GPA, the HKPF and the CSB during the course of the audit review.

PART 2: CONSTRUCTION OF DISCIPLINED SERVICES QUARTERS

2.1 This PART examines issues relating to the construction of DSQs and suggests measures for improvement.

Funding for five disciplined services quarters projects

2.2 In February 1998, the Finance Committee approved \$6,404 million for the construction of DSQs on five sites (i.e. two in Kwun Tong, one in Lai King, one in Sheung Shui and one in West Kowloon reclamation area) for officers of the disciplined services departments. In September 1999, the approved project estimate of the five DSQs projects (i.e. the Lai King DSQs, the Sau Mau Ping DSQs, the Sheung Shui DSQs, the Shun Lee DSQs and the West Kowloon DSQs) increased to \$6,419 million. The approved estimates of the five DSQs projects are shown at Appendix B.

Construction of five disciplined services quarters projects

2.3 The construction periods of the five DSQs projects were between January 1999 and June 2002, and the total actual cost of construction was \$4,097 million. Details are shown at Appendix C. In these five DSQs projects, there are 4,131 Grades B to H DSQs. Details are shown at Appendix D.

Design-and-build contracts

2.4 For the Government's conventional contracts, contractors submit tenders to carry out works that normally have been fully designed either by its in-house staff or its consultants. For a **design-and-build** contract, the contractor is required to carry out design to a predetermined extent in compliance with the Government's requirements and to submit a tender based on his own design. The design-and-build contracts have the advantages that the construction method of the contractor's expertise is introduced at an early stage, and the designer and the contractor are in the same team. The ArchSD awarded a design-and-build contract for each of the five DSQs projects. The Contractors were responsible for the detailed design and construction works but they operated within firm and precise parameters set out by the ArchSD. Post-award proposals different from those included in the Government's requirements were dealt with by variation orders.

Audit observations and recommendations

Audit examination of the contracts of the five DSQs projects

2.5 Audit has examined the five contracts and found that there is room for improvement in the following areas:

- (a) provision of sample floor and mock-up flat (paras. 2.6 to 2.10);
- (b) provision of entrance gates (paras. 2.11 to 2.13);
- (c) extension of car services (paras. 2.14 and 2.15);
- (d) changes in typical lift lobby and kitchen designs (paras. 2.16 to 2.21); and
- (e) rectification of latent building defects in the Shun Lee DSQs (paras. 2.22 to 2.28).

Provision of sample floor and mock-up flat

2.6 Each Contractor of the five DSQs projects was required to construct a **sample floor**. According to the contracts, the Contractors had to construct a sample floor on the second lowest floor of each DSQs block or any other floor approved by the ArchSD. If two or more DSQs blocks were exactly identical, only one of the DSQs blocks required the sample floor. The construction of the sample floor should be within two months after concreting of that storey. The sample floor, including all quarters, lift lobby and corridor of the subject floor, should be constructed and provided with partitions, doors, windows, fittings, plumbing and sanitary fittings, external and internal finishes, painting, building services installations, domestic appliances and air-conditioning to all rooms. It should be used as **standards** for completion of works. The sample floor should be maintained to function properly at the time of completion. The flats on the sample floor should be opened as **show flats** for visiting by end users at around 8 to 12 weeks prior to the handover of DSQs or at other time the ArchSD required. A total cost of \$1.7 million for constructing the sample floors was included in the contract sums of the five DSQs projects. Details are shown at Appendix E.

2.7 According to the ArchSD, a **mock-up flat** is built for design checking and design development/enhancement. The mock-up flats of the following five DSQs projects are additional requirements to perceive the actual flat layout and evaluate the proposed materials and finishes:

- (a) in the Shun Lee DSQs, two mock-up flats were constructed. The ArchSD instructed the Contractor, by a variation order, to decorate the two mock-up flats as show flats at a cost of \$280,645; and
- (b) in the other four projects, each Contractor was instructed, by a variation order, to construct a mock-up flat.

The mock-up flats were used for verifying design and material selection before flat construction, and opened for potential occupants' visits. The total cost for constructing the mock-up flats for the five projects was \$2.5 million. Details are shown in Table 1.

Table 1

Cost for constructing mock-up flats for the five DSQs projects

DSQs	Location of mock-up flat	Cost (\$'000)
Sheung Shui	Within a temporary steel framed structure outside the DSQs buildings on the site	977
Lai King	On the ground floor of a building on the site	513
West Kowloon	On vacant premises in San Po Kong	440
Shun Lee	On the ground floor of a building on the site	281
Sau Mau Ping	Inside a factory building in Kwun Tong	245
Total		<u>2,456</u>

Source: ArchSD records

Remarks: The costs included those for supplying sanitary fittings, kitchen cabinets and bathroom cabinets for the five DSQs projects, and also domestic appliances for the Sheung Shui DSQs.

2.8 In addition to constructing **sample floors** in accordance with the contracts, the Contractors were requested, by variation orders, to construct and decorate **mock-up flats**. **Audit considers that it may not be cost-effective to construct both the sample floors and the mock-up flats. The ArchSD needs to review the justifications to have both sample floors and mock-up flats. If a mock-up flat is required, the ArchSD needs to incorporate the requirement into a DSQs contract instead of issuing a variation order.**

2.9 The cost of the **Sheung Shui DSQs** mock-up flat included air-freight charges of \$129,265 for the delivery of timber flooring and skirting, and bathroom and kitchen tiles. The air-freight charges could have been avoided if the construction of the mock-up flat was well planned in advance and sufficient time was allowed for the shipment of materials by cheaper ways. The materials for the mock-up flat might also have been replaced by materials available in the local market. **Audit considers that, if mock-up flats are required, the ArchSD needs to avoid incurring air-freight charges for the delivery of materials for constructing the flats. The ArchSD also needs to consider using materials available in the local market.**

2.10 Audit could not find records indicating the final disposal of the reusable domestic appliances (e.g. refrigerator, cooker and air-conditioner) of the mock-up flats for the five contracts. **Audit considers that, in DSQs contracts in future, the ArchSD needs to introduce measures to keep track of the disposal of reusable domestic appliances if mock-up flats are constructed.**

Provision of entrance gates

2.11 According to the five DSQs contracts, an entrance gate was provided for each flat. The total cost for installing the entrance gates for the five contracts was \$11 million.

2.12 In July 2004, the Finance Committee approved \$3,005 million for purchasing 4,304 surplus HOS flats in four developments from the Hong Kong Housing Authority for conversion into DSQs. For the HOS flats, no entrance gates were installed. In 2005, occupants gradually moved into these flats. For security reasons, some occupants installed the approved types of entrance gates at their own expense. In September 2005, in response to enquiries from the media regarding the entrance gates, the GPA replied that:

- (a) the overall design and property management of the four developments were modernised; and
- (b) the security of DSQs no longer relied on entrance gates but on the quality and operation of the management and security systems. Nevertheless, occupants were allowed to install entrance gates at their own expense.

2.13 Audit noted that the DSQs of the five projects were provided with security systems and property management services. According to the GPA's views, entrance gates were not required. **Audit considers that the ArchSD, in consultation with the GPA, needs to review the requirement for installing an entrance gate for each flat in DSQs contracts in future.**

Extension of car services

2.14 The four Contractors (other than the Sau Mau Ping DSQs Contractor — see para. 2.15) were required during the contract periods to provide transport/car services for ArchSD staff for site visits. Each Contractor was required to provide a new air-conditioned multi-purpose van with an engine capacity of 1,900 c.c. or more and a seating capacity of not less than eight persons. The ArchSD requested the Contractors of the West Kowloon DSQs, the Sheung Shui DSQs and the Shun Lee DSQs projects, through variation orders, to extend the car services after the substantial completion of the works. The drivers and the vans of the Contractors were required to stand by on all working days during the extended period. The total cost of the extended car services for the three contracts was \$1.6 million. Details are shown in Table 2.

Table 2

Extension of car services for three DSQs contracts

Project	Substantial completion date of the works	Period	Duration (Month)	Cost (\$'000)	Average daily cost (Note) (\$)
West Kowloon DSQs	June 2002	8 June 2002 – 7 June 2003	12.0	446	1,511
Sheung Shui DSQs	October 2001	5 October 2001 – 31 March 2003	17.9	528	1,196
Shun Lee DSQs	September 2001	14 September 2001 – 31 July 2003	22.6	603	1,089
			Total	1,577	

Source: ArchSD records

Note: It was assumed that the works were not carried out on Sundays and public holidays.

2.15 Audit noted that there was no provision of car service for the **Sau Mau Ping contract**. The car service for the **Lai King contract** was only provided during the contract period. However, for the following three contracts, car services were required to stand by on all working days for periods of 12 months to 22.6 months after the substantial completion of the works:

- (a) **West Kowloon contract.** Audit reviewed the vehicle log book for the period from 8 June 2002 to 7 June 2003 in respect of the extended car service. Audit found that the car service was provided from 8 June 2002 to 8 February 2003. However, there were no entries in the log book to indicate that the car service was provided from 9 February 2003 to 7 June 2003; and
- (b) **Sheung Shui and Shun Lee contracts.** The ArchSD could not provide Audit with the vehicle log books in respect of the extended car services.

Audit has reservation about the retention of the car services for ArchSD staff on all working days after the substantial completion of the works. **Audit considers that the ArchSD needs to review the requirement for providing car services on all working days after the substantial completion of works in DSQs contracts in future.**

Changes in typical lift lobby and kitchen designs

2.16 According to the five DSQs contracts, the quality of interior designs and decoration workmanship should not be inferior to the standard of similar works at the higher end of the private sector development. A typical lift lobby was provided on every floor except the ground floor and podium floor of each block. The internal finishes of the typical lift lobbies and kitchens were specified in the contracts.

2.17 Changes were made to the typical lift lobby designs of the five contracts during the construction periods at a total cost of \$13.2 million (variation costs of \$8.1 million and prolongation costs of \$5.1 million). Details are shown in Table 3.

Table 3
Cost of changes to typical lift lobby designs

DSQs contract	Variation cost	Prolongation cost	Total cost
	(a) (\$'000)	(b) (\$'000)	(c) = (a) + (b) (\$'000)
West Kowloon	1,289	3,624	4,913
Lai King	1,942	1,526	3,468
Shun Lee	3,436	-	3,436
Sau Mau Ping	1,363	-	1,363
Sheung Shui	56	-	56
Total	<u>8,086</u>	<u>5,150</u>	<u>13,236</u>

Source: ArchSD records

2.18 Audit noted that, in the five contracts, the following changes were made to typical lift lobby designs:

- (a) **West Kowloon DSQs.** In May 2001, the ArchSD approved the design of the typical lift lobbies. Subsequently, the ArchSD issued three variation orders totalling \$1.3 million for enhancing the typical lift lobbies, including changes to wall and floor finishes with granites, polished homogeneous tiles and stainless steel features. As a consequence of the changes, there was a delay in completing the works. The ArchSD granted an extension of time of 29 days and a prolongation cost of \$3.6 million (see Table 3) to the Contractor;
- (b) **Lai King DSQs.** In March 2001, the ArchSD approved the detailed design of the typical lift lobbies. In April 2001, after an inspection to a mock-up lift lobby, the ArchSD suggested that granites should be used and issued a variation order of \$1.9 million for the enhancement. However, there were several revisions to the typical lift lobby design which could not be finalised until September 2001. The typical lift lobby works were completed in January 2002. The ArchSD granted an extension of time of 18 days and a prolongation cost of \$1.5 million (see Table 3) to the Contractor;

- (c) *Shun Lee DSQs.* In January 2001, in order to accentuate the floor pattern design and make the typical lift lobbies in line with the ground floor entrance lobbies, the ArchSD requested the Contractor to revise the floor finishes of the lift lobbies. The variation cost for the works was \$3.4 million;
- (d) *Sau Mau Ping DSQs.* In September 2001, the ArchSD instructed the Contractor to revise the design of the typical lift lobbies to match the current standard of other similar government quarters. The variation cost for the works was \$1.4 million; and
- (e) *Sheung Shui DSQs.* In September 2001, the ArchSD issued a variation order of \$56,000 to the Contractor for enhancing the typical lift lobbies.

2.19 Changes were made to the kitchen designs during the construction of the West Kowloon DSQs, the Sau Mau Ping DSQs and the Sheung Shui DSQs at a total cost of \$5.6 million (variation costs of \$2.2 million and prolongation costs of \$3.4 million). Details are shown in Table 4.

Table 4
Cost of changes to kitchen designs

DSQs contract	Variation cost	Prolongation cost	Total cost
	(a)	(b)	(c) = (a) + (b)
	(\$'000)	(\$'000)	(\$'000)
West Kowloon	1,511	2,882	4,393
Sau Mau Ping	566	496	1,062
Sheung Shui	150	–	150
Total	<u><u>2,227</u></u>	<u><u>3,378</u></u>	<u><u>5,605</u></u>

Source: ArchSD records

2.20 Audit noted that the following changes were made to the kitchen designs:

- (a) **West Kowloon DSQs.** In May 2001, the ArchSD approved the detailed design of the kitchens of all types of quarters. In the same month, the ArchSD requested the Contractor to revise the kitchen design of the Grade G DSQs. In November 2001, the ArchSD proposed further changes to the design. The variation cost for the works was \$1.5 million and there was a delay in completing the works. The ArchSD granted an extension of time of 22 days and a prolongation cost of \$2.9 million to the Contractor;
- (b) **Sau Mau Ping DSQs.** In October 2001, the ArchSD requested the Contractor to refit the kitchen cabinets. In November 2001, the ArchSD further requested the Contractor to revise the design of the cabinets. The variation cost for the related works was \$566,000. As there was a delay in completing the works, the ArchSD granted an extension of time of six days and a prolongation cost of \$496,000 to the Contractor; and
- (c) **Sheung Shui DSQs.** The variation cost for the installation of electrical components to the cabinets and the change of floor tiles in the kitchens was \$150,000.

2.21 Changes to the original designs of the typical lift lobbies and kitchens, and delays in finalising the changes caused delays in completing the works. In addition, they required the granting of extension of time, and the payment of variation and prolongation costs to the Contractors. **In Audit's view, in DSQs contracts in future, the ArchSD needs to incorporate all user requirements in contracts as far as possible to minimise the issue of variation orders. The ArchSD also needs to finalise all the changes at an early stage to avoid delays in completing the works, the granting of extension of time and the payment of prolongation costs to contractors.**

Rectification of latent building defects in the Shun Lee DSQs

2.22 The Shun Lee DSQs, with 2,220 flats in eight blocks (i.e. Blocks 1 to 8), were completed in September 2001. In the first two years, the ArchSD received requests from the occupants for rectifying building defects, including delaminated ceiling plaster, seepages from windows and defects of kitchen benches. The Contractor rectified the defects but more ceiling plaster defects were reported in the ensuing years. All such defects only appeared in Blocks 1, 2, 7 and 8 (i.e. DSQs for officers of the HKPF). The ceilings of these blocks were plastered by a subcontractor using a particular brand of pre-mixed plaster. The ceilings of the other four blocks were plastered by another subcontractor using another brand of pre-mixed plaster. According to the ArchSD, the defects of Blocks 1, 2, 7 and 8 might be attributed to the poor quality of the plaster or workmanship.

2.23 In June 2003, the ArchSD released \$19 million (i.e. 90% of the retention money) to the Contractor. It withheld \$2.1 million (i.e. 10% of the retention money) for all the outstanding latent defect rectification works. In November 2003, a meeting was held among the ArchSD, the Contractor and the subcontractor concerned. The subcontractor said that the ceiling plaster had been widely used in many projects without the similar problem. In December 2003, the Contractor proposed to carry out a comprehensive investigation in each flat. In September 2004, the property management company of the Shun Lee DSQs reported that the occupants did not support such an investigation.

2.24 In 2005, it was decided that a full-scale survey of the flats in Blocks 1, 2, 7 and 8 would be carried out by a joint team of the ArchSD and the Contractor. In the first half of 2006, the joint team conducted a survey. About 800 flats (i.e. 68% of the 1,184 flats in the four blocks) were identified for repair works. Other than 499 flats, the Contractor completed the repair works in all the other flats. The occupants of these 499 flats refused to give access for the repair works because they saw no immediate danger and did not want to suffer the chaos caused by the works. Although the property management company kept on issuing notices to the occupants to seek their cooperation, there was a lack of response.

2.25 In late 2006, a meeting was held among the ArchSD, the GPA, the HKPF and the Contractor. The GPA and the ArchSD insisted that the Contractor's obligation could not be discharged despite the fact that the lack of access was beyond his control. The Government might have to bear the repair costs. The HKPF agreed to issue warning notices to the occupants urging them to arrange with the Contractor for the repair works.

2.26 As at 31 December 2007, the repair works for 448 out of the 499 flats were outstanding. According to the ArchSD, 74 occupants refused to allow the Contractor to carry out the repair works, and 374 occupants did not respond to warning notices. In January 2008, to finalise the issue, the Contractor proposed to deduct a sum of money from the retention money for all the outstanding repair works. For such a proposal, the ArchSD had to obtain the Financial Services and the Treasury Bureau (FSTB)'s approval. Audit noted that, up to 30 September 2008, the ArchSD had not finalised the proposal.

2.27 According to Accommodation Regulation 590, access to quarters for the purposes of inspection, maintenance or repair is required from time to time by officers of the ArchSD and the GPA. If an occupant disputes the need for giving access under this regulation, he should promptly refer the matter to the GPA for decision. On the allocation of DQs, occupants are required to sign an undertaking issued by the departments concerned. According to the conditions of allocation of government quarters to officers, upon giving prior reasonable notice in writing to the tenants, the Government and its authorised officers or agents shall have the right to enter the quarters for the purposes of inspection, maintenance or repair.

2.28 In Audit's view, the ArchSD, in consultation with the HKPF and the GPA, needs to consider enforcing the conditions of allocation of government quarters so that repair works in the 448 flats of the Shun Lee DSQs can be carried out. The ArchSD also needs to expedite action to resolve with the Contractor the issue of outstanding works, including the Contractor's proposal for releasing the retention money after deducting a sum of money for the outstanding works.

Audit recommendations

2.29 Audit has *recommended* that the Director of Architectural Services should:

Provision of sample floor and mock-up flat

- (a) review the justifications to have both sample floors and mock-up flats. If a mock-up flat is required, the ArchSD should incorporate the requirement into a DSQs contract instead of issuing a variation order;
- (b) avoid incurring air-freight charges for the delivery of materials for constructing the mock-up flats and consider using materials available in the local market if such flats are required;
- (c) in DSQs contracts in future, introduce measures to keep track of the disposal of reusable domestic appliances if mock-up flats are constructed;

Provision of entrance gates

- (d) in consultation with the Government Property Administrator, review the requirement for installing an entrance gate for each flat in DSQs contracts in future;

Extension of car services

- (e) review the requirement for providing car services on all working days after the substantial completion of works in DSQs contracts in future;

Changes in typical lift lobby and kitchen designs

- (f) incorporate all user requirements in contracts as far as possible to minimise the issue of variation orders;

- (g) finalise all the changes at an early stage to avoid delays in completing the works, the granting of extension of time and the payment of prolongation costs to contractors;

Rectification of latent building defects in the Shun Lee DSQs

- (h) in consultation with the Commissioner of Police and the Government Property Administrator, consider enforcing the conditions of allocation of government quarters so that repair works in the 448 flats of the Shun Lee DSQs can be carried out; and
- (i) expedite action to resolve with the Contractor the issue of outstanding repair works in the Shun Lee DSQs, including the Contractor's proposal for releasing the retention money after deducting a sum of money for the outstanding works.

Response from the Administration

2.30 The **Director of Architectural Services** generally agrees with the audit recommendations. He has said that:

Provision of sample floor and mock-up flat

- (a) sample floors and mock-up flats are required to serve different purposes. The ArchSD will consider the inclusion of mock-up flats in future tenders;
- (b) the ArchSD will avoid incurring air-freight charges for the delivery of materials for constructing mock-up flats. The ArchSD will also consider using materials which are available in the local market;
- (c) it is believed that the domestic appliances in the mock-up flats had been moved to sample floors. The domestic appliances of mock-up flats will be used in sample floors;

Provision of entrance gates

- (d) in DSQs contracts in future, the ArchSD will, in consultation with the GPA, review the requirement for installing an entrance gate for each DSQs flat;

Extension of car services

- (e) in DSQs contracts in future, the ArchSD will review the requirement for providing car services on all working days after the substantial completion of the works;

Changes in typical lift lobby and kitchen designs

- (f) the ArchSD generally agrees with the audit recommendations in paragraph 2.29(f) and (g). However, the ArchSD considers that the changes to the typical lift lobbies and kitchens are necessary in order to satisfy the finalised requirements identified upon the completion of the sample floors to enhance functionality and facilitate the effective management and maintenance of the premises;

Rectification of latent building defects in the Shun Lee DSQs

- (g) the ArchSD will arrange the repair works for the rectification of latent building defects in the Shun Lee DSQs whenever access is made available; and
- (h) the ArchSD will expedite action to resolve the issue of repair works with the Contractor, including the Contractor's proposal for the release of the retention money after deducting a sum of money for all the outstanding repair works.

2.31 The **Government Property Administrator** agrees with the audit recommendation. He has said that the GPA will work with the ArchSD to review the requirement for installing an entrance gate for each DSQs flat.

2.32 The **Commissioner of Police** agrees with the audit recommendation that the ArchSD should enforce the conditions of allocation of government quarters for carrying out the repair works in the 448 flats of the Shun Lee DSQs. The HKPF will continue to render assistance to the ArchSD and its Contractor in carrying out the works.

PART 3: SUPPLY OF DOMESTIC APPLIANCES TO NEW DISCIPLINED SERVICES QUARTERS

3.1 This PART examines the supply of domestic appliances to new DSQs and suggests measures for improvement.

Fittings, furniture and domestic appliances

3.2 Subject to the availability of funds and stock, furniture and domestic appliances are supplied to DQs and NDQs appropriate to the size, grade and number of rooms of each unit. The Accommodation Regulations set out the scale of supply of fittings by the ArchSD, furniture by the Government Logistics Department (GLD) and domestic appliances by the GPA to government quarters. The costs of the initial provision of fittings, furniture and domestic appliances in respect of new quarters are charged to the project vote.

3.3 Rent of quarters paid by officers includes a hire charge for furniture and domestic appliances. An officer, who occupies a quarters unit of Grade G or above and draws no item of furniture from the Government, may apply for a **furniture allowance** of \$100 a month. If he draws no item of domestic appliances, he may further apply for a **domestic appliances allowance** of \$50 a month.

Provision of domestic appliances for quarters

3.4 According to the Accommodation Regulations, the following six types of domestic appliances are provided for each quarters unit of Grade G or above:

- (a) one standard size cooker (officers of Directorate Pay Scale Point 4 and above (or equivalent) may, on request, be provided with a larger size cooker);
- (b) one standard size refrigerator (officers of Directorate Pay Scale Point 6 and above (or equivalent) may, on request, be provided with a larger size refrigerator);
- (c) a hot water system for the kitchen and bathrooms;
- (d) a heating system for the “hot room” or, if there is no hot room, bedroom built-in wardrobes equipped with power sockets;

- (e) one portable fan; and
- (f) one portable electric heater if there is no built-in electric fire.

For quarters of Grade H or below, only a hot water system for the kitchen and bathrooms is provided.

Audit observations and recommendations

Provision of domestic appliances

3.5 Audit reviewed the provision of domestic appliances, including air-conditioners, refrigerators, wardrobe heaters and burners, for the five DSQs projects and the DSQs converted from the HOS flats. Audit has found that there is room for improvement in the following areas:

- (a) provision of air-conditioners (paras. 3.6 to 3.15);
- (b) provision of refrigerators (paras. 3.16 to 3.22);
- (c) installation of power sockets for wardrobe heaters (paras. 3.23 to 3.28); and
- (d) supply of burners for Grade H quarters (paras. 3.29 to 3.33).

Provision of air-conditioners

3.6 According to the Accommodation Regulations, no air-conditioners are provided for quarters. For capital works projects, bureaux and departments are required to assess whether the proposed projects have environmental implications and propose mitigation measures. According to the Environmental Protection Department (EPD), where a proposed residential development or redevelopment may be affected by traffic noise, the impact may be satisfactorily dealt with by adopting a noise mitigating building layout or design. Where the residential units are still exposed to road traffic noise exceeding the standard (i.e. 70 dBA — Note 3) specified in the Hong Kong Planning Standards and Guidelines, acoustic insulation (i.e. windows with good noise-reduction and air-conditioning) should be provided.

Note 3: *The dBA (deciBel A-weighted filter) is a rating commonly used for measuring sound levels which correspond to people's natural hearing recognition.*

3.7 In November 1997, the ArchSD noted that provision of air-conditioning for the affected flats to mitigate the impacts of noise on the Sheung Shui DSQs should be made. It sought confirmation from the GPA on whether the provision of air-conditioners was required. In December 1997, the GPA informed the ArchSD that:

“from a policy viewpoint, window air-conditioners should be provided as part of the construction cost wherever this is **required** as a condition of development for noise mitigation or other environmental purposes by the EPD. If it is not an EPD requirement, then air-conditioning units should continue **not** to be provided. This will apply on a specific flat by flat basis within each development. It should be noted that the above will **not** apply retrospectively to already completed projects.”

3.8 In February 1998, the Security Bureau (SB), in the paper submitted to the Finance Committee for constructing the Sheung Shui DSQs, said that well-gasketed windows and air-conditioners would be provided for all affected flats and that the cost of these mitigation measures had been included in the project estimate. In the same month, the SB, in the paper submitted to the Finance Committee for the other four DSQs projects, said that the impact of road traffic noise on the Sau Mau Ping DSQs, the Shun Lee DSQs and the West Kowloon DSQs could be reduced to within the criteria specified in the Hong Kong Planning Standards and Guidelines by providing well-gasketed windows and air-conditioning for the blocks facing the roads. The costs of implementing the necessary environmental mitigation measures were included in the project estimates.

3.9 In 1999, the ArchSD awarded the five contracts. For the **Lai King contract**, there was no requirement to provide air-conditioners. It was stated in the other four contracts that the Contractors should design, supply and install air-conditioners for all the bedrooms, living and dining rooms in which road traffic noise exceeded 70 dBA measured at window areas and in accordance with the requirements of the EPD. The Contractors were required to conduct noise measurements for all quarters. Despite the requirement that the air-conditioners should be installed subject to noise assessment, the numbers of air-conditioners were however included in the Contractors' tender proposals and consequently the total costs of air-conditioners were included in the contracts. In the **Sheung Shui contract**, air-conditioners were provided for all the flats.

3.10 In April 2000, the ArchSD discussed with the Contractor on the provision of air-conditioners for the **Sheung Shui DSQs**. The Contractor informed the ArchSD that, in accordance with the Government's requirements stated in the contract, the quantities were at the sole risk of the contractor and the contract sum would not be adjusted for any errors in quantities or missing items. **Irrespective of the number of air-conditioners to be provided, the contract price should not be adjusted.** After seeking legal advice from the

Legal Advisory Division of the then Works Bureau (now the Development Bureau), the ArchSD considered that no savings could be achieved from reducing the number of air-conditioners. In July 2000, the ArchSD informed the Contractor to provide air-conditioners for all the bedrooms, living and dining rooms in the Sheung Shui DSQs.

3.11 In November 2001, the Contractor informed the ArchSD that he had carried out noise assessment. According to the Contractor, only 47 bedrooms were subject to road traffic noise exceeding 70 dBA. However, 885 air-conditioners were installed in all the bedrooms, living and dining rooms in the Sheung Shui DSQs. It was stated in the resident handbook for the occupants of the Sheung Shui DSQs that, other than the 47 bedrooms listed therein, occupants were responsible for maintaining the air-conditioners and providing future replacement at their own costs.

3.12 In May 2002, the Contractor of the **West Kowloon DSQs** project submitted the noise assessment report to the ArchSD. According to the report, 965 out of the total 2,160 bedrooms and living rooms were subject to road traffic noise exceeding 70 dBA. Although 1,072 air-conditioners were provided in the contract, only 965 air-conditioners were installed in the West Kowloon DSQs.

3.13 Up to 30 September 2008, the ArchSD could not provide Audit with the final noise assessment reports on the bedrooms, living and dining rooms in the **Sau Mau Ping DSQs** and the **Shun Lee DSQs**. In the absence of these assessment reports, Audit could not ascertain the number of bedrooms, living and dining rooms which were subject to road traffic noise exceeding 70 dBA. Details of the installation of air-conditioners are shown in Table 5.

Table 5

Installation of air-conditioners

DSQs	Number of air-conditioners specified in the contract	Cost included in the contract sum (\$'000)	Number of rooms subject to road traffic noise exceeding 70 dBA	Number of air-conditioners installed
Sheung Shui	810	4,718	47	885
West Kowloon	1,072	3,938	965	965
Sau Mau Ping	728	2,404	(Note)	504
Shun Lee	3,404	9,829	(Note)	4,642
Total	6,014	20,889		

Source: ArchSD records

Note: The ArchSD could not provide Audit with the final noise assessment reports on the bedrooms, living and dining rooms in the Sau Mau Ping DSQs and the Shun Lee DSQs.

3.14 Audit found that the consequences of specifying the number of air-conditioners in the contracts were as follows:

- (a) **Sheung Shui DSQs.** According to the noise assessment report, only 47 bedrooms were subject to road traffic noise exceeding 70 dBA and the requirement to install air-conditioners in accordance with the EPD requirements. However, all the bedrooms, living and dining rooms were provided with air-conditioners. The number of air-conditioners specified in the contract was 810. The cost of including 763 (810 – 47) additional air-conditioners in the contract was \$4.5 million. In the event, the Contractor installed 885 air-conditioners, instead of 810 air-conditioners specified in the contract, **without claiming the additional cost of \$326,250** for 75 air-conditioners;

- (b) **West Kowloon DSQs.** The number of air-conditioners specified in the contract was 1,072. According to the noise assessment report, only 965 bedrooms and living rooms were exposed to road traffic noise exceeding 70 dBA and these rooms were installed with air-conditioners. The cost of including 107 (1,072 – 965) uninstalled air-conditioners in the contract was \$427,260;
- (c) **Sau Mau Ping DSQs.** The number of air-conditioners specified in the contract was 728. Based on the preliminary environmental review carried out on the site, 504 air-conditioners were installed in the rooms which might be subject to road traffic noise exceeding 70 dBA. The cost of including 224 (728 – 504) uninstalled air-conditioners in the contract was \$739,816; and
- (d) **Shun Lee DSQs.** The number of air-conditioners specified in the contract was 3,404. Based on the preliminary environmental review, 4,646 air-conditioners should have been provided for the rooms which might be subject to road traffic noise exceeding 70 dBA. According to the delivery note, the Contractor installed 4,642 air-conditioners, instead of 3,404 air-conditioners specified in the contract, **without claiming the additional cost of \$3.6 million** for 1,238 (4,642 – 3,404) air-conditioners.

3.15 In Audit's view, the ArchSD should only provide air-conditioners for the DSQs exposed to road traffic noise exceeding 70 dBA in accordance with the EPD requirements and the instructions of the GPA. In DSQs projects in future, the ArchSD needs to ensure that air-conditioners are only provided for the DSQs exposed to road traffic noise exceeding the limit specified in the Hong Kong Planning Standards and Guidelines.

Provision of refrigerators

3.16 According to the Accommodation Regulations, a standard size refrigerator is provided for each DQs or NDQs unit of Grade G or above. Refrigerators for DSQs are normally acquired through the GLD. In the Sheung Shui DSQs, refrigerators were provided through the GLD. In the other four DSQs projects, refrigerators were not provided through the GLD for the following reasons:

- (a) **Lai King DSQs.** The total quantity required was not available under the term contract of the GLD;
- (b) **Sau Mau Ping DSQs.** The specification of the refrigerators required was different from that supplied under the GLD contract;

- (c) *Shun Lee DSQs*. The model provided through the GLD was too large to be accommodated in the kitchens. A new term contract for refrigerators was then at tender stage and might not match the construction programme of the contract; and
- (d) *West Kowloon DSQs*. The specification of the refrigerators required was different from that supplied under the GLD contract.

3.17 As refrigerators could not be obtained from the GLD, the ArchSD requested the Contractors of the four DSQs contracts, through variation orders, to supply refrigerators. The costs of these refrigerators ranged from \$1.8 million to \$8.4 million. Details are shown in Table 6.

Table 6
Refrigerators supplied by the Contractors

DSQs	Date of variation order	Number of refrigerators supplied by Contractor	Total cost	Unit cost
				(c) = $\frac{(b)}{(a)}$
		(a)	(b)	(c)
			(\$'000)	(\$)
Shun Lee	December 2000	2,072	8,437	4,072
West Kowloon	March 2002	533	1,913	3,589
Lai King	September 2001	601	1,832	3,048
Sau Mau Ping	April 2002	584	1,807	3,094
	Total	<u><u>3,790</u></u>	<u><u>13,989</u></u>	3,691

Source: ArchSD records

Remarks: The refrigerators provided for the four DSQs projects were of three different brands.

3.18 In January 2002, the GLD informed the ArchSD that, as the specification of the refrigerators required for the West Kowloon DSQs and the Sau Mau Ping DSQs was different from that supplied under the GLD contract, the GLD had no objection to the ArchSD's procurement action in accordance with the provision of SPRs. According to SPR 220(a), when making purchases of stores exceeding \$1.3 million, departments shall follow SPR tender procedures. The purchases of refrigerators through the Contractors, without inviting tenders, might not have complied with SPR 220(a). **In Audit's view, the ArchSD, in purchasing refrigerators for DSQs, needs to comply with the SPR tender procedures.**

3.19 In December 2004, the GPA, with the assistance of the GLD, invited tender for the supply of the domestic appliances (including cookers, refrigerators, hot water systems, portable fans and electric heaters) for the 4,304 DSQs converted from the **HOS flats**. For the supply of refrigerators, after tender evaluations, it was found that no tender fully and strictly complied with the specifications. In May 2005, the GPA requested the GLD to cancel the supply of refrigerators in the tender exercise. In June 2005, this was approved by the GLD Tender Board.

3.20 As the disciplined services staff would move into the DSQs converted from the HOS flats in summer of 2005, the GPA made direct purchases of refrigerators in eight rounds. Details are shown in Table 7.

Table 7

Direct purchases of refrigerators for the DSQs converted from HOS flats

Round	Date	Number of refrigerators	Unit cost	Total cost
		(a)	(b)	(c) = (b) × (a)
			(\$)	(\$)
1	14 June 2005	256	1,948	498,688
2	17 June 2005	256	1,948	498,688
3	23 June 2005	256	1,948	498,688
4	23 June 2005	256	1,948	498,688
5	5 July 2005	320	1,450	464,000
6	10 August 2005	312	1,600	499,200
7	8 November 2005	237	2,108	499,596
8	12 January 2006	252	1,980	498,960
	Total	2,145		3,956,508

Source: GPA records

Remarks: The refrigerators provided for the DSQs in eight rounds were of four different brands.

3.21 The SPRs relating to the purchases of stores are shown at Appendix F. The GPA has no Supplies Officers. According to SPRs 246 and 251, the GPA is only delegated the authority to make direct purchases of stores of a value not exceeding \$500,000, and is not allowed to make repeated purchases of the same items within 12 months. The GPA made eight repeated purchases of refrigerators in seven months at a total cost of about **\$4 million** (see Table 7) for the DSQs converted from the HOS flats. Apparently, the GPA did not comply with SPRs 246 and 220(a).

3.22 In Audit's view, the GPA, in purchasing refrigerators for DSQs, needs to comply with the SPR tender procedures and the provisions of not making repeated purchases of the same items within 12 months. In very exceptional cases of non-compliance with the SPRs, the GPA should seek the approval of the Permanent Secretary for Financial Services and the Treasury (Treasury) through the Director of Government Logistics before making such purchases.

Installation of power sockets for wardrobe heaters

3.23 According to the Accommodation Regulations, wardrobe heaters equipped with power sockets are provided for each DQs or NDQs unit of Grade G or above. Applications for the supply and collection of wardrobe heaters by occupants are made to the GPA in writing. Wardrobe heaters are supplied by the GPA through the GLD and installed by the Electrical and Mechanical Services Department.

3.24 In March 1999, the GPA accepted the ArchSD's proposal that wardrobe heaters would not be provided for Grades G and H quarters of the five DSQs projects. As the Shun Lee DSQs were Grades G and H quarters, no wardrobe heaters and wardrobe power sockets would be provided. For the other four DSQs projects, wardrobe heaters and wardrobe power sockets would be provided for Grades B to F quarters.

3.25 In July 2000, the ArchSD advised the GPA that, from the safety point of view, wardrobe heaters should not be installed in the bedrooms of DSQs. There would also be a reduction of cost in the projects. In August 2000, the GPA replied that it would consider the appropriateness of the ArchSD's suggestion from the policy point of view. However, the ArchSD had to substantiate the safety aspect of the installation. No further feedback was given by the ArchSD. Eventually, **3,621 wardrobe power sockets were installed** in the bedrooms of the four DSQs projects at a total cost of \$2.6 million.

3.26 **Wardrobe heaters** were provided for occupants in response to their requests. Audit found that the percentage of the number of wardrobe heaters requested by occupants to the number of wardrobe power sockets was 27.6%. Details are shown in Table 8.

Table 8

Percentage of wardrobe heaters to wardrobe power sockets

DSQs	Grades B to F DSQs	Wardrobe power sockets installed	Wardrobe heaters requested by DSQs occupants	Percentage of wardrobe heaters to wardrobe power sockets
		(a)	(b)	(c) = $\frac{(b)}{(a)} \times 100\%$
	(Number)	(Number)	(Number)	(Percentage)
Lai King	610	1,830	897	49.0%
Sau Mau Ping	288	864	99	11.5%
Sheung Shui	177	531	3	0.6%
West Kowloon	132	396	—	—
Total	1,207	3,621	999	27.6%

Source: ArchSD records

3.27 Audit noted that:

- (a) in the Lai King DSQs, 897 (49%) of the 1,830 wardrobe power sockets were used by occupants. According to the Electrical and Mechanical Services Department, 1,194 (65% of the wardrobe power sockets) wardrobe heaters were requested by occupants but 897 wardrobe heaters were provided. This was due to the failure to contact the occupants or wardrobe heaters were no longer required by them;
- (b) in the Sau Mau Ping DSQs and the Sheung Shui DSQs, the percentages of the number of wardrobe heaters requested by occupants to the number of wardrobe power sockets were 11.5% and 0.6% respectively; and
- (c) in the West Kowloon DSQs, all the occupants did not request a wardrobe heater.

3.28 **Audit noted that, in 1999, the GPA accepted the ArchSD's proposal that wardrobe heaters would not be provided for Grades G and H quarters. In view of the low demand for wardrobe heaters by occupants, Audit considers that the ArchSD, in consultation with the GPA, needs to review the requirements for the provision of wardrobe heaters and the related power sockets for DSQs.**

Supply of burners for Grade H quarters

3.29 The Accommodation Regulations set out the scale of supply of domestic appliances to quarters. According to the Accommodation Regulations, one standard size cooker is provided for each DQs or NDQs unit of Grade G or above. Officers of Directorate Pay Scale Point 4 and above may, on request, be provided with a larger size cooker. According to the GPA, a standard size cooker shall comprise four hotplate burners, one grill burner and one oven burner.

3.30 In January 1999, the ArchSD sent the proposed schedules of domestic appliances for the five DSQs projects to the GPA for comments. According to the proposed schedules, a 2-ring gas burner would be provided for each unit of Grade G or H DSQs, and a 4-ring gas cooker with grill and oven would be provided for each unit of Grades B to F DSQs.

3.31 The GPA noted that the scheduled items for Grade H DSQs did not exactly follow the Accommodation Regulations because no gas burners were to be provided for quarters below Grade G. Nevertheless, the GPA considered that the provision was acceptable because most of the recently built DQs below Grade G had been equipped with a burner. In order to accept that the burner was a standard domestic appliance for such quarters, the GPA would consider amending the relevant Accommodation Regulations. In March 1999, the GPA informed the ArchSD that:

- (a) the provision of scheduled items for Grade G DSQs and above were in accordance with the Accommodation Regulations; and
- (b) the scheduled items for Grade H DSQs were also acceptable subject to a minor amendment to the Accommodation Regulations. The GPA would make the amendment.

Eventually, 2-ring gas burners were provided for Grades G and H DSQs (see Appendix D) in the five projects, and 4-ring gas cookers with grill and oven were provided for Grades B to F DSQs.

3.32 In March 1999, all the 148 Grade H quarters in the **Shun Lee DSQs** were provided with a 2-ring gas burner at a total cost of \$218,300 (i.e. \$1,475 × 148). This was not in line with the provisions of the Accommodation Regulations. On the other hand, in 2005, the GPA did not provide burners for the 2,012 Grade H DSQs out of the 4,304 DSQs converted from the HOS flats. Audit noted that, up to 30 September 2008, the GPA had not amended the relevant Accommodation Regulations.

3.33 In Audit's view, the GPA needs to comply with the provisions of the **Accommodation Regulations in the supply of cookers for DSQs**. The GPA also needs to review the provision of burners for Grade H quarters and consider amending the relevant Accommodation Regulations accordingly if burners are to be provided for such quarters.

Audit recommendations

3.34 **Audit has recommended that the Director of Architectural Services should:**

Provision of air-conditioners

- (a) **in DSQs projects in future, ensure that air-conditioners are only provided for the DSQs exposed to road traffic noise exceeding the limit specified in the Hong Kong Planning Standards and Guidelines;**

Provision of refrigerators

- (b) **in purchasing refrigerators for DSQs, comply with the SPR tender procedures; and**

Installation of power sockets for wardrobe heaters

- (c) **in consultation with the Government Property Administrator, review the requirements for the provision of wardrobe heaters and the related power sockets for DSQs.**

3.35 **Audit has recommended that the Government Property Administrator should:**

Provision of refrigerators

- (a) **in purchasing refrigerators for DSQs, comply with the SPR tender procedures and the provisions of not making repeated purchases of the same items within 12 months;**
- (b) **in very exceptional cases of non-compliance with the SPRs, seek the approval of the Permanent Secretary for Financial Services and the Treasury (Treasury) through the Director of Government Logistics before making such purchases;**

Supply of burners for Grade H quarters

- (c) **comply with the provisions of the Accommodation Regulations in the supply of cookers for DSQs; and**
- (d) **review the provision of burners for Grade H quarters and consider amending the relevant Accommodation Regulations accordingly if burners are to be provided for such quarters.**

Response from the Administration

3.36 The **Director of Architectural Services** generally agrees with the audit recommendations in paragraph 3.34. He has said that:

Provision of air-conditioners

- (a) the ArchSD followed the same principle for the provision of air-conditioners for the Sau Mau Ping DSQs, the Shun Lee DSQs and the West Kowloon DSQs projects. The Sheung Shui DSQs project was an exceptional case because the Contractor offered additional air-conditioners without additional charge. The proposal was accepted after consulting the Legal Advisory Division of the then Works Bureau and the GPA;

Provision of refrigerators

- (b) in the procurement of refrigerators for the four DSQs projects, SPR 520 (i.e. variations to contracts) had been followed and proper approval had been given with full justification. Nevertheless, the ArchSD agrees to consider whether SPR 520 or SPR 220(a) is more appropriate in the procurement of refrigerators in future; and

Installation of power sockets for wardrobe heaters

- (c) the installation of wardrobe power sockets was in accordance with the GPA's requirements. The ArchSD agrees to review with the GPA the requirements for the provision of wardrobe heaters and the installation of wardrobe power sockets for DSQs.

3.37 The **Government Property Administrator** agrees with the audit recommendations in paragraph 3.35. He has said that:

Provision of refrigerators

- (a) the GPA agrees that the SPR procedures should be complied with in the purchases of refrigerators for DSQs. Owing to extremely heavy work pressure, the officers concerned had not sought the approval from the Permanent Secretary for Financial Services and the Treasury (Treasury) in accordance with SPR 275 for making repeated purchases of refrigerators within 12 months exceeding the limits set in SPR 251;
- (b) the purchase of 4,304 surplus HOS flats for conversion into DSQs was a very complicated and mammoth task and had to be completed in a very short period. This created a lot of pressure on GPA staff who had to absorb the additional duties;
- (c) in making each direct purchase, the GPA observed the requirements laid down in SPR 260 (e.g. inviting at least five written quotations). As such, the refrigerators were purchased through keen competition at competitive prices;
- (d) the GPA has reminded its staff of the need to strictly observe the SPRs in procurement at all times;

Supply of burners for Grade H quarters

- (e) the GPA agrees to review the provision of burners for Grade H quarters and the related Accommodation Regulations as necessary; and
- (f) Accommodation Circular No. 1/2003 was issued in February 2003 setting out the new procedures for eligible officers to apply for domestic appliances in accordance with the provisions of the Accommodation Regulations. In April 2003, a memo was issued to officers concerned informing them that “any domestic appliance (except water heaters), that has been installed or kept in quarters below Grade G, will not be replaced nor repaired/maintained by the Government”.

PART 4: MANAGEMENT OF SURPLUS NON-DEPARTMENTAL QUARTERS

4.1 This PART examines the management of surplus NDQs by the GPA, and suggests measures for improvement.

Non-departmental quarters

4.2 NDQs are residential properties (usually flats) owned by the Government. NDQs are normally allocated to officers, offered appointment before 1 October 1990, who are on overseas terms or are on local terms with a substantive salary on or above Master Pay Scale Point 45. Officers appointed on or after 1 October 1990 are not eligible for the allocation of NDQs. Instead, they are offered other forms of civil service housing benefits (such as the Home Financing Scheme for renting of accommodation or purchase of property, and the Non-accountable Cash Allowance Scheme as a housing benefit). As at 1 June 2008, of the 810 NDQs held by the CSB for allocation to eligible officers, there were 25 (3.1%) vacant NDQs. Details are shown at Appendix G.

Surplus non-departmental quarters

4.3 With the introduction of the Home Financing Scheme in October 1990, officers offered appointment before 1 October 1990 were given an option:

- (a) to join the Home Financing Scheme within six months after their substantive salaries reached Master Pay Scale Point 34 or equivalent; or
- (b) to retain their eligibility for NDQs.

As a result, the demand for NDQs decreased. A large number of NDQs became surplus to requirement.

4.4 In November 1995, a Working Group (Note 4) was set up to tackle the issue of surplus NDQs. In the Director of Audit's Report No. 26 (March 1996), Audit recommended that the GPA should, in conjunction with the CSB, consider leasing out

Note 4: *The Working Group is chaired by the Deputy Secretary for the Civil Service and comprised representatives from the Development Bureau, the FSTB, the SB, the Transport and Housing Bureau, the GPA, the Lands Department and the Planning Department.*

surplus NDQs in order to put these valuable assets to economic use, and that immediate action should be taken to dispose of NDQs which had been identified as surplus to requirement. The then Secretary for the Treasury (now the Secretary for Financial Services and the Treasury) commented that leasing out surplus NDQs was only an interim solution. The permanent solution was the disposal of the NDQs either by conversion into other uses or by sale.

4.5 In June 1996, the Working Group introduced a rolling NDQs Disposal Programme which set out the NDQs targeted for disposal in the next five years. The Programme would be reviewed by the Working Group annually. In line with the decision of the Working Group, the CSB transferred the NDQs included in the Programme to the GPA for disposal. The GPA handed over the NDQs sites to the Lands Department (Lands D) for land disposal for NDQs built on government sites. The GPA arranged the sale of the NDQs owned by the Financial Secretary Incorporated (FSI — Note 5) in private developments (Note 6). Apart from sale, surplus NDQs were also converted into other uses (such as for use as DQs).

4.6 In 1998, following the downturn of the property market, the sale of surplus FSI-owned NDQs was suspended. In November 2002, as a result of the introduction of government measures to stabilise the property market, the sale of NDQs sites (Note 7) was put on hold. As at 1 June 2008, of the 578 surplus NDQs held by the GPA for leasing out or disposal, there were 55 (9.5%) vacant NDQs. Details are shown at Appendix H.

Audit observations and recommendations

Audit examination of surplus NDQs

4.7 Audit examined the surplus NDQs held by the GPA. Audit has found that there is room for improvement in the following areas:

Note 5: *The FSI is a corporation incorporated under the Financial Secretary Incorporation Ordinance (Cap. 1015). It has the capacity to acquire and to dispose of government lands/properties and to execute deeds and agreements.*

Note 6: *In the past, the Government purchased individual flats in private developments for use as NDQs. These NDQs, with separate title deeds, are held in the name of the FSI.*

Note 7: *NDQs sites available for sale will be included in the Application List. If a developer is interested in any sites on the Application List, it may submit an application to the Government for consideration. If the application is accepted by the Government, the site will be triggered and put up for auction or tender.*

- (a) sale of surplus NDQs (paras. 4.8 to 4.12);
- (b) poor response to the leasing out of one Grade AA NDQs unit (paras. 4.13 to 4.15);
- (c) omission to lease out one NDQs unit (paras. 4.16 to 4.18); and
- (d) loss of Government leases of quarters (paras. 4.19 to 4.21).

Sale of surplus NDQs

4.8 In March 2004, the GPA considered it opportune to resume the sale of surplus NDQs as soon as possible to take advantage of the market conditions and decided to resume the sale of surplus FSI-owned NDQs. The GPA identified the FSI-owned NDQs in three buildings (namely Buildings A, B and C) as suitable for sale. In the event, the GPA proposed that the vacant NDQs in Buildings A and B would be selected and offered for sale by tender. In April 2004, the FSTB endorsed the GPA's proposal. However, the GPA found that the **Government lease** of the NDQs in Building A was missing (see para. 4.19). Hence, only the NDQs in Building B were offered for sale. In August 2004, one NDQs unit in Building B was sold. The tender prices for the other NDQs were considered unacceptable.

4.9 In January 2005, the GPA proposed to sell the surplus NDQs in Buildings A, D, E and F en bloc by tender in the ensuing two years. In March 2005, the then Housing, Planning and Lands Bureau (now the Development Bureau) commented that the supply of the NDQs proposed by the GPA was relatively small and would unlikely create an adverse impact on the property market. In August 2005, statutory declaration on the loss of the Government lease of the Building A NDQs was prepared and registered with the Land Registry so that the sale of the NDQs would not be impeded.

4.10 In October 2005, after obtaining the FSTB's approval, the GPA invited tenders for the purchase of the **Building D** NDQs. In November 2005, the sale was cancelled as the GPA considered that the tender prices were unacceptable. In January 2006, the GPA further sought the FSTB's endorsement for selling the **Building F** NDQs. In November 2006, after obtaining the FSTB's approval, the GPA invited tenders for the purchase of the Building F NDQs. In January 2007, the GPA awarded a tender and sold them at the price of \$410.8 million.

4.11 In April 2007, the GPA planned to sell the surplus NDQs in six buildings, including Building A, by two to three batches in 2007-08. In May 2007, the GPA informed the FSTB that, before the sale of the NDQs in Building E en bloc, the GPA would arrange with the Lands D to modify the lease restrictions (Note 8), which might take a few months. In October 2007, the FSTB endorsed the GPA's proposal. In June 2008, the GPA invited tenders for the purchase of the NDQs in Buildings B and G. In August 2008, two NDQs were sold at the price of \$54 million.

4.12 Audit noted that, in January 2005, the GPA planned to sell the surplus NDQs in Buildings A, D, E and F in two years' time (see para. 4.9). However, up to 30 September 2008, only 17% of these surplus NDQs were sold. **Audit considers that the GPA needs to review the plan for the sale of surplus NDQs and explore other options to dispose of such quarters.**

Poor response to the leasing out of one Grade AA NDQs unit

4.13 Sailing Look, at 6 Lloyd Path in the Peak area, is a Grade AA NDQs unit with an area of 483 square metres. It is a 3-bedroom bungalow with a dining room, a living room and a garden. In April 2006, the CSB invited applications for the allocation of Sailing Look from eligible officers. In May 2006, as there was no application, the CSB transferred Sailing Look to the GPA for leasing out to the public.

4.14 Audit noted that, up to 31 July 2008, Sailing Look had remained vacant for more than 26 months. Despite the repeated efforts made by:

- (a) the CSB in allocating Sailing Look to eligible officers; and
- (b) the GPA in putting Sailing Look on the market for leasing,

Sailing Look could not be allocated or leased out. The GPA considered that Sailing Look should be surrendered to the Lands D for site disposal. However, the CSB considered that there was a need to retain Sailing Look as a Grade AA NDQs unit. A chronology of key events of the leasing out of Sailing Look is shown at Appendix I. **Audit considers that the GPA, in conjunction with the CSB, needs to devise a strategic plan for the long-term use of Sailing Look.**

Note 8: *Building E comprises Blocks 1, 2 and 3. Blocks 1 and 2 are owned by the FSI while Block 3 is under multiple ownership. Blocks 1 and 2 are government accommodation under the Conditions of Sale. The design, layout and size of the flats, building height and specifications of fittings of the government accommodation are restricted under the Conditions.*

4.15 In September 2008, in response to audit enquiries, the Secretary for the Civil Service informed Audit that:

- (a) the CSB took back Sailing Look from the GPA and invited all eligible officers to apply for it in July 2008. This NDQs unit was successfully allocated in August 2008; and
- (b) the CSB undertook to review, in conjunction with the GPA, the question of the long-term use of Sailing Look if it fell vacant again in the light of the prevailing circumstances at that time.

Omission to lease out one NDQs unit

4.16 In July 2007, the CSB transferred one vacant NDQs unit in Building F to the GPA for leasing out to the public. This unit was required to be returned to the CSB in August 2008 for reprovisioning NDQs occupants affected by the Disposal Programme. In October 2007, the GPA requested the ArchSD to inspect the power supply system of the NDQs unit. In November 2007, the ArchSD informed the GPA of the completion of the necessary works and issued the works completion certificate accordingly. However, the ArchSD's memo was not brought to the attention of the responsible officer of the GPA. Hence, no action was taken by the GPA to lease out the vacant NDQs unit.

4.17 According to the GPA, in May 2008, it noticed that there had been an omission to lease out the vacant NDQs unit since November 2007. At about the same time on 13 May 2008, the CSB informed the GPA that, as a result of a change in the Disposal Programme, the date of taking back the NDQs unit was deferred to October 2009. The GPA then put the vacant NDQs unit on market for leasing at a monthly rental of \$42,900. In June 2008, the GPA reduced the monthly rental by 5% to \$40,800.

4.18 As at 30 September 2008, the leasing out of the vacant NDQs unit was in progress. **Audit considers that the GPA needs to introduce additional control measures to prevent omissions to lease out vacant NDQs.**

Loss of Government leases of quarters

4.19 In April 2004, the GPA found that the Government lease for the lot, where the 67 FSI-owned NDQs and 105 parking spaces of Building A were situated, was missing. In February 2005, the GPA completed an investigation on the loss of the Government lease and submitted a report to the Director of Accounting Services in accordance with Financial and Accounting Regulation 630. The GPA reported that:

- (a) there were reasons to believe that the Government lease was likely to have been lost between December 1997 and March 1998;
- (b) there was a procedural flaw in handling the identified loss of the Government lease in 1998 as the case was not reported to the Director of Accounting Services in accordance with the Financial and Accounting Regulations;
- (c) there was no conclusive evidence to substantiate that any particular officers should be held responsible for the loss or suspect that the loss was due to fraud or theft; and
- (d) it had subsequently checked the Government leases and title deeds of all FSI-owned properties managed by the GPA and found that the Government leases of 11 government quarters in Tai Po district were also missing. The GPA would report the outcome on the investigation of the missing Government leases and on the full-scale check on the Government leases and title deeds.

In mid-2005, the GPA set up a central custody system for the secure storage and access control of all Government leases and title deeds. In August 2005, statutory declaration on the loss of the Government lease of the NDQs in Building A was prepared and registered with the Land Registry.

4.20 In November 2004, the GPA found that the original Government leases of the lots, where 11 government quarters in Tai Po district were situated, were not in the GPA's possession. According to the then Registrar General (now the Land Registrar)'s memo of 19 November 1966, the relevant Government leases were sent to the Tai Po District Office (TPDO). The Government leases had not been transferred to the GPA since its establishment in 1990. The GPA requested the TPDO to follow up the matter. In June 2005, the TPDO replied that the Government leases could not be found and it was unsure whether they were lost by the TPDO.

4.21 In March 2007, the GPA asked the TPDO about the progress. In April 2007, the TPDO reiterated that it was unsure whether the Government leases were lost by the TPDO. In August 2007, the GPA requested the TPDO to report the loss of the Government leases in accordance with the Financial and Accounting Regulations as soon as possible so that the GPA could go ahead with the planned action. In October 2007, the GPA further asked the TPDO about the latest position of the matter. Up to 30 September 2008, this issue could not be resolved. **Audit considers that the GPA, in conjunction with the Home Affairs Department and the Lands D, needs to continue to follow up the loss of the Government leases of 11 quarters in Tai Po district.**

Audit recommendations

4.22 **Audit has recommended that the Government Property Administrator should:**

Sale of surplus NDQs

- (a) **review the plan for the sale of surplus NDQs and explore other options to dispose of such quarters;**

Omission to lease out one NDQs unit

- (b) **introduce additional control measures to prevent omissions to lease out vacant NDQs; and**

Loss of Government leases of quarters

- (c) **in conjunction with the Director of Home Affairs and the Director of Lands, continue to follow up the loss of the Government leases of 11 quarters in Tai Po district.**

Response from the Administration

4.23 **The Government Property Administrator has said that:**

Sale of surplus NDQs

- (a) **the plans for the sale of surplus NDQs are under constant review. The GPA has been exploring other options to dispose of surplus NDQs;**

Omission to lease out one NDQs unit

- (b) **he agrees with the audit recommendation. The GPA will introduce additional measures to prevent further omissions. The omission is an isolated case out of the 578 NDQs managed by the GPA as at 1 June 2008. A system has long been in place to monitor the progress on the leasing out of surplus quarters. However, in this case, there were human errors leading to late identification of the omission; and**

Loss of Government leases of quarters

- (c) the Government leases of 11 quarters in Tai Po district have never been passed to the GPA since its establishment in 1990. Hence, the GPA is not in a position to report their loss. Even though the subject Government leases have never been passed to the GPA, the GPA accepts the audit recommendation and will, in conjunction with the Home Affairs Department and the Lands D, continue to follow up to locate or retrieve them.

4.24 The **Director of Home Affairs** has said that:

- (a) the Government leases of 11 quarters in Tai Po district are not in the TPDO's possession;
- (b) the Home Affairs Department has ascertained that the subject files in respect of the lots have been transferred to the District Lands Office (Tai Po), following the split of the then District Office, Tai Po in the 1980s into the present TPDO under the Home Affairs Department and the District Lands Office (Tai Po) under the Lands D; and
- (c) the Home Affairs Department will assist the GPA and the Lands D in the follow-up action on the loss of the Government leases.

4.25 The **Director of Lands** has said that:

- (a) the District Lands Office (Tai Po) does not have the original Government leases of 11 quarters in Tai Po district; and
- (b) the GPA should follow up this issue. The Lands D is prepared to assist if approached by the GPA in this matter.

PART 5: RELEASE OF DISCIPLINED SERVICES QUARTERS SITES

5.1 This PART examines the release of DSQs sites by the HKPF for alternative uses, and suggests measures for improvement.

Disciplined services quarters sites for redevelopment or alternative uses

5.2 In February 1998, the Finance Committee approved funding for constructing the Lai King DSQs, the Sau Mau Ping DSQs, the Shun Lee DSQs and the West Kowloon DSQs to house officers in **nine under-developed DSQs sites** and meet the shortfall of DSQs for the disciplined services. Under the Government's Flat Production Programme, the Administration identified the nine under-developed DSQs sites for redevelopment. Subject to the finalisation of the Land Sale Programme, the sites were required to be released by 2001-02.

5.3 In July 2004, the Finance Committee approved funding for the purchase of 4,304 surplus HOS flats and 538 ancillary car park spaces from the Hong Kong Housing Authority for the reprovisioning of old or substandard quarters on **15 DSQs sites**. After reprovisioning, the quarters would be demolished and the sites would be made available for alternative uses (such as for sale). The approved provision included \$79 million for the demolition of the quarters on the 15 DSQs sites.

Handling of quarters sites and surplus quarters

5.4 The GPA administers and manages all government-owned and leased properties including offices, quarters and specialist accommodation. According to the Accommodation Regulations, the GPA's objectives in respect of the utilisation of government properties and sites are to:

- (a) ensure that all government accommodation is fully utilised with maximum efficiency and value for money; and
- (b) formulate proposals for redeveloping or disposing of under-utilised government sites.

When government accommodation becomes surplus to requirement and it is considered not appropriate to let out the premises, consideration will be given to disposing of it by sale through the Land Sale Programme or other approved methods. The GPA is responsible for identifying under-utilised government sites which have not fully used up their development

potential. Such sites will either be considered for redevelopment for the Government's own use or released for sale through the Land Sale Programme or other approved methods. When a potential under-utilised site is identified, the GPA will review the existing uses of the site and the reprovisioning requirements, and also consult the Planning Department (Plan D) if the site should be re-zoned for alternative uses.

5.5 The GPA ensures the cost-effective utilisation of surplus government buildings. When quarters are no longer required for their originally approved purpose, departments should advise the GPA at once so that proposals for alternative use or disposal through de-leasing, letting or sale can be considered.

Review of disciplined services quarters sites

5.6 Audit review of the 24 DSQs sites mentioned in paragraphs 5.2 and 5.3 found that, as at 30 September 2008, DSQs on 3 sites had not been demolished and these 3 sites had not been released for redevelopment or alternative uses. The DSQs were:

- (a) the Kennedy Town Police Married Officers Quarters (KTQ);
- (b) the Wan Chai Police Married Quarters (WCQ); and
- (c) the Western Police Station Married Quarters — Rank and File (WQ).

Kennedy Town Police Married Officers Quarters site

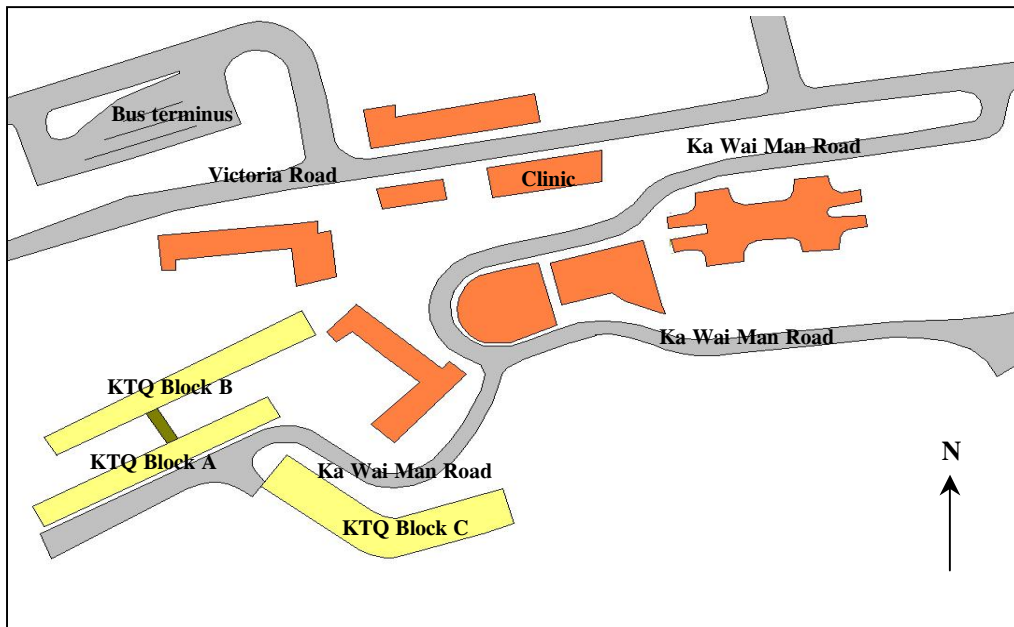
5.7 The KTQ site is one of the nine under-developed DSQs sites required to be released for redevelopment by 2001-02. The KTQ, with a site area of 11,100 square metres, provided 721 DSQs in three blocks (Blocks A, B and C — see Photograph 1) for married officers of the HKPF. The location plan of the KTQ site is shown in Figure 1. In June 2002, all occupants in Blocks A and B of the KTQ moved out. In July 2002, the GPA took over Blocks A and B. In October 2002, all occupants in Block C moved out and the GPA took over the building. In June 2005, at the request of the Civil Engineering and Development Department (CEDD), the GPA granted approval to the CEDD for using the land adjacent to Blocks A and C as works area, and the ground floor of Block C as a works depot for the nearby landslip preventive works from August 2005 to February 2007.

Photograph 1
The KTQ



Source: Photograph taken by Audit in August 2008

Figure 1
Location plan of the KTQ site



Legend:

	KTQ		Building
	Road		Footpath

Source: Sketch location plan prepared by Audit

Remarks: The sketch location plan is not drawn to scale.

5.8 In July 2007, due to delays in the slope works, the GPA gave approval for the CEDD to extend the use of land adjacent to Blocks A and C, and the ground floor of Block C to June 2008. In October 2007, the construction of the Mass Transit Railway West Island Line from Sheung Wan to Kennedy Town was proposed. In late 2008, the Mass Transit Railway Corporation Limited would demolish Blocks A and C for the construction of associated ventilation shaft for the West Island Line. A chronology of key events of releasing the KTQ site is shown at Appendix J.

Audit observations and recommendations

5.9 Since the moving out of the occupants in 2002, the DSQs in Blocks A, B and C had remained vacant. The ground floor of Block C had been used as a CEDD works depot since August 2005. Since taking over the KTQ, the GPA had tried to commercialise the vacant DSQs. In 2005, after consulting the relevant government departments, the GPA decided that there were no commercialisation opportunities for the KTQ. **Audit noted that the DSQs in the KTQ had remained vacant for more than five years, and that in late 2008, Blocks A and C would be demolished for the works of the Mass Transit Railway West Island Line.**

5.10 **Audit has recommended that the Government Property Administrator should:**

- (a) **in collaboration with the Director of Lands and the Director of Planning, review the redevelopment potential and disposal options of the KTQ Block B site, taking into account the planned demolition of Blocks A and C in late 2008 for the works of the Mass Transit Railway West Island Line; and**
- (b) **continue to explore options to put the vacant Block B of the KTQ to other uses or have it demolished before the site is released for redevelopment or disposal.**

Response from the Administration

5.11 The **Government Property Administrator** has said that:

- (a) the GPA has already completed its task for the KTQ site. The KTQ site had been released from its original use and the reprovisioning requirements were properly dealt with. Noting that there was no fixed timetable for the sale of the site, the GPA urged the Plan D and the Lands D to consider re-designating the site for alternative use or land sale; and

- (b) a recent landslide from the slope behind the site had covered the whole ground floor of Block B with mud. Substantial additional costs would be required to upgrade the slope safety if any temporary use is to be introduced to Block B. In 2005, it was concluded that it was not cost-effective to refurbish the KTQ for temporary commercial use. There is no proper vehicular access to Block B after the taking over of Blocks A and C by the Mass Transit Railway Corporation Limited. The GPA considers that the Block B DSQs could not be put to cost-effective government or commercial use before the site is released for redevelopment or disposal. The GPA will revisit the case if there are any changes in circumstances.

5.12 The **Director of Planning** agrees with the audit recommendations. She has said that:

- (a) the Plan D agrees to work with the GPA and the Lands D to review the redevelopment potential and disposal option of the KTQ Block B site;
- (b) in late 2005, the Plan D conducted a land use review for the Kennedy Town and Mount Davis area covering the KTQ site. In May 2006, it was decided to withhold the preliminary result of the review until the Administration made a decision on Route 4. Route 4 is still under review by the Transport and Housing Bureau. Therefore, the progress of work hinges on the policy decision on Route 4; and
- (c) the Plan D stands ready to provide the necessary assistance in exploring the possible interim uses of the Block B DSQs. However, possible gainful uses will be limited, given that vehicular access to Block B can only be made via the existing access to Blocks A and C which will become the Mass Transit Railway West Island Line works area. The use of the site as works area would mean that any environmentally sensitive uses could not be considered.

Wan Chai Police Married Quarters site

5.13 The WCQ site is one of the 15 DSQs sites mentioned in paragraph 5.3. The WCQ is earmarked for demolition once vacated and the site will be made available for alternative uses. The WCQ, with a site area of 1,897 square metres, provided 40 DSQs for the married officers of the HKPF. It is one of the two sites of the Wan Chai Police Station compound, divided by the Jaffe Road into the Wan Chai Police Station and the WCQ. The WCQ has support offices, storerooms and canteen on the ground floor, and staff changing rooms and fitness rooms on the first to fourth floors. The forecourt of the WCQ provides car park spaces for the Wan Chai Police Station.

5.14 In April 2000, the Finance Committee approved funding for the redevelopment of the May House of the HKPF Headquarters at Arsenal Street into a new complex. The new complex, scheduled for completion in January 2004, would provide accommodation for various units of the HKPF, including the Wan Chai Police Station. The SB undertook to release the Wan Chai Police Station compound for redevelopment upon completion of the new complex.

5.15 In September 2002, the SB planned that, after the completion of the new complex, the Central Police Station would be temporarily moved into the space originally earmarked for the Wan Chai Police Station. This was because the Central Police Station compound was required to be vacated by 2005 to facilitate its redevelopment into a heritage tourism attraction. The temporary reprovisioning plan would defer the release of the Wan Chai Police Station compound until the finalisation of a long-term reprovisioning plan.

5.16 In February 2003, the SB considered the proposal of using some surplus HOS flats for the reprovisioning of old or substandard quarters for the disciplined services. As recommended by the HKPF, the WCQ site was one of the 15 DSQs sites listed for reprovisioning.

Audit observations and recommendations

5.17 On 19 July 2004, the SB informed the HKPF that, under the proposal, the quarters on the 15 DSQs sites would be demolished and the sites made available for alternative uses. The SB understood that there would be difficulty in demolishing the WCQ in June 2006 as there were ancillary units in the WCQ. The ancillary units provided support facilities necessary for the operation of the Wan Chai Police Station. The SB reminded the GPA and the ArchSD to ensure that the timing of the demolition of the WCQ should tie in with that of the reprovisioning of the ancillary units. Without resolving this issue, the SB, in the paper submitted to the Finance Committee for funding approval on 21 July 2004, said that:

- (a) the SB, in consultation with the departments concerned, had agreed that the target date for completing the decantation of the premises on the 15 DSQs sites was extended from early 2006 to June 2006; and
- (b) there was a pressing need for clearing the premises. If the empty and idle premises on the 15 DSQs sites were not demolished early, basic recurrent cost for security and maintenance services would still continue to be incurred. If left idle and without maintenance, these structures would deteriorate rapidly, become unsightly, and cause hygiene and security problems to the locality. Early demolition could avoid such problems and the recurrent expenditure associated with the vacated premises.

5.18 In Audit's view, the SB, before submitting the paper to the Finance Committee for funding approval in July 2004, should have resolved the difficulty in demolishing the WCQ prior to the reprovisioning of the Wan Chai Police Station. The SB should have informed the Finance Committee that the WCQ might not be demolished after its reprovisioning.

5.19 In April 2006, all occupants in the WCQ moved out. In June 2006, the Finance Committee approved funding for the reprovisioning of the Central Police Station from the new complex at Arsenal Street to Sheung Wan in 2009. The space so released in the new complex would accommodate the Wan Chai Police Station.

5.20 In August 2006, the FSTB requested the GPA to help identify alternative accommodation for the ancillary units in the WCQ so that the WCQ could be demolished soonest possible and to include the site in the Land Sale Programme. In November 2006, the GPA informed the FSTB that:

- (a) according to the HKPF, for operational reasons, reprovisioned accommodation had to be located within the Wan Chai Police Station boundary; and
- (b) there were no suitable vacant premises in the vicinity of the Wan Chai Police Station that could meet the reprovisioning requirement.

The GPA considered that it was not feasible to vacate the WCQ before 2010. As for the vacant DSQs, the GPA would liaise with the HKPF with a view to putting them to gainful uses. In July 2007, the HKPF planned to make use of some vacant DSQs in the WCQ for temporary storage purposes until 2010.

5.21 In Audit's view, there were inadequacies in planning the reprovisioning of the WCQ. After the moving out of all occupants in April 2006, the WCQ could not be demolished for alternative uses because the ancillary units there could not be reprovisioned.

5.22 Audit has *recommended* that, in future reprovisioning of DSQs for redevelopment, the Secretary for Security should:

- (a) ensure that the various issues relating to the planned demolition of DSQs have been addressed and problems resolved before seeking funding approval from the Finance Committee for the reprovisioning of such quarters;

- (b) **ensure that all relevant information is included in the paper submitted to the Finance Committee for funding approval; and**
- (c) **in consultation with the departments concerned, ensure that the timing of the demolition of DSQs ties in with that of the reprovisioning of such quarters and other ancillary units.**

5.23 **Audit has recommended that the Commissioner of Police should, in consultation with the Government Property Administrator, ensure that the vacant DSQs in the WCQ are put to gainful uses before demolition.**

Response from the Administration

5.24 The **Secretary for Security** has said that the SB will bear the audit recommendations in mind in future submissions to the Finance Committee. He has also said that:

- (a) there was no specific demolition programme in the Finance Committee paper. There were no reprovisioning details because the primary focus of the paper was on the value for money of the proposal (i.e. the cost and benefit between the acquisition of the HOS flats versus the estimated land value of the DSQs sites surrendered);
- (b) as the target date for completing decantation was deferred to June 2006, it was then expected that there would be sufficient time for reprovisioning. The HKPF had since March 2005 explored the possibility of relocating the ancillary units but no suitable sites could be identified. If a suitable site was identified, the WCQ would have been demolished after decantation; and
- (c) the ArchSD has been kept abreast of the situation and will align the demolition of the WCQ with the reprovisioning of the Wan Chai Police Station to the HKPF Headquarters at Arsenal Street.

5.25 The **Commissioner of Police** has said that, at present, 25 units of the WCQ have been used for ancillary and storage purposes. The HKPF will continue to explore the possible uses of the remaining 15 units before the planned demolition in 2010. He has also said that:

- (a) because of the Government's plan to redevelop the old Central Police Station compound into a heritage tourist attraction, the new complex of the HKPF Headquarters, which was originally earmarked for the Wan Chai Police Station, has been used to house the Central Police Station. The Wan Chai Police Station is therefore required to stay at its present location until the Central Police Station is relocated to its permanent location in early 2010; and
- (b) the HKPF has all along been making efforts to put the vacant DSQs in the WCQ to gainful use. However, the WCQ is such an old building and there are many constraints limiting the uses of the units. There are no lifts and the units can only be accessed by staircases. The ArchSD also advised that due to inadequacy of fire service installations, the units could not be used as offices. It is also not feasible to alter the internal layouts for structural reasons.

5.26 The **Government Property Administrator** agrees with the audit recommendation. He has said that the GPA will continue to assist the HKPF in putting the WCQ to gainful uses pending its demolition.

Western Police Station Married Quarters — Rank and File

5.27 The WQ site is one of the 15 DSQs sites mentioned in paragraph 5.3. The WQ is earmarked for demolition once vacated and the site will be made available for alternative uses. The WQ, with a site area of 1,654 square metres, provided 104 DSQs for the married officers of the HKPF. It is situated in the Western Police Station compound in the Western District. The Western Police Station compound comprises the Western Police Station, the Inspectorate Officers Quarters, the WQ, and the car park and circulation area. The WQ has ancillary units (such as support offices, emergency stores and transport offices) on the ground floor.

5.28 In October 2005, the HKPF proposed to convert three vacant units in the Inspectorate Officers Quarters into changing rooms for male officers. The changing rooms in the Western Police Station would then be released for accommodating ancillary units in the WQ. Such arrangement was to facilitate **the handover of the WQ site to the GPA before June 2006**. In December 2005, the Property Vetting Committee (Note 9) granted approval to the HKPF's proposal.

Note 9: *The Property Vetting Committee is chaired by the Assistant Director (Architectural) of the ArchSD with representatives from the GPA and the FSTB. The Committee examines and sets government accommodation and building design standards. It also examines the schedule of accommodation and facilities for proposed departmental specialist buildings and ensures that due consideration will be given to the optimum utilisation of space.*

Audit observations and recommendation

5.29 In June 2006, the HKPF informed the GPA that all occupants in the WQ had moved out. The WQ site was tentatively scheduled to be returned to the GPA by the end of September 2006. In October 2006, the HKPF informed GPA that:

- (a) owing to technical problems, there was insufficient space for relocating the changing rooms to the three vacant units in the Inspectorate Officers Quarters; and
- (b) the WQ site could not be returned to the GPA before the deadline of June 2006 (see para. 5.28) because the ancillary units were still housed in the WQ. It would probably be deferred to early 2007.

The HKPF further proposed to convert one more vacant unit in the Inspectorate Officers Quarters into a changing room. In December 2006, the Property Vetting Committee approved the HKPF's proposal.

5.30 In June 2007, the HKPF informed the GPA that the relocation of the ancillary units in the WQ had to be deferred to September 2007 due to the delay in the conversion works. In December 2007, the conversion works were completed. **However, up to 31 August 2008, the ancillary units were still housed in the WQ.**

5.31 **Audit has recommended that the Commissioner of Police should expedite action to relocate the ancillary units in the WQ.**

Response from the Administration

5.32 The **Commissioner of Police** has said that, following the audit recommendation, the ancillary units originally housed in the WQ were all relocated to the Western Police Station in early September 2008. He has also said that since the demolition of the WQ had been put on hold due to the retaining wall problem, there was no urgency for the relocation of the ancillary units from the WQ to the Western Police Station. To make good use of the spaces available, some ancillary units had not been relocated to the Western Police Station after the completion of the conversion works in December 2007.

Retaining wall problem

5.33 The ArchSD provides professional advice on building, engineering and landscaping services as well as planning and development related issues to the Government and quasi-government organisations. In June 2004, the ArchSD, in the Technical Feasibility Statement (Note 10) on the demolition of the quarters on the 15 DSQs sites, said that there was a retaining wall in the WQ along the adjacent Queen's Road West but this was not expected to cause significant complication to the demolition works. In March 2005, the HKPF highlighted that the WQ (see Photograph 2) served as a support for the retaining wall (see Photograph 3) at the rear of the Western Police Station.

Photograph 2

The front of the WQ

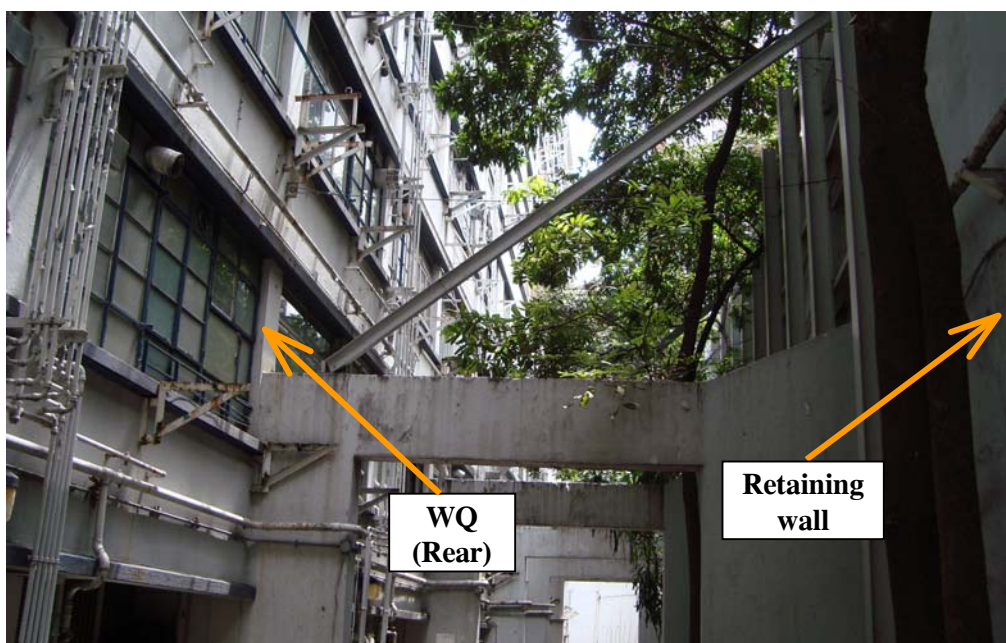


Source: Photograph taken by Audit in August 2008

Note 10: *The Technical Feasibility Statement is completed by the works director concerned to advise the Secretary for Development on whether the proposed capital works project is technically feasible on a prima facie basis. Details include the preliminary geotechnical appraisal of the site, and the identified constraints and risks affecting cost and programme.*

Photograph 3

The rear of the WQ and the retaining wall



Source: Photograph taken by Audit in August 2008

5.34 In June 2006, all occupants in the WQ moved out. In December 2006, the consultant employed by the ArchSD confirmed that the WQ was part of the structure used to support the retaining wall holding the slope at Queen's Road West. Demolition of the WQ would remove the support for the retaining wall and cause immediate danger to the public.

5.35 In November 2007, the HKPF informed the GPA that it did not support the use of the WQ as temporary quarters or offices due to the substandard condition, safety and environmental concerns. The HKPF considered that the retaining wall issue should be addressed first. A chronology of key events of the retaining wall in the WQ is shown at Appendix K.

Audit observations and recommendations

5.36 In April 2008, the HKPF informed the SB that the plaster fragments fell from the eaves at the roof of the WQ and caused damage to a parked vehicle. The deteriorating condition of the vacated WQ was causing genuine safety concerns to the users of the Western Police Station compound. The HKPF hoped that there could be a quick decision on the future of the WQ.

5.37 In April 2008, given the safety concern of the building, the SB suggested that the WQ should be demolished as planned. **Audit noted that, up to 30 September 2008, the retaining wall problem of the WQ had not been resolved and the plan for releasing the WQ site for alternative uses had not been finalised.**

5.38 **Audit has recommended that the Commissioner of Police should, in consultation with the Secretary for Security, the Government Property Administrator, the Director of Architectural Services and the Director of Lands, expedite action to resolve the WQ retaining wall problem and finalise the plan for making the site available for alternative uses.**

Response from the Administration

5.39 The **Commissioner of Police** has said that:

- (a) the HKPF's position has all along been very clear that the WQ building should be demolished under the project, as approved by the Finance Committee in July 2004 for purchasing surplus HOS flats for the disciplined services; and
- (b) the retaining wall problem and the plan for making the site available for alternative uses are issues outside the HKPF's expertise. The HKPF does not think it could take the lead to expedite action to resolve the retaining wall problem and finalise the plan for making the site available for alternative uses. Nevertheless, the HKPF is willing to take part in discussions with the parties concerned and will render assistance to facilitate the demolition of the building.

5.40 The **Secretary for Security** has said that the ArchSD will proceed to expand the scope of the project for employing a consultant to study the upgrading works for the retaining wall to facilitate the demolition of the WQ.

5.41 The **Government Property Administrator** agrees with the audit recommendations. He has said that the GPA will continue to work with the relevant government departments on the release of the WQ site for alternative use.

**Number of quarters
(1 April 2008)**

Type	Number	
NDQs		815
DQs		
(a) DSQs	21,897	
(b) Judiciary quarters	23	
(c) Operational quarters	41	
(d) General quarters	186	
Subtotal		22,147
Post-tied quarters		162
Total		23,124

Source: GPA records

Approved estimates of the five disciplined services quarters projects

DSQs	Location	Date of commencement of contract	Approved project estimate (\$ million)
Lai King	Lai Chi Ling Road, Lai King, Kowloon	November 1999	1,067
Sau Mau Ping	Hong Ning Road, Kwun Tong, Kowloon	October 1999	906
Sheung Shui	Po Wing Road, Sheung Shui, New Territories	October 1999	392 (Note)
Shun Lee	Lee On Road, Kwun Tong, Kowloon	January 1999	3,231
West Kowloon	Fuk Lee Street, Tai Kok Tsui, Kowloon	October 1999	823
Total			<u>6,419</u>

Source: ArchSD records

Note: In September 1999, the then Secretary for the Treasury (now the Secretary for Financial Services and the Treasury) approved the increase of the project estimate from \$376.9 million by \$14.9 million to \$391.8 million.

Appendix C
(para. 2.3 refers)

Actual construction cost of the five disciplined services quarters projects

DSQs	Scheduled completion date	Substantial completion date	Date of account finalisation	Actual construction cost (\$ million)
Lai King	December 2001	January 2002	February 2006	575
Sau Mau Ping	December 2001	June 2002	July 2004	600
Sheung Shui	October 2001	October 2001	October 2003	352
Shun Lee	April 2001	September 2001	November 2004	2,084
West Kowloon	November 2001	June 2002	March 2004	486
			Total	<u>4,097</u>

Source: ArchSD records

Appendix D
(paras. 2.3 and 3.31 refer)

Number of quarters in the five disciplined services quarters projects

DSQs	Number of DSQs of Grade							Total
	B	CD	D	E	F	G	H	
Lai King	–	77	–	77	456	–	–	610 (Note)
Sau Mau Ping	–	–	–	–	288	296	–	584
Sheung Shui	2	–	175	–	–	–	–	177
Shun Lee	–	–	–	–	–	2,072	148	2,220
West Kowloon	–	–	–	32	100	408	–	540
Total	<u>2</u>	<u>77</u>	<u>175</u>	<u>109</u>	<u>844</u>	<u>2,776</u>	<u>148</u>	<u>4,131</u>

Source: ArchSD records

Note: In the Lai King DSQs, 610 quarters were constructed (i.e. 2 more) instead of the planned 608 quarters. These arrangements were permissible under a design-and-build contract.

Construction costs of the sample floors included in contract sums

DSQs	Construction cost (\$'000)
Shun Lee	900
Sheung Shui	500
Lai King	152
West Kowloon	77
Sau Mau Ping	30
Total	<u>1,659</u>

Source: ArchSD records

Stores and Procurement Regulations relating to the purchases of stores

The SPRs are:

- (a) **SPR 220(a).** Departments shall follow tender procedures laid down in the SPRs and supplementary instructions, as appropriate, when making purchases of stores exceeding \$1.3 million;
- (b) **SPR 246.** Unless otherwise approved by the Director of Government Logistics, departments may only make repeated purchases of the same items within 12 months if the cumulative value of the purchases does not exceed the limits set out in SPR 251;
- (c) **SPR 251.** All bureaux and departments are delegated the authority to make direct purchases of stores of a value not exceeding \$500,000. This limit is raised to \$750,000 for departments with Supplies Officers, \$1 million for departments with Senior Supplies Officers and \$1.3 million for departments with Chief Supplies Officers or above; and
- (d) **SPR 275.** In very exceptional cases, the Permanent Secretary for Financial Services and the Treasury (Treasury) may authorise departments to make direct purchases of stores not in accordance with SPRs 245 to 270. Departments shall submit such requests through the Director of Government Logistics, who will forward them with his recommendations to the Permanent Secretary for Financial Services and the Treasury (Treasury).

Source: SPRs

**Ageing analysis of vacant
non-departmental quarters held by the Civil Service Bureau
(1 June 2008)**

Vacant period	Number of NDQs
Less than 3 months	7
3 months to less than 6 months	3
6 months to less than 9 months	15
	—
Total	25
	==

Source: CSB records

**Ageing analysis of vacant
non-departmental quarters held by the Government Property Agency
(1 June 2008)**

Vacant period	Number of NDQs		
	Pending disposal	Pending leasing out	Total
Less than 3 months	7	14	21
3 months to less than 6 months	12	6	18
6 months to less than 9 months	11	1	12
9 months to less than 12 months	–	2	2
15.5 months	1	–	1
20 months	1	–	1
Total	<u>32</u>	<u>23</u>	<u>55</u>

Source: GPA records

Chronology of key events of the leasing out of Sailing Look

April 2006	The CSB invited applications for the allocation of Sailing Look from eligible officers.
May 2006	As there was no application, the CSB transferred Sailing Look to the GPA for leasing out to the public.
August 2006	After carrying out renovation works by the ArchSD, the GPA put Sailing Look on market for leasing at a monthly rental of \$186,000 for a term of two years with a rent-free period of 14 days.
October 2006	The GPA revised the rent-free period from 14 days to 30 days and reduced the monthly rental by about 10% from \$186,000 to \$167,500.
January 2007	The GPA informed the CSB that Sailing Look was not welcomed by prospective tenants in the market. It intended to return Sailing Look to the CSB for other alternative uses.
February 2007	The CSB invited applications for the allocation of Sailing Look but there was no response.
March to November 2007	Sailing Look was not available for occupation because of slope upgrading works.
December 2007	The CSB invited applications for the allocation of Sailing Look but there was no response. The CSB transferred Sailing Look back to the GPA for leasing.
January 2008	The GPA further requested the CSB to reconsider surrendering Sailing Look to the Lands D for site disposal. The CSB reiterated that there was a genuine need to retain Sailing Look, and agreed that the permissible tenure of Sailing Look should be extended to four years to enhance its marketability.
May 2008	The GPA put Sailing Look on market for leasing at a monthly rental of \$258,000 for a two-year term with a tenant's option to renew for another two years.
June 2008	The GPA reduced the monthly rental by 5%.
July 2008	The GPA further reduced the monthly rental by 5% to \$233,000. The CSB took back Sailing Look again for allocation to eligible officers.
August 2008	The CSB successfully allocated Sailing Look to an officer.

Source: CSB and GPA records

**Chronology of key events of releasing
the Kennedy Town Police Married Officers Quarters site**

March 2002	The GPA considered arranging tender for commercialising the quarters in the KTQ when they were handed over to it from the HKPF. However, the CEDD advised that the site was reserved for school use.
June 2002	All occupants in Blocks A and B moved out.
July 2002	The GPA took over Blocks A and B. The GPA was informed by the CEDD that there was a possibility that the KTQ site would be used as the portal of the vehicular tunnel of Route 7 (Note).
October 2002	All occupants in Block C moved out and the GPA took over the building.
November 2002	The GPA dropped the short-term commercialisation proposal and urged the Lands D to take over the site.
April 2003	The Highways Department (HyD) informed the GPA that the section of Route 7 at Kennedy Town would be kept under review and construction would not start before 2007.
December 2003	The HyD informed the GPA that the construction of Route 7 would not start before 2008.
Mid-2004	The GPA carried out a round of expression of interest for the use of the KTQ. In response, a university applied for using the KTQ as storage space and residence for overseas students for three years at the nominal monthly rent of \$1.
March 2005	The Plan D commented that the proposed use of the KTQ as residence for overseas students required planning permission from the Town Planning Board. The Plan D had statutory planning objection to the proposed tenancy.

Note: In early 1998, the Finance Committee approved funding to undertake a study for the section of Route 7 between Kennedy Town and Aberdeen. In early 2002, another study was commissioned to develop a number of dual 2-lane alignments for Route 7.

Appendix J
(Cont'd)
(para. 5.8 refers)

- May 2005 The GPA concluded that there were no commercialisation opportunities for the KTQ taking into account the refurbishment costs, the sluggish demand for the type of property in the market, the poor response to the expression of interest exercise and the planning objection.
- June 2005 The GPA granted approval to the CEDD for using the land adjacent to Blocks A and C of the KTQ as works area, and the ground floor of Block C as a works depot for the nearby landslip preventive works from August 2005 to February 2007.
- July 2005 The GPA informed the university that its proposal on the use of the KTQ could not be acceded to. Having considered that the site had been earmarked as a potential sale site and that the buildings had no commercialisation opportunities, the GPA urged the Lands D to include the KTQ site into the Land Sale Programme as soon as possible. In response, the Lands D said that:
- (a) it was a difficult site requiring extensive site formation, and was subject to planning, engineering or land issues to be resolved;
 - (b) the future use of the site was subject to further review of the proposed Route 4 (formerly known as Route 7) and the West Island Line/South Island Line; and
 - (c) the GPA could consider other alternative uses of the buildings and put them to beneficial uses as far as possible.
- August 2005 The GPA provided a list of properties, including the KTQ site, under its management to the Lands D and the Plan D asking them to consider re-designating those sites for alternative use or land sale.
- December 2005 The Plan D advised that the KTQ site would be affected by Route 4 and the future land use of the site was being reviewed by it.
- July 2007 The GPA gave approval for the CEDD to extend the use of land adjacent to Blocks A and C, and the ground floor of Block C to June 2008.

Appendix J
(Cont'd)
(para. 5.8 refers)

October 2007 The construction of the Mass Transit Railway West Island Line from Sheung Wan to Kennedy Town was proposed. In late 2008, the Mass Transit Railway Corporation Limited would demolish Blocks A and C for constructing associated ventilation shaft for the West Island Line.

November 2007 The GPA explored the feasibility of refurbishing the DSQs in Block B for reuse and requested the ArchSD to consider the technical feasibility of merging two or three units into one large unit. In response, the ArchSD replied that it was technically not feasible to do so.

Source: GPA records

**Chronology of key events of the retaining wall in
the Western Police Station Married Quarters — Rank and File**

- June 2006 All occupants in the WQ moved out.
- December 2006 The consultant employed by the ArchSD suggested three options to address the issue of the retaining wall as follows:
- (a) *Partial demolition.* All floors above the fifth floor of the WQ could be demolished. The ground floor to the fifth floor should be retained to maintain the support of the retaining wall;
 - (b) *Total demolition.* The whole WQ could be demolished and mass concrete blocks should be temporarily placed to stabilise the retaining wall. A permanent measure had to be put in place; and
 - (c) *Permanent stabilisation measure.* The retaining wall could be redesigned and rebuilt before the WQ was demolished. However, this was usually part of the building redevelopment works and was related to the design of the future building. It was very costly.

The ArchSD considered that only the partial demolition of the WQ could be carried out. However, it might not meet the objective of site clearance and was not a cost-effective approach. The ArchSD then sought comments from the departments concerned.

- January 2007 The GPA commented that there was no benefit in the partial demolition. The GPA requested the HKPF to consider putting the vacant DSQs in the WQ to other gainful uses. The Lands D said that it would not take over a site with existing buildings. The Lands D further said that the WQ site was no longer considered suitable for land disposal due to the adverse noise impact from the nearby roads and would be deleted from the Master List of Potential Land Sale Sites.

Appendix K
(Cont'd)
(para. 5.35 refers)

November 2007 The HKPF informed the GPA that it did not support the use of the WQ as temporary quarters or offices due to the substandard condition, safety and environmental concerns. The HKPF considered that the retaining wall issue should be addressed first.

December 2007 The HKPF sought views from the departments concerned on its proposal to redevelop the WQ into a new DQs building.

April 2008 The HKPF informed the SB that:

- (a) development at the WQ site for DQs might not be cost-effective as noise mitigation measures were required;
- (b) there was an incident involving falling plaster fragments, which caused damage to a parked vehicle. The deteriorating condition of the vacated WQ was causing genuine safety concerns to the users of the Western Police Station compound; and
- (c) it hoped that there could be a quick decision on the future of the WQ.

Given the safety concern of the building, the SB suggested that the WQ should be demolished as planned.

Source: GPA records

Acronyms and abbreviations

ArchSD	Architectural Services Department
Audit	Audit Commission
CEDD	Civil Engineering and Development Department
CSB	Civil Service Bureau
DQs	Departmental quarters
DSQs	Disciplined services quarters
EPD	Environmental Protection Department
FSI	Financial Secretary Incorporated
FSTB	Financial Services and the Treasury Bureau
GLD	Government Logistics Department
GPA	Government Property Agency
HKPF	Hong Kong Police Force
HOS	Home Ownership Scheme
HyD	Highways Department
KTQ	Kennedy Town Police Married Officers Quarters
Lands D	Lands Department
NDQs	Non-departmental quarters
Plan D	Planning Department
SB	Security Bureau
SPR	Stores and Procurement Regulation
TPDO	Tai Po District Office
WCQ	Wan Chai Police Married Quarters
WQ	Western Police Station Married Quarters — Rank and File