

CONTROLLING OFFICER'S REPLY

FHB(FE)360

(Question Serial No. 3355)

Head: (49) Food and Environmental Hygiene Department

Subhead (No. & title): (-) Not Specified

Programme: Not Specified

Controlling Officer: Director of Food and Environmental Hygiene (Miss Vivian LAU)

Director of Bureau: Secretary for Food and Health

Question:

With regard to the outsourcing of services by the Food and Environmental Hygiene Department (the Department), please inform this Committee of:

1. the total number of outsourced workers, as well as the percentage of outsourced workers in the total number of staff with the same types of duties in the Department, in the past 3 years;
2. the total staff cost of the Department and the total amount paid to outsourced service providers, as well as the percentage of amount paid to outsourced service providers in the total departmental staff cost, in the past 3 years; and
3. the nature of outsourced services and the length of the service contracts of the Department in the past 3 years.

In addition, the Government amended its guidelines on the tendering of service contracts last year. As such, when a service contract relies heavily on deployment of non-skilled workers and is assessed with a marking scheme, the procuring department is required to include in its assessment criteria the evaluation of the tenderers' proposed wage rates and working hours for non-skilled workers during tender evaluation. In this connection, please advise this Committee on the following:

1. the number of outsourced service contracts relying heavily on deployment of non-skilled workers which have been awarded by the Department since the implementation of the guidelines;
2. after the implementation of the guidelines, those departments which have, in accordance with the new guidelines, adjusted their assessment criteria regarding wage rates and working hours for outsourced service contracts relying heavily on deployment of non-skilled workers, and the details of the adjustments thus made by the Department; if no relevant information is available, the reason(s);
3. after the implementation of the guidelines, whether there has been a rise in the average wage rate in respect of outsourced service contracts relying heavily on deployment of non-skilled workers; if yes, the number of contracts involving a wage rise; if no relevant information is available, the reason(s);

4. the measures which have been taken by the Department to assess the effectiveness of the new tendering guidelines;
5. whether the Department has adopted the existing two-envelope mechanism for assessing the technical and price aspects of the tenders of the outsourced service contracts; if not, the number of contracts awarded by the Department without evaluation under the existing two-envelope mechanism for assessing the technical and price aspects of the tenders in the past 3 years;
6. the respective numbers of cases in which the outsourced service contractors were found to have breached the service contracts, the Employment Ordinance, the Occupational Safety and Health Ordinance during inspections by the Department, as well as the number of complaints received from outsourced workers, each year;
7. details of follow-up actions on the breaches and complaints; and
8. the number and details of cases in which the outsourced service contractors were penalised due to the breaches and the substantiation of the complaints against them.

Asked by: Hon LEUNG Yiu-chung (Member Question No. 100)

Reply:

The information sought on outsourcing of services by the Food and Environmental Hygiene Department (the Department) is provided as follows -

1.

	2014-15 (as at 31.3.2015)	2015-16 (as at 31.3.2016)	2016-17 (as at 31.12.2016)
Number of outsourced staff	11 498	11 691	11 694
Number of staff in the Department with same / similar type of duties	5 026	5 069	5 008
Percentage of outsourced staff to number of staff in the Department with same / similar duties	228.8%	230.6%	233.5%

2.

	2014-15 (as at 31.3.2015)	2015-16 (as at 31.3.2016)	2016-17 (as at 31.12.2016)
Total departmental staff cost	\$3,098.2 million	\$3,267.7 million	\$3,482.1 million ^(Note)
Total amount paid to outsourced service providers	\$1,766.2 million	\$1,867.1 million	\$1,945.4 million ^(Note)
Percentage of total amount paid to outsourced service providers in total departmental staff cost	57.0%	57.1%	55.9%

Note: Revised Estimate for 2016-17.

3.

Contract period	Number of Contracts			Nature of contracts
	2014-15	2015-16	2016-17 (as at 31.12.2016)	
Below 1 year	1	1	2	Illumination and power supply in Lunar New Year Fairs
1 year	0	1	0	Hiring of vehicle service
2 years	127	126	129	Public cleansing, government building cleansing, market management and cleansing, pest control, security guard and hiring of vehicle services
3 years	2	2	2	Portable toilet and waste collection services by automatic refuse collection systems
5 years	18	18	20	Waste collection, mechanized cleansing and vehicle maintenance services
Total Number of contracts	148	148	153	

The information sought on issues relating to amendment to guidelines on the tendering of service contracts in 2016 is provided as follows -

1. Since the promulgation of the revised guidelines up to end of January 2017, the Department has awarded 11 service contracts engaged heavily with non-skilled workers involving 8 street cleansing service contracts and 3 security guard service contracts respectively.
- 2-4. The revised guidelines promulgated by the Financial Services and the Treasury Bureau in 2016 require procuring departments to include in its assessment criteria the evaluation of the tenderers' proposed wage rates and working hours for non-skilled workers during tender evaluation if a marking scheme is adopted. The Food and Environmental Hygiene Department has adopted such criteria before announcement of the revised guidelines. The average wages of non-skilled workers before and after the promulgation of the revised guidelines have no significant difference.
5. In the past 3 years, the two-envelope mechanism and the marking scheme had not been adopted for 35 tenders. Most of them did not involve non-skilled workers and are simple in nature.
- 6-8. The Department carries out regular and surprise inspections to check the contractor's performance and to confirm whether the services have been completed as scheduled in accordance with the contract requirements, approved work plans and staff attendance record. If non-compliance with contract requirement is found, the Department will take appropriate actions including the issuance of verbal warnings, written warnings and default notices as well as deducting monthly payment of service charge.

Upon receipt of employment-related complaints and/or when irregularities were detected, the Department would conduct audit and employment-related inspections to check the relevant documents, including Standard Employment Contracts, wage records, attendance records, etc. and to interview the contractors' staff concerned to see if there were any breaches of the contract requirements and/or the relevant labour legislation. Where appropriate, the cases would be referred to the Labour Department, Mandatory Provident Fund Schemes Authority, etc. for necessary follow-up actions. In 2016-17, 3 cases of non-compliance of employment-related contract requirements were substantiated. They were related to exceeding the maximum daily working hours. Further investigation confirmed that the breaches were not intentional and malicious. Warning letters were issued to the 3 contractors concerned.

In 2016-17, the Department has received 6 complaints lodged by contractor staff. Upon investigation, only one case was substantiated. Default notice was issued to the contractor subsequently. In 2016-17, a total of about 1 100 default notices were issued to outsourced service contractors for default in performance under the service contracts.