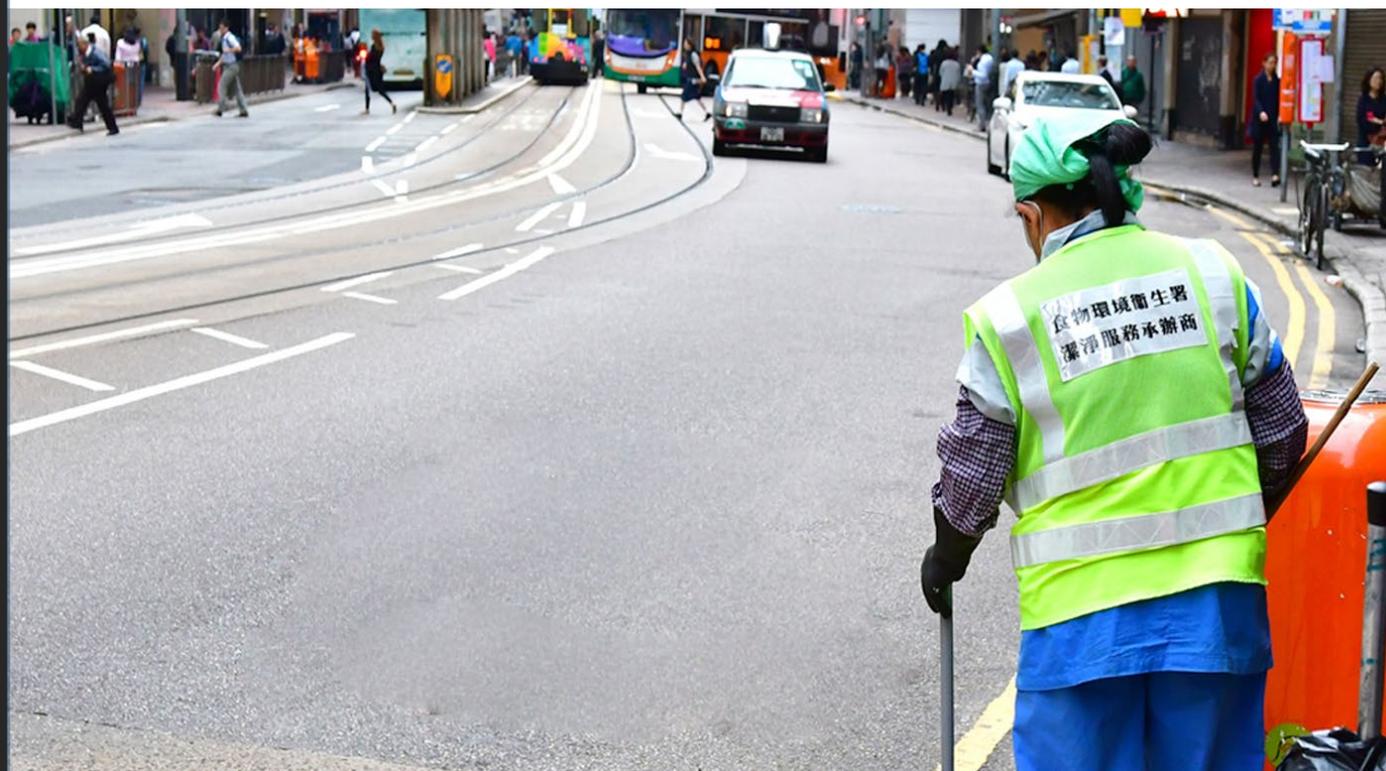


香港申訴專員公署
Office of The Ombudsman, Hong Kong



主動調查報告
Direct Investigation Report

食物環境衛生署對外判街道潔淨服務的監管
Monitoring of Outsourced Street Cleansing Services by
the Food and Environmental Hygiene Department

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1

INTRODUCTION

BACKGROUND

1.1 Cleansing services for streets in Hong Kong are largely the responsibility of the Food and Environmental Hygiene Department (“FEHD”). Since 2000, the Department has been outsourcing street cleansing services to cleansing contractors (“contractors”) through tendering and contracting procedures. At present, around 80% of all street cleansing services are provided by contractors¹. Covering mainly the streets in busier areas, their services include sweeping and washing streets, cleansing public toilets and refuse collection points, clearing gully traps and litter bins, etc.

1.2 There are public views that the process or practice of awarding contracts to the lowest bidder has led to inconsistent and varying service quality, and that FEHD’s monitoring of the performance of contractors is inadequate, resulting in frequent piling of rubbish on streets, thereby affecting environmental hygiene.

1.3 Keeping streets clean is very important to our daily life, and can enhance the reputation of Hong Kong as a world city. As cleansing services for the vast majority of main streets in the territory are taken up by contractors, we initiated this direct investigation to examine the Government’s monitoring mechanism for outsourced street cleansing services and its effectiveness, with a view to making recommendations for improvement to the Government where necessary.

PROCESS OF INVESTIGATION

1.4 On 10 May 2019, The Ombudsman initiated a direct investigation against FEHD pursuant to section 7(1)(a)(ii) of The Ombudsman Ordinance and issued a press release on 15 May to invite public views and information. We received a total of 18

¹ The percentage of outsourced street cleansing services means the percentage of the total number of cleansing workers employed by the contractors out of the total number of street cleansing workers (*viz.* the number of cleansing workers employed by the contractors plus those employed by FEHD).

submissions of views from members of the public². Some of them provided locations of poor environmental hygiene, some expressed dissatisfaction with the performance of street cleansing services, some others were dissatisfied with the cleanliness of streets, while some made suggestions on issues ranging from monitoring of the frontline cleansing workers of contractors and protection of their welfare, to improving the relevant monitoring mechanism.

1.5 On 30 June 2020, we issued the draft investigation report to FEHD for comments. On 24 September, 8 and 23 October, FEHD provided information and comments. This final report, incorporating the Department's comments as appropriate, was completed on 27 October 2020.

² The 18 public submissions included 14 written submissions and four verbal comments.

2

TENDERING MECHANISM FOR STREET CLEANSING SERVICES AND DEMERIT POINTS SYSTEM

TENDERING MECHANISM FOR STREET CLEANSING SERVICES

Tendering Mechanism Prior to April 2019

2.1 FEHD's tendering exercises for street cleansing service contracts have all along been conducted in accordance with the Government's procurement regulations and procedures by adopting the "marking scheme" approved by the Central Tender Board for tender evaluation. The weightings accorded to "price score" and "technical score" under the marking scheme were respectively 70% and 30% of the total score. The weightings had been adopted since 2000 when FEHD started to outsource street cleansing services to contractors, and remained effective until March 2019.

2.2 Prior to April 2019, FEHD evaluated all tenders according to the above 70% : 30% weighting for "price score" and "technical score". The "technical score" assessment included the quality of the proposed execution plans for the service contract, the proposed wage rate for and daily maximum working hours set for cleansing workers, as well as the tenderer's past performance, etc. The tender which obtained the highest combined "price score" and "technical score" would be accepted by the Department. The table below shows the scores given by FEHD in two tendering exercises for contractors.

Table 1: Scores given by FEHD in tendering exercises (1)

	Price score (70% of total score)	Technical score (30% of total score)	Total score (100 points)
Tenderer A*	70.00	22.70	92.70
Tenderer B	62.61	30.00	92.61
Tenderer C	65.36	24.55	89.91
Tenderer D	63.98	25.29	89.27
Tenderer E	61.11	24.64	85.75
Tenderer F	60.52	19.81	80.33

* Tenderer A obtained the highest total score and was awarded the contract.

Table 2: Scores given by FEHD in tendering exercises (2)

	Price score (70% of total score)	Technical score (30% of total score)	Total score (100 points)
Tenderer G*	69.41	30.00	99.41
Tenderer H	68.15	29.83	97.98
Tenderer I	70.00	24.85	94.85
Tenderer J	66.39	27.46	93.85

* Tenderer G obtained the highest “technical score” but not the highest “price score”. Still, it was awarded the contract because it obtained the highest total score.

2.3 FEHD’s information on the tender results shows that for the four years between April 2015 and March 2019, around 40% (i.e. 25) of the contracts for street cleansing services were not awarded to the tenderer receiving the highest “price score” (viz. the lowest bid).

2.4 The two-year service contracts signed between FEHD and the contractors do not carry renewal clauses. Before the existing street cleansing contract expires, FEHD would arrange for an open tender, which would be completed one month prior to contract expiry.

New Tendering Mechanism Effective Since April 2019

2.5 The 2018 Policy Address pointed out that an inter-departmental working group set up by the Secretary for Labour and Welfare had completed a review of the employment terms and conditions as well as employment benefits of non-skilled employees engaged under government service contracts. The group recommended an increase in the technical weighting under the marking scheme for tender evaluation, that the weighting of “wage rate” under “technical score” be raised, and the employment benefits of non-skilled employees be improved. Besides, the relative weighting of “price score” and “technical score” under the tendering mechanism should be modified to become 50%: 50%. The above measures would be applicable to government service contracts tendered on or after 1 April 2019.

2.6 In response to the recommendations in the 2018 Policy Address, FEHD adjusted the marking scheme under the tendering mechanism and implemented the following improvement measures:

- (1) in assessing tenders for FEHD street cleansing service contracts, the weighting of “price score” was reduced from 70% to 50%, while that of “technical score” was raised from 30% to 50%;
- (2) the weighting of wages of non-skilled workers under “technical score” was increased from 8 to 12.5 points (out of a total 50 points for “technical score”);
- (3) the weighting of “past performance” under “technical score” was increased from 6.6 to 7.5 points;
- (4) non-skilled workers employed continuously for not less than one year in accordance with the Employment Ordinance would be entitled to a contract gratuity equivalent to 6% of the total wages earned during their employment upon expiry or termination of their standard employment contract;
- (5) non-skilled workers who have completed one month’s continuous service under a contract in accordance with the Employment Ordinance would be entitled to paid statutory holidays; and

- (6) non-skilled workers on duty when typhoon signal No. 8 (or above) is hoisted are entitled to not less than 150% of the original wage for that day/shift.

2.7 In order for the above new measures to benefit non-skilled workers as soon as possible, FEHD had adopted transitional arrangements. For service contracts awarded between 10 October 2018 (i.e. the 2018 Policy Address announcement date) and 31 March 2019 in accordance with the old terms and conditions and which mainly engaged non-skilled workers (46 contracts in total), FEHD had come to an agreement with the contractors concerned to include the enhanced measures in the service contracts, with Government subsidy to the contractors in the form of reimbursement.

2.8 Between April 2019 and March 2020, FEHD had awarded a total of 14 street cleansing service contracts, of which ten (71%) were not awarded to the lowest bidder. Details of those 14 service contracts are provided in the following table.

Table 3: The 14 street cleansing service contracts awarded under the new tendering mechanism (April 2019 to March 2020)

The 14 service contracts	Number of tenders received during the tendering exercise	Actual score of the winning tender under the 50%:50% weighting of “price score” and “technical score”			Score simulation for the winning tender under the 70%:30% weighting of “price score” and “technical score”			Would the tender still win in the 70%:30% weighting simulation ³ ?
		Price score and ranking	Technical score and ranking	Past performance (score and ranking)	Price score and ranking	Technical score and ranking	Past performance (score and ranking)	
1.	5	47.40 (3)	50 (1)	1.5 (2)	66.36 (3)	30 (1)	0.9 (2)	Yes
2.	5	48.03 (3)	50 (1)	1.5 (2)	67.24 (3)	30 (1)	0.9 (2)	Yes

³ FEHD pointed out that contractors may, in view of the modifications in score weightings, adjust their tendering strategy. So, we should not expect them to submit the same tender documents under the 70%:30% and the 50%:50% score weightings. Consequently, their actual score and the tender result under the 70%:30% weighting situation may very likely be different from the simulation above. The simulation comparison above is for reference only.

3.	5	46.23 (4)	50 (1)	0 (5)	64.72 (4)	30 (1)	0 (5)	No
4.	4	42.67 (4)	50 (1)	0 (4)	59.74 (4)	30 (1)	0 (4)	No
5.	3	45.90 (3)	50 (1)	0 (3)	64.26 (3)	30 (1)	0 (3)	No
6.	5	46.94 (5)	50 (1)	0 (5)	65.71 (5)	30 (1)	0 (5)	Yes
7.	5	47.90 (4)	50 (1)	0 (5)	67.06 (4)	30 (1)	0 (5)	Yes
8.	4	50 (1)	43.76 (2)	3 (1)	70 (1)	26.26 (2)	1.8 (1)	Yes
9.	3	50 (1)	43.76 (2)	3 (1)	70 (1)	26.26 (2)	1.8 (1)	Yes
10.	3	44.68 (3)	50 (1)	0 (3)	62.56 (3)	30 (1)	0 (3)	No
11.	6	50 (1)	48.17 (2)	3 (1)	70 (1)	28.9 (2)	1.8 (1)	Yes
12.	5	50 (1)	50 (1)	3 (1)	70 (1)	30 (1)	1.8 (1)	Yes
13.	3	48.66 (2)	50 (1)	3 (1)	68.13 (2)	30 (1)	1.8 (1)	No
14.	3	49.88 (2)	50 (1)	3 (1)	69.83 (2)	30 (1)	1.8 (1)	Yes

“DEMERIT POINTS SYSTEM” RELATING TO EMPLOYMENT OBLIGATIONS

2.9 In 2004, the Financial Services and the Treasury Bureau (“FSTB”) introduced the Demerit Points System (“DPS”) relating to employment responsibilities. According to the Financial Circular No. 4/2006 of the Bureau, the DPS is applicable to all government service contracts awarded through tender (including FEHD’s street cleansing service contracts). When outsourcing services, Government departments

must ensure that their contractors fulfil the employment responsibilities in four aspects, namely wage rate, maximum daily working hours, signing of standard employment contracts with and paying wages by autopay to the non-skilled workers.

2.10 In response to the initiatives of the 2018 Policy Address, FSTB issued the new Financial Circular No. 3/2019. Under the revised DPS, contractors found to be delinquent in respect of the seven employment responsibilities under the service contract (namely wage rate, maximum daily working hours, signing of standard employment agreement with non-skilled workers, paying wages by autopay, paid statutory holidays, paying workers not less than 150% of the original wage on working days when typhoon signal No. 8 (or above) is hoisted, and paying a contract gratuity to non-skilled workers) will be issued an “employment-related” default notice (“DN”) and given one demerit point for each DN issued by FEHD once the irregularity involved is confirmed. Every month, FEHD and other Government departments have to submit to the Government Logistics Department (“LGD”) via a specified return information about contractors given demerit points in the preceding month. The information should include the names of the contractors, contract numbers, and the dates of giving the demerit points, etc. Upon collating the information received, GLD would update the information for announcement on the archive of the Central Cyber Government Office (“CCGO”), the Government’s intranet. If a department receives a contractor’s appeal against the demerit point(s) given, a remark would be made on the monthly return.

2.11 In accordance with the DPS announced in the above FSTB Financial Circular, FEHD has put in place an appeal mechanism, under which a contractor can lodge an appeal within 14 calendar days upon receiving a demerit point notification. FEHD would set up an appeals board⁴ within 5 working days upon receipt of the appeal statement, then consider and determine the appeal within the ensuing 30 calendar days. Between 2015 and 2019, FEHD received one appeal application each in 2018 and 2019. The appeal was unsuccessful in both cases. If an appeal is allowed, FEHD would notify GLD to update the information on the CCGO.

2.12 For any tenderer which has, over a rolling period of 36 months immediately preceding the month of the tender closing date, accumulated three demerit points from one or more Government departments, his/her tender offer for service contracts will not

⁴ The appeals board, set up by the Senior Superintendent (Quality Assurance) of FEHD to consider an appeal, is chaired by the Assistant Director of Food & Environmental Hygiene (Grade Management & Development) and comprised of two other members of a rank equivalent to Superintendent or Senior Executive Officer or above or equivalent.

be considered for a period of five years starting from the date the third demerit point is registered.

2.13 In the ten years between April 2009 and March 2019, none of the street cleansing contractors hired by FEHD had been given three demerit points by FEHD or other Government departments. Among the 14 street cleansing service contracts awarded between April 2019 and March 2020, only one winning tenderer had been given demerit points during the above ten-year period.

3

MECHANISM FOR MONITORING CONTRACTORS' PERFORMANCE

MONITORING MECHANISM

Number of Management Staff

3.1 There are all together 19 District Environmental Hygiene Offices (“DEHOs”) under FEHD. The Cleansing and Pest Control Section (“CPCS”) under each DEHO is responsible for managing the street cleansing services within the respective district. In addition to monitoring street cleansing services, the CPCS also oversees pest control services, investigates complaints, and takes enforcement action against offenders of cleanliness in public places. As at March 2020, FEHD had awarded in total 34 street cleansing service contracts in 19 districts involving 5 contractors. The street cleansing service contracts currently in force employed in total 7,857 cleansing workers and 717 foremen. In all 19 DEHOs, there were 450 officers responsible for the day-to-day monitoring of contractors’ performance, including 19 Senior Health Inspectors⁵ (“SHIs”), 57 Health Inspectors (“HIs”), 24 Overseers and 350 Senior Foremen (“SF”). The FEHD management staff would conduct random inspections for evaluating the overall performance of contractors. They would not directly supervise the work of each cleansing worker employed by the contractor. The random inspections aim at assessing the overall performance of the contractors, including their competence and vision to oversee all aspects of challenges.

3.2 In 2019, FEHD awarded 19 street cleansing service contracts. Details are given below.

⁵ Some SHIs also supervise the cleansing services and pest control services within the district provided by FEHD workers.

Table 4: Street Cleansing Service Contracts Awarded by FEHD in 2019

Outsourced street cleansing service contracts	
Lowest contract price (HKD)	39.72 million
Highest contract price (HKD)	158.52 million
Average contract price (HKD)	Around 109.71 million
Total contract value (HKD)	2084.56 million
Total number of contracts	19 (5 one-year contracts ⁶ ; 14 two-year contracts)

Service Standard Specified in Contracts

3.3 FEHD basically adopts the “outcome-based” principle in the management of street cleansing service contracts. Clear requirements on performance-based services are incorporated into the tender documents for street cleansing services.

3.4 After obtaining FEHD’s service contracts, the tenderers must provide services in accordance with the contract conditions specified in the tender documents. The contract conditions set out the items and standard of services to be delivered by contractors, including the scope of streets and facilities to be cleansed, expected level of cleanliness, and the contractors’ responsibility to rectify within a specific timeframe in case of unsatisfactory services, etc. For instance, FEHD already specified clearly in the service contracts the performance indicators with regard to the expected level of cleanliness for different locations and facilities such as road surface, litter bins and gully traps, etc. with photographs illustrating the acceptable cleanliness level and unsatisfactory situations. As to the resources that contractors must provide, such as number and types of vehicles as well as the minimum manpower requirement, there are also relevant requirements in the service contracts. Regarding employment protection, the service contracts already include indicators on wage rates, method of wage payment, number of working hours, etc. FEHD would monitor the performance of contractors in accordance with the indicators stipulated in service contracts.

⁶ Five of the street cleansing contracts awarded by FEHD in 2019 were one-year contracts. That was a one-off transitional arrangement aiming at re-inviting tenders as soon as possible using the new terms and conditions announced by the Chief Executive in the 2018 Policy Address to improve the employment welfare of non-skilled workers.

3.5 FEHD indicated that upon implementation of the new tendering mechanism on 1 April 2019, if the innovative proposal of a tenderer can effectively enhance services or is beneficial to the Government/public, it would be given extra marks under “technical score”. This measure aims at encouraging tenderers to put forward innovative proposals for service enhancement. The current monitoring mechanism, however, includes no measures that directly incentivise or reward contractors and their employees to proactively improve services after obtaining a contract. If the performance of contractors is found to be sub-standard, or there are serious defaults in service delivery, or their employee are found to have misbehaved, etc., the Department would take enforcement action in accordance with contract conditions (see **paras. 3.18–3.29**). FEHD believed that the enforcement action can encourage contractors to deliver good services so as to stand a higher chance of winning another FEHD service contract.

3.6 To ensure that the performance of service contractors meets contract requirements, FEHD would monitor contractors via inspections and enforcement action. The FEHD management staff for street cleansing service contracts conduct random inspections based on the “risk management” principle to assess contractors’ performance. During inspections, they would single out locations that warrant special attention on a district basis. Such locations may be densely populated areas, tourist attractions, blackspots of rubbish pile-ups, or locations where the contractors’ service has been persistently unsatisfactory. Inspection priority and frequency are then determined accordingly. Furthermore, to reduce the likelihood of contractors successfully predicting the mode of inspection, FEHD would adjust from time to time the route and time of inspections, and sometimes may inspect a certain location during different times of the same day to check on the street cleansing services of the contractor. Surprise inspections would be conducted in various districts once every six months at the roll call locations of contractors to record the number of contractors’ workers on duty.

3.7 Should contractors breach contract conditions in service delivery, FEHD may take action in accordance with the current enforcement mechanism to issue verbal warnings, written warnings, DNs, as well as deducting monthly service fee. There are four types of DNs, namely, performance-related DNs, blatant DNs, DNs for behavioural defaults and “employment-related” DNs (see details in **paras. 3.20–3.25**). Serious irregularities may lead to termination of service contracts. Inspections and enforcement action are mainly taken up by the DEHOs of the 19 districts or FEHD’s Quality Assurance Section (“QAS”).

Inspections and Regulatory Examinations by DEHOs

3.8 DEHOs conduct random inspections based on the risk management principle to assess contractors' performance. **Paragraphs 3.9 to 3.12** below elaborate the inspection work and frequencies of staff of various ranks at DEHOs.

3.9 SF are responsible for the day-to-day inspections. They conduct site visits every day at not less than 10% of the streets in their responsible areas, and would conduct thorough inspections at all the streets in the area every ten working days. In discharging their daily contract management duties, SF would conduct random inspections on the cleanliness of streets, then enter the inspection results in the central computer system through a mobile phone application. SF are also responsible for handling complaints about cleanliness of streets.

3.10 In 2018, FEHD created the post of Overseer to assist SHIs in managing the cleansing service contracts in the district under their purview, mapping out work and operation details, and devising plans for monitoring cleansing services. Overseers would, at the instructions of SHIs, carry out thematic inspections regarding street cleansing matters within the district at least once a week, with a view to checking on the performance of the cleansing contractor and the SF. In determining the route of inspections, Overseers would take all factors into consideration, including topics of community concern at the moment and the issues involved in complaints. Besides, they also provide guidance to SF, formulate plans to supervise contractors' performance on behalf of SHIs, as well as plugging the gaps in the monitoring process. However, Overseers would not take the place of SF to conduct day-to-day inspections on the contractors' performance. They only conduct inspections on the basis of actual operational needs. As such, there are no fixed frequencies for their inspections.

3.11 HIs supervise the work of the SF under them, and monitor the performance of contractors in accordance with the terms and conditions of cleansing service contracts. In general, HIs conduct regulatory examinations at least once or twice a week, during which they would inspect the cleansing services of one target area⁷. They are required to examine the whole area under their purview at least once every six weeks.

⁷ FEHD divides the streets within each district into 12 target areas to facilitate systematic inspection.

3.12 SHIs are responsible for the overall management of the Cleansing Section of their district, which includes planning, organising, coordination, supervision and assessment duties. Normally, SHIs would conduct regulatory examinations at least once every two weeks, and each examination should cover two target cleansing areas. They have to inspect all the areas in the whole district at least once every three months. A joint inspection by an SHI and an HI would be counted as one inspection.

3.13 Take the Tsuen Wan DEHO as an example. Its management staff responsible for the day-to-day monitoring of contractors' performance comprises 20 officers, namely one SHI, three HIs, one Overseer and 15 SF. The street cleansing contractor of the Tsuen Wan district hires 21 foremen and 322 street cleansing workers (343 in total). In the course of investigation, we asked FEHD to provide the actual inspection records of the management staff for the Tsuen Wan district between January and June 2019. Details are tabulated below.

Table 5 : Day-to-day inspection records of management staff of all ranks of the Tsuen Wan DEHO (January to June 2019)

Rank of officer (number of officers for day-to-day inspections/regulatory examinations)	Guidelines for inspections/regulatory examinations	Actual number of inspections/regulatory examinations (between January and June 2019)
Senior Foreman (12)*	Inspect at least 10% of the streets under their responsibility every day, and inspect all the streets in their responsible area at least once every 10 working days in order to ensure contractors' compliance with contract conditions in rendering cleansing services	January 2019: 258 February 2019: 236 March 2019: 255 April 2019: 271 May 2019: 284 June 2019: 270
Health Inspector (3)	Conduct regulatory examinations at least once or twice every week, and examine the whole area under their purview at least once every 6 weeks to ensure that their subordinates meet	January 2019: 17 February 2019: 16 March 2019: 17

	established performance standard in discharging day-to-day duties	April 2019: 18 May 2019: 18 June 2019: 20
Senior Health Inspector (1)	Conduct regulatory examinations at least once every 2 weeks, and examine all areas within the district at least once every 3 months to ensure that their subordinates meet established performance standard in discharging day-to-day duties	January 2019: 5 February 2019: 7 March 2019: 8 April 2019: 6 May 2019: 6 June 2019: 6

* There are 15 SF at the Tsuen Wan DEHO, of them 12 are responsible for day-to-day inspections during both day and night (including holidays), the remaining three SF handle other duties.

3.14 On 20 May 2020, our officers conducted a site visit to understand the day-to-day inspections carried out by the management staff of the Tsuen Wan DEHO. We were informed that the management staff would conduct random checks on the cleanliness of streets, and use mobile phone applications to record inspection results and follow-up status. The information would then be uploaded to the central computer system. The Tsuen Wan DEHO further indicated that if the performance of the contractor was found to be unsatisfactory (e.g. cleansing workers were found napping during working hours, or mechanised street sweeping vehicles did not provide service at the time and locations specified, etc.), the management staff would issue a DN as appropriate to the contractor and deduct monthly service fee payable to the contractor (see **para. 3.20**). We have scrutinised some of the various DNs issued by the Tsuen Wan DEHO.

Inspections and Enforcement by the QAS

3.15 The QAS of FEHD was set up in October 2000, under which there is an Operations Unit (“OU”) and a Central Investigation Team (“CIT”). The former comprises three SHIs and seven HIs; the latter, one SHI and four HIs. The OU conducts surprise inspections on the mechanised cleansing services provided both by the contractors and FEHD (such as street-washing vehicles, tipper lorries, mechanical sweepers, gully emptiers and grab lorries, etc.) for monitoring the performance of contractors and FEHD employees in the provision of mechanised cleansing services. The OU would also conduct biennial thematic inspections, which cover the services

under different FEHD teams and sections, such as cleansing services, pest control services and market management. Thematic inspections involving street cleansing services rendered by contractors would be carried out together with the SF responsible for the outsourced street cleansing services of the target area concerned. The aim of thematic inspection is to recognise FEHD supervisory staff (including SF and HIs) with excellent performance and to share their exemplary management experience and work observations. If contractors or FEHD staff are allegedly involved in defaults during inspections by the QAS, their cases will be referred to the DEHO concerned for follow-up. The QAS would not issue DNs to contractors directly.

3.16 The CIT under the QAS conducts random audits⁸ to check contractors’ records relating to non-skilled workers, such as monthly payroll records, duty records, records of wage payment by autopay, records of contribution to the mandatory provident fund, the standard employment contracts signed between the contractors and the non-skilled workers. To protect the rights and welfare of workers, the CIT also interviews the non-skilled workers to check if the contractors have breached any labour legislation. The CIT has set up a complaint hotline. It would investigate complaints involving “employment-related” defaults of contractors. The following table gives details on the inspections and complaint-handling of the QAS.

Table 6 : Inspections and complaint-handling of the QAS (2015 to 2019)

	2015	2016	2017	2018	2019
No. of service contracts in force	28	30	32	34	34
(i) Weekdays	234	190	219	239	232
(a) + (b)	(72%)	(80%)	(82%)	(77%)	(73%)
(a) Office hours	175	130	153	182	158
	(75%)	(68%)	(70%)	(76%)	(68%)
(b) Non-office hours	59	60	66	57	74
	(25%)	(32%)	(30%)	(24%)	(32%)
(ii) Weekends and holidays	91	49	48	70	84
	(28%)	(20%)	(18%)	(23%)	(27%)

⁸ The CIT conducts periodic audits to check all contractors who mainly employ non-skilled workers. The first random audit would be conducted within the first three months of a service contract, subsequently annually and within the last three months of a contract.

Total no. of inspections (i) + (ii)	325	239	267	309	316
Average no. of inspections (total no. of inspections / no. of service contracts in force) (rounding up to the digit)	12	8	8	9	9
No. of complaints received relating to “Employment-related” defaults	13	4	7	11	4
Complaint substantiated	0	0	0	1	0
Complaint unsubstantiated	13	4	7	10	4

3.17 The inspections conducted by the OU of the QAS focus on the mechanised cleansing service among the street cleansing services provided both by the contractors and FEHD (see **para. 3.15**), such as street-washing vehicles, tipper lorries, mechanical sweepers, gully emptiers and grab lorries, etc. The inspection data in **Table 6** cover only the inspections by the OU of the QAS on the mechanised cleansing service provided by contractors. If impropriety on the part of a contractor or FEHD staff is found during an inspection, the OU would refer the case to the DEHO concerned for follow-up action. Cleansing services other than the mechanised cleansing services provided by contractors are monitored by individual DEHOs.

ENFORCEMENT ACTION

3.18 If during inspections a DEHO or the QAS finds that a contractor’s performance fails to meet the performance indicators as specified in the service contracts (see **para. 3.4**), or discovers “employment-related” defaults, the DEHO concerned will take enforcement action, such as issuing verbal warnings, written warnings, or DNs, as well as deducting the monthly service fee. The following are some examples.

Verbal Warnings and Written Warnings

3.19 Examples of incidents that would lead to FEHD issuing verbal warnings and written warnings to contractors:

Table 7 : Examples of incidents in which FEHD would issue verbal warnings and written warnings

Verbal warnings	Rubbish bin overflows and rubbish lies on the ground around it. The contractor must empty the bin and cleanse the ground within 45 minutes.
Written warnings	Grab lorry too noisy during rubbish collection. The contractor must rectify at once.

DNs and Deduction of Monthly Service Fee

3.20 The service contract signed between FEHD and contractors stipulates that non-compliance with or violation of any contract conditions by the contractor during delivery of specified services would trigger the issuance of a “performance-related DN” by FEHD. For serious defaults, a “blatant DN” would be issued; while misbehaviour of the contractor’s employees in the course of providing specified services would result in a DN for “behavioural defaults”. In relation to these three types of DN, FEHD can deduct monthly service fee payable to the contractor concerned. Nevertheless, the defaults involved in these three types of DN are not “employment-related” defaults that are subject to demerit points under the DPS (see **paras. 2.9 and 2.10**).

3.21 “Employment-related” defaults refer to a contractor’s failure to discharge employment obligations in accordance with the requirements of the service contract. In such situations, FEHD will issue an “employment-related” DN and give one demerit point to the contractor in accordance with the DPS (see **paras. 2.10**).

3.22 Issuance of a DN by FEHD would result in the deduction of the monthly service fee payable to the contractor concerned. The amount of deduction, considered as liquidated damages, would be equivalent to the actual administrative cost incurred by

the Government in enforcing the contract condition in question. The administrative cost involves investigating the irregularity, follow-up inspections, contacting supervision staff of the contractor, reporting to senior staff and preparing relevant documents, drafting and delivering an DN, as well as reviewing or revisiting the management of the case, as well as implementing improvement measures.

3.23 The fixed amount of liquidated damages for various types of DNs is already specified in the service contracts, subject to annual adjustments in accordance with the salaries of Government officers responsible for enforcing that contract condition and the administrative cost involved, thereby obviating the need to calculate the administrative cost for every single DN issued. As at March 2020, the amount of monthly service fee deducted by FEHD in accordance with contract conditions ranged from \$1,010 to \$8,384.

3.24 FEHD indicated that according to contract conditions, deduction of monthly service fee payable to contractors is not a “fine”. The amount deducted is just the administrative expenses arising from the contractors’ failure to discharge their duties as specified in the service contracts, such that FEHD has to investigate the case, carry out jobs relating to the issuance of a DN, and deploy staff of various ranks to supervise the contractor’s completion of the duty.

3.25 The table below contains four scenarios which would trigger issuance of various types of DNs to contractors by FEHD.

Table 8 : Examples of scenarios in which FEHD would issue a DN

Type of DNs	Example of scenarios								
<p>“Performance-related” DNs (not subject to demerit points)</p>	<p>A contractor fails, within a specified timeframe, to rectify or complete rectification of an irregularity against which FEHD has issued a verbal warning, FEHD will issue a “performance-related” DN and deduct from the monthly service fee the amount specified in the service contract.</p> <p>The contract condition stipulates that FEHD would deduct the monthly service fee in relation to “performance-related” DNs according to the following rates:</p> <table border="1" data-bbox="619 920 1385 1285"> <thead> <tr> <th data-bbox="619 920 1043 1115">No. of “performance-related” DNs issued within one month</th> <th data-bbox="1043 920 1385 1115">Amount of deduction from monthly service fee (per DN)</th> </tr> </thead> <tbody> <tr> <td data-bbox="619 1115 1043 1171">1 to 10</td> <td data-bbox="1043 1115 1385 1171">\$2,581</td> </tr> <tr> <td data-bbox="619 1171 1043 1227">11 to 20</td> <td data-bbox="1043 1171 1385 1227">\$3,212</td> </tr> <tr> <td data-bbox="619 1227 1043 1285">21 or more</td> <td data-bbox="1043 1227 1385 1285">\$5,153</td> </tr> </tbody> </table>	No. of “performance-related” DNs issued within one month	Amount of deduction from monthly service fee (per DN)	1 to 10	\$2,581	11 to 20	\$3,212	21 or more	\$5,153
No. of “performance-related” DNs issued within one month	Amount of deduction from monthly service fee (per DN)								
1 to 10	\$2,581								
11 to 20	\$3,212								
21 or more	\$5,153								
<p>Blatant DNs (not subject to demerit points)</p>	<p>A contractor’s employee falsifies the entries in the duty records. FEHD will issue a “blatant DN” to the contractor and deduct \$5,153 from the monthly service fee, as specified in the service contract.</p>								
<p>DNs for behavioural defaults (not subject to demerit points)</p>	<p>A contractor’s employee takes a nap during working hours. This is a behavioural default in breach of contract condition. FEHD will issue a DN for behavioural default to the contractor and deduct \$1,010 from the monthly service fee, as specified in the service contract.</p>								
<p>DNs for “Employment-related” defaults (subject to demerit points)</p>	<p>A contractor underpays its employees. FEHD will issue an “employment-related” DN to the contractor and deduct \$8,384 from the monthly service fee, as specified in the service contract. Besides, FEHD will give one demerit point to the contractor under the DPS.</p>								

3.26 FEHD indicated that the number of DNs a contractor receives can affect the latter’s chance of bidding for Government (including FEHD) service contracts in the future. For street cleansing service contracts tendered on or after 1 April 2019, FEHD adopts the 50% weighting each to the “price score” and “technical score” in the tendering exercises (see **para. 2.5**). The full mark for “technical score” is 50⁹, of which 7.5 are accorded to “past performance”¹⁰ of the tenderer. The deduction amount of monthly service fee reflects the gravity of the default involved. The Department stressed that the more DNs a contractor has received, the lower its score in “past performance” would be, which may in turn affect its chance of tender award. In fact, there were incidents in which a contractor had lost a tender because of unsatisfactory “past performance”. For example, among the 14 service contracts awarded between April 2019 and March 2020 (see **Table 3**), the tenderers ranked second among the tenderers (*viz.* items 8, 9 and 13) lost in the bid because they scored lower in “past performance” than the tenderer ranked first, which got the contract. FEHD reiterated that issuance of DNs can exert a certain degree of deterrent effect on contractors.

Statistical Data

3.27 Data relating to FEHD enforcement action against contractors between 2015 and 2019 are given below.

**Table 9 : Data relating to enforcement action by FEHD
against contractors (2015 to 2019)**

	Enforcement Action	2015	2016	2017	2018	2019
(a)	No. of service contracts in force	28	30	32	34	34
(b)	Verbal warnings	2,030	2,624	1,990	2,567	2,105

⁹ The full marks for “price score” are also 50 points.

¹⁰ Apart from “past performance”, the “technical score” also includes other aspects of assessment, such as the quality of the bidder’s proposed execution plan for the contract, the proposed wage rate of cleansing workers, the proposed maximum daily working hours of cleansing workers. These items account for 42.5 marks of the total score.

(c)	Written warnings	122	84	74	81	57
(d)	“Performance-related” DNs	328	208	309	441	394
(e)	Blatant DNs	180	95	124	180	168
(f)	DNs for behavioural defaults	510	487	480	619	594
(g)	“Employment-related” DNs	0	0	0	1	1
(h)	No. of cases involving deduction of monthly service fee (h) = (d)+(e)+(f)+(g)	1,018	790	913	1,241	1,157
(i)	Total amount of deduction involved (in ten thousand dollars) (Average: (i) / (a))	202 (7.2)	131 (4.4)	183 (5.7)	295 (8.7)	275 (8.1)
(j)	No. of contracts terminated	0	0	0	0	0

3.28 Table 9 shows that each year between 2015 and 2019, FEHD issued more than 2,000 verbal warnings and written warnings to the contractors (see **Items (b) and (c)** in **Table 9**), and deducted monthly service fee in between 790 and 1,241 cases (see **Item (h)** in **Table 9**). The data reflect that the contractors’ non-compliance with contract conditions, or even cases in which the contractors were issued various types of DNs and had their monthly service fee deducted, had been frequent. Yet, the average amount of deduction of monthly service fee for each service contract ranged from \$44,000 to \$87,000 only (see **Item (i)** in **Table 9**). Besides, between 2015 and 2019, no service contracts was terminated by FEHD on the ground that the performance of contractors had been unsatisfactory.

3.29 FEHD asserted that contractors in breach of contract conditions would not only be issued various types of DNs and have the monthly service fee deducted, but also be required to rectify the default at once or within the timeframe as specified in the service contract. FEHD would conduct checks to make sure that rectification has been completed. The Department also stated that the number of DNs issued to a contractor would directly affect the latter's chance in winning a tender (see **para. 3.26**). While each DEHO would maintain data about the number of DNs issued and the amount of monthly service fee having been deducted in relation to the contractor in their respective district, FEHD does not maintain relevant overall statistics, or conduct any analysis on the data in order to differentiate good and bad overall performance of the contractors.

4

COMPLAINT DATA ON STREET CLEANLINESS AND LIST OF HOTSPOTS FOR MONITORING

LIST OF HOTSPOTS OF COMPLAINTS ABOUT STREET CLEANLINESS

4.1 From time to time, the environmental problems in various areas in the territory, including streets near market stalls, locations where wild pigeons and birds frequent, back alleys of restaurants and busy commercial/industrial areas, etc. have attracted the attention of, or even complaints and reports by the public and members of the District Councils (“DCs”) and Legislative Council (“LegCo”) alike, who demand that cleansing efforts be stepped up. Such streets are thereafter referred to as “hotspots of complaints about street cleanliness”.

4.2 FEHD pointed out that every day, it receives complaints, referrals or suggestions about environmental hygiene from various channels, including political parties, members of the DCs and LegCo, local personalities, the media, 1823, members of the public or other Government departments. FEHD would mobilise its manpower and resources to handle the complaints based on the problems involved and how they impact on environmental hygiene. For instance, it may deploy a mobile cleansing team and a dedicated enforcement team to improve the hygiene condition. If the environmental hygiene problem is found to be the responsibility of another Government department, it will take the initiative to refer the case to the relevant department for follow-up. Here are two examples: when its staff conduct inspections at a public back alley and find pits of water on the rugged ground surface, or discover a burst external sewage pipe of a building, it would refer the cases to the Highways Department and the Buildings Department for follow-up respectively. If a complaint is related to illegal

dumping of construction waste, it would be referred to the Highways Department and the Environmental Protection Department.

4.3 For continuous improvement in the street cleansing services in various districts, in the wake of the 2015 Clean Hong Kong Campaign, the Government set up a mechanism whereby the Environmental and Hygiene Committees of the 18 DCs would meet every six months. The meeting, chaired by the Food and Health Bureau, would listen to the views of DC members regarding the Government's environmental hygiene measures and monitoring work. The aim is to achieve effective coordination in handling the environmental hygiene issues in Hong Kong as a whole.

4.4 As far as FEHD understands, individual political parties, the DCs or other groups have drawn up their own list of environmental hygiene blackspots that suits their own needs, and send their views to the relevant policy bureaux or Government departments based on the nature of the problems found. However, FEHD does not maintain a list of hotspots of complaints about street cleanliness.

ILLEGAL REFUSE DEPOSIT BLACKSPOTS

4.5 Since 2018, FEHD has compiled a list of "illegal refuse deposit blackspots" based on the daily refuse dumping volume, number of past complaints and enforcement figures, etc. Upon consultation with the DCs, FEHD had installed Internet Protocol ("IP") cameras at those blackspots to curb illegal deposit of refuse there. As at June 2020, a total of 175 "illegal refuse deposit blackspots" had already been fitted with IP cameras, a list of which is available on the FEHD website¹¹. The IP cameras capture video footage of the vehicles that illegally dumped the refuse so that FEHD can identify and prosecute the registered owners of the vehicles, and establish the time and mode of such offences for planning more effective enforcement action. If the situation at individual blackspots has improved upon installation of the IP camera, FEHD would move the camera elsewhere. It has already planned to gradually install IP camera at more than 300 locations.

4.6 In addition to installing IP cameras, FEHD has also set up dedicated enforcement teams for stepping up enforcement against offenders of public cleanliness. To improve the hygiene condition at the community level, FEHD continues to

¹¹ The list of "illegal refuse deposit blackspots" is published on the FEHD website: https://www.fehd.gov.hk/tc_chi/pleasant_environment/cleansing/list_of_ipcam.pdf

strengthen enforcement and convey messages about environmental hygiene, distribute leaflets and post warnings to remind the public of the duty to keep streets clean and dispose of rubbish properly. Besides, after consulting the DCs, the Department has from time to time extended the opening hours of refuse collection points so as to meet the public’s needs to dispose of rubbish at midnight or early morning.

4.7 FEHD stated that it conducts frequent reviews on the handling of “illegal refuse deposit blackspots” in different districts, with a view to improving the environmental hygiene problem at individual locations caused by frequent deposit of refuse, especially at midnight and early morning. It has been receiving from different channels public complaints about unsatisfactory hygiene condition at some locations. Upon receipt of complaints, it would conduct investigations, adjust the frequency of street cleansing work and strengthen enforcement to eliminate the nuisance.

COMPLAINT DATA

4.8 Between 2015 and 2019, the data on complaints about street cleanliness received by FEHD are as follows.

Table 10: Complaints received by FEHD about street cleanliness (2015 to 2019)

Year	2015	2016	2017	2018	2019
Total no. of complaints	56,821	63,785	66,046	62,834	69,423
Total no. of fixed penalty tickets issued	36,181	41,572	51,708	57,277	55,576

4.9 In the course of investigation, we have asked FEHD to categorise the above complaints and provide a breakdown by type (e.g. rubbish piles, overflowing litter bins, misbehaviour of contractors’ employees, etc.). FEHD indicated that the complaint data in **Table 10** cover complaints against the street cleansing services provided by contractors and by the Department direct. It does not maintain a separate record on the complaints about street cleansing services provided by contractors, nor a breakdown of complaints by type or data about the substantiation or otherwise of complaints. We have

also asked FEHD to select three locations that have received the most complaints and elaborate on the follow-up actions taken and their effectiveness. Nevertheless, FEHD said that as it does not maintain data on complaints by type about individual locations, so it could not ascertain which locations received the most complaints. It further explained that complaint data are stored in the existing complaint handling information system for local DEHOs' analysis and corresponding action.

4.10 We have chosen three busy streets in Tsuen Wan (namely Lo Tak Court, Chuen Lung Street and Sha Tsui Road) and asked FEHD to provide the complaint data about them between April 2019 and March 2020, the Department's follow-up action on those complaints, the situation before and after follow-up, and how it would continue to monitor the contractor on a protracted basis to ensure improvement. FEHD's response was that upon examining the records of the Tsuen Wan DEHO, the complaints about street cleanliness involving Lo Tak Court, Chuen Lung Street and Sha Tsui Road can mainly be categorised into two broad types: piling-up of rubbish in public place and littering. The relevant complaint and prosecution data are as follows:

Table 11: Complaint and prosecution data relating to Lo Tak Court, Chuen Lung Street and Sha Tsui Road in Tsuen Wan (April 2019 to March 2020)

Location	No. of complaint		No. of prosecution
	Piling up of rubbish in public places	Littering	
Lo Tak Court	18	2	48
Chuen Lung Street	30	5	38
Sha Tsui Road	64	19	65

4.11 FEHD stated that upon receipt of a complaint, it would conduct a site-inspection at the location involved and ask for further information from the complainant if necessary. Besides, should the case involve other Government departments, it would refer it to the department concerned. In handling complaints about street cleanliness, it would deploy manpower and resources based on the extent the location in question would impact on environmental hygiene. It would also step up inspections on street cleanliness, conduct surprise inspections to assess the performance of the contractor's employees and adjust the frequency of street cleansing, etc. As for complaints about illegal deposit of rubbish, FEHD would, in addition to more frequent

sweeping and cleansing and posting of warning signs and posters, send its enforcement officers to the locations in question and collect information at the time when irregularities are often found, and take enforcement action where warranted. It added that information about the follow-up action taken and the before-and-after situation would be stored in its complaint management information system. It has also explored measures to continuously monitor the contractors to ensure service improvement. However, upto the time of writing this report, FEHD has provided us with no elaboration or further illustration of actions taken in dealing with the situation, save and except some prosecution figures.

5

STRENGTHENED MEASURES FOR STREET CLEANSING SERVICES AND SUPPORT FOR CONTRACTORS AND CLEANSING WORKERS DURING THE PANDEMIC

STRENGTHENED MEASURES FOR STREET CLEANSING SERVICES

5.1 FEHD indicated that in order to effectively step up the monitoring of street cleansing services delivered by contractors, and raise the occupational safety and health standard of the contractors' employees, the Department has implemented the following major measures in recent years, including the application of new technologies and automation techniques to improve street cleansing services.

More Manpower in FEHD

5.2 Since 2016, FEHD has created the new post of six Chief Health Inspectors, 15 SHIs, 24 Overseers and 68 SF in different districts for more rigorous management and supervision of street cleansing services in the districts. In addition, in November 2018, three SHIs posts with the title Senior Health Inspector (Special Inspection) ("SHI (Special Inspection)") were created in three Operations Divisions to carry out "ad hoc inspections" on the cleansing services and facilities in various districts for more rigorous monitoring of the services of contractors. For instance, between April and May 2020, SHIs (Special Inspection) had conducted "ad hoc inspections" at the roll call locations of contractors in various districts for a surprise check on the distribution of

face masks to make sure that the contractors follow the FEHD guidelines in distributing the face masks provided by the Government. The three newly created SHIs (Special Inspection) are mainly responsible for strengthened surprise inspections on the cleansing services and facilities in various districts to ensure that their overall execution and performance are in line with the Department's policies and requirements. The ad hoc inspections carried out by SHIs (Special Inspection) are different from those conducted by the QAS in that they target specific scopes of cleansing services, and are not confined to a certain district, but are across districts so that there would be a uniform benchmark on the required performance of street cleansing services throughout all districts. SHIs (Special Inspection) would submit their inspection results, reports and recommendations to the district concerned for enhancing the quality of cleansing services.

More Mini Street Washing Vehicles

5.3 In March 2018, mini street washing vehicles fitted with high-pressure hot water pumps and pressure washer surface cleaners were introduced to the Sham Shui Po district on a trial basis. Their cleansing performance and efficiency were found to be satisfactory. In December that year, mini street washing vehicles fitted with these features were introduced to all districts. Thereafter, all new street cleansing service contracts would include a clause requiring the contractor to provide such vehicles to enhance street cleansing efficiency.



Mini street washing vehicles (Source: FEHD)

More Grab Lorries

5.4 For speedier removal of oversized waste dumped on streets and more efficient collection of rubbish, FEHD's street cleansing service contracts require contractors to strengthen services provided by grab lorries, the number of which has increased 53%, from 32 in 2018 to 49 in 2019. Contractors use grab lorries to remove oversized wastes every day.



Grab lorries (Source: FEHD)

Dedicated Teams to be Provided by Contractors

5.5 FEHD has, since July 2017, included new clauses in street cleansing service contracts stipulating the provision of dedicated teams and work vehicles by contractors for more efficient removal of rubbish from central dividers and roadside landscape, so as to prevent entering the motorways for cleansing operations.

To Strengthen Monitoring of Cleansing Vehicles of Contractors

5.6 Since May 2018, FEHD has included additional conditions in street cleansing service contracts, demanding that a “vehicle-mounted electronic vehicle monitoring system” be installed on all mechanical vehicles used by the contractors for cleansing work. The system is linked to the contractor’s relevant computer system or facility so that FEHD staff can monitor the geographic location and time of the cleansing vehicles during operation and keep a better watch on the contractors’ performance.

To Explore Procurement of More Mini Mechanical Sweepers

5.7 Between April 2017 and December 2018, FEHD tested the use of mini mechanical sweepers in Tai Mei Tuk in Tai Po and the Tung Tau Industrial Area in Yuen Long to sweep the streets. The mini mechanical sweepers¹² can raise the efficiency of street sweeping by shortening the time cleansing workers spend on removing the rubbish piled up by the roadside. Nevertheless, these sweepers are suitable only for roads with low traffic. FEHD is now exploring with the Transport Department the feasibility of using mini mechanical sweepers on other roads.



Mini mechanical sweepers (Source: FEHD)

SUPPORT PROVIDED TO CONTRACTORS AND CLEANSING WORKERS DURING THE PANDEMIC

5.8 FEHD’s cleansing service contracts specify that the contractor shall bear the cost of buying gear and provide the gear and articles that their cleansing workers need, including “special protective clothing”, which protects the human body from stain and harm. Protective gear includes helmets, goggles, face shields, face masks, plastic gloves, aprons, clothes, shoes and protective shields.

5.9 The service contracts also state that contractors must abide by all the legislation relating to their fulfilment of contractual obligations, including the Occupational Safety and Health Ordinance (Cap 509) and its subsidiary legislation. They should also provide employees with adequate and appropriate protective gear, safety training and suitable work arrangements. Violation of the related legislation is subject to prosecution by the department concerned.

¹² The small mechanical sweepers, operated by the contractors, would cleanse the streets within the purview of the contractor.

5.10 During their day-to-day inspections, the SF under DEHOs would check the contractors' compliance with contract conditions and related legislation, and their provision of adequate and suitable gear and articles such as uniform, personal protective gear, cleansing tools, drinking water, etc. to their employees. FEHD asserted that it has from time to time reminded the contractors to pay attention to employees' occupational safety and health. In particular, they must heed the related advice and measures issued by Government authorities such as the Centre for Health Protection during the COVID-19 pandemic. On 24 January and 21 July 2020, FEHD sent letters to remind contractors of the special issues that warrant their attention regarding the COVID-19 pandemic, and that they should abide by the health advice of the Centre for Health Protection.

5.11 Concerning the COVID-19 pandemic, FEHD had received from Members of the DCs and LegCo, workers' unions and concerns groups complaints about contractors not providing sufficient protective gear to their employees. Yet, according to FEHD records, between January and June 2020, the Department did not receive any such complaints from the cleansing workers of the contractors, or came across any circumstances in which contractors' street cleansing services had been affected during the pandemic.

5.12 There was a shortage of supply of face masks in the early stage of the pandemic, and the Government understood that the contractors encountered difficulties procuring face masks. In order to protect the health of the frontline workers of contractors and to maintain day-to-day services, the Chief Executive announced on 8 February 2020 that the Correctional Services Department ("CSD") would increase the monthly production of face masks by 700,000 pieces (i.e. the so-called "CSI face masks"), which would be distributed to the cleansing workers of contractors in accordance with the risk-based principle.

5.13 Since February 2020, CSD has been following the instructions of the Policy Innovation and Co-ordination Office and delivered the 700,000 CSI face masks to FEHD, the Leisure and Cultural Services Department and the Housing Department for distribution to the cleansing workers of their contractors. The number of CSI face masks FEHD had distributed to contractors between February and May 2020 is shown in the table below.

Table 12: Number of CSI face masks distributed by FEHD to contractors between February and May 2020

	2020			
	February	March	April	May
No. of CSI face masks [@] FEHD distributed to contractors	131,798	295,510	397,957	565,888

[@] FEHD received in batches every month the face masks from CSD. Upon storing and stock-taking, the face masks will be distributed to various districts and relevant sections for storage. A suitable number of face masks would be released to contractors every day for them to distribute to frontline employees.

5.14 Since 17 February 2020, cleansing workers of contractors who are responsible for cleansing public toilets, markets, refuse collection points and streets have been given priority distribution of face masks by FEHD. Since 2 April, FEHD has extended the distribution of face masks to include the frontline foremen and drivers of contractors, as well as the frontline employees of the contractors of pest control services. As summer approached, the Government doubled the supply of face masks, and starting 16 May 2020, FEHD would supply two face masks per day to every frontline employee; and starting 30 July, the number further increased to three face masks per day per frontline employee.

5.15 To make sure that the face masks would reach each and every frontline employee of the contractors, FEHD has repeatedly sent letters to contractors to notify and remind them that they must follow its arrangements for distributing the face masks to its employees. FEHD also requires that the contractors distribute the face masks to every one of their employees during roll call every day and the employees must sign receipt for record. The record should include such information as name and post of the employee, the number of face masks received and the date of receipt. The contractors should keep employees’ records of receipt of face masks every time for FEHD’s checking. The Department would conduct surprise inspections at least thrice a week at the roll call locations of contractors when the face masks are being distributed to check the contractors’ compliance with its requirements in the distribution. Besides, the Headquarters would deploy three SHIs (Special Inspection) to carry out ad hoc inspections in different districts specifically on the distribution of face masks. In March and July, the Headquarters also asked the various districts to provide the contractors’ face masks distribution record on a certain day in each of those two months to check the

contractors' compliance with its arrangements in distributing the face masks to employees.

5.16 FEHD indicated that it has always attached great importance to the arrangements for the occupational health and safety of the contractors' employees. The Department has repeatedly reminded the contractors that it is their direct responsibility to provide their employees with sufficient protection gear, and that distribution of face masks by FEHD is only a temporary arrangement. The contractors must still strictly comply with the terms and conditions of the contracts to provide sufficient and suitable protective gear to their employees. FEHD has been in contact with the management of the contractors to understand the latest procurement situation of face masks and other protective gear.

6

OUR COMMENTS AND RECOMMENDATIONS

OUR COMMENTS

6.1 FEHD follows the Government’s mode of monitoring contractors in monitoring its contractors of outsourced street cleansing services, including the adoption of the Government’s tendering mechanism in selecting contractors, entering into a contract with the successful tenderer, issuing verbal warnings, written warnings and various kinds of DNs, deducting monthly service fee for non-compliance with contractual obligations, as well as giving demerit points to a contractor against “employment-related” defaults in accordance with the DPS.

6.2 On FEHD’s monitoring of outsourced street cleansing services, including its tendering mechanism, the DPS and its day-to-day monitoring work, we have the following comments.

Tendering Mechanism for Selecting Contractors

6.3 FEHD’s tendering exercises for street cleansing contracts have all along been conducted in accordance with the Government’s procurement regulations and procedures by adopting the “marking scheme” approved by the Central Tender Board for tender evaluation. Prior to 1 April 2019, the weightings accorded to “price score” and “technical score” under the marking scheme were respectively 70% and 30% of the total score (see **para. 2.1**). In the tender process, the tenderers must submit their technical proposal and price proposal separately in sealed envelopes. FEHD would open and evaluate the technical proposal first. Only those tenderers with a passing mark in “technical score” would have their price proposals considered. Nevertheless, the marking scheme apportioned a heavier weighting to the “price score”, while that for “technical score” was lighter.

6.4 The 2018 Policy Address initiated an adjustment: for service contracts involving non-skilled workers tendered on or after 1 April 2019, the weightings of “price score” and “technical score” under the marking scheme were modified to become 50%:50%. (see **para. 2.5**). FEHD then followed suit in its tender evaluation for street cleansing service contracts. Information showed that between April 2019 and March 2020, a total of 14 street cleansing service contracts were awarded by FEHD, of which ten (71%), as compared to 40% in the past (see **para. 2.3**), were not awarded to the lowest price bidder (see **para. 2.8**), indicating a departure from the past when the “lowest bid wins” situation prevailed. **Table 3** shows that among the 14 service contracts awarded under the new tendering mechanism, 11 went to contractors ranked first in “technical score” among the bidders (see **Items 1–7, and Items 10, 12–14 in Table 3**), and three were won by contractors ranked the second (see **Items 8, 9 and 11 in Table 3**). Four contracts were awarded to bidders ranked first in “price score” among the bidders (see **Items 8, 9, 11 and 12 in Table 3**), while four were won by bidders ranked last in this aspect (see **Items 4–6 and 10 in Table 3**) but first in “technical score”. Judging from the data on the above 14 service contracts, upon implementation of the new tendering mechanism, the winning contractors were ranked either first or second in “technical score” among the bidders.

6.5 We consider it a positive move by FEHD to adopt the new 50%:50% weighting of “price score” and “technical score” in the tendering exercises for street cleansing service contracts, as it has tackled the problem at source by imposing a more stringent technical requirement. Nevertheless, the change has just taken place for about a year, and as at March 2020, only 14 new service contracts had been awarded (see **para. 2.8**). We, therefore, consider that FEHD should closely monitor the street cleansing services tendered in or after April 2019 to see whether the service quality has improved, conduct timely reviews as necessary and report the findings to the Government with a view to further refining the tendering mechanism. In particular, FEHD should pay constant attention to the welfare of the non-skilled workers of contractors, identify any room for improvement in order to enhance protection for frontline cleansing workers’ well-being, thereby enhancing the services delivered by contractors.

Monitoring Mechanism for Performance of Contractor

DPS and DNs of limited deterrent effect

6.6 FEHD relies heavily on the issuance of various types of DNs in handling problems associated with poor services of contractors (see **para. 3.20**). The DPS is only

applicable to “employment-related” defaults and does not cover “poor performance” of contractors (see **paras. 2.9 and 2.10**).

6.7 Under the current DPS, FEHD had only issued one DN and given one demerit point to one contractor for “employment-related” defaults in 2018 and 2019 (see **Item (g)** in **Table 9**). During the ten years between April 2009 and March 2019, no contractor had accumulated three demerit points from one or more Government departments over a rolling period of 36 months immediately preceding the month of a tender closing date so that the tender for a service contract had not been considered by any Government department for a period of five years starting from the date the third demerit point was registered (see **para. 2.13**). This shows that insofar as “employment-related” defaults are concerned, the DPS has been effective in monitoring contractors’ compliance with obligations in employment issues. In situations where DNs are ineffective (see **paras. 6.8–6.14** below), FEHD should consider widening the scope to include “poor performance” in the DPS in order to step up monitoring of the service quality of contractors.

6.8 As regards DNs, take the street cleansing service contracts tendered in 2019 as examples. The lowest contract price for a two-year service contract awarded by FEHD was \$39.72 million and the highest was \$158.52 million. The average contract price was \$109.71 million (see **Table 4**). In 2019, FEHD issued a total of 2,162 verbal and written warnings (see **Items (b) and (c)** in **Table 9**), and gave 1,157 DNs to trigger deduction of monthly service fee for defaults of contractors (see **Item (b)** in **Table 9**). The total amount of deduction was about \$2.75 million (see **Item (i)** in **Table 9**), equivalent to an average deduction of about \$81,000 for each of the 34 service contracts in force in 2019.

6.9 The system of deducting monthly service fee by FEHD has not incorporated any deterrent element. The amount deducted represents only the administrative cost recovered by the Department for supervising the contractor in discharging its contractual duties. It can hardly create deterrent effect on the contractors in breach of contractual obligations. This system in effect allows contractors to transfer their responsibilities back to FEHD by paying the administrative cost.

6.10 The service contracts signed between FEHD and the contractors include certain conditions stipulating that the contractors must provide services of the standard specified or face deduction in the monthly service fee. We are of the view that even though the deduction is not a “fine” (see **para. 3.24**), the deduction amount should

create deterrent effect commensurate with the gravity of the default so that contractors will be vigilant and take steps to avoid recurrence. In fact, the price of each contract awarded to a contractor ranged from tens of millions to more than a hundred million dollars (see **Table 4**). In comparison, the deduction in monthly service fee was relatively insignificant and cannot create adequate deterrent effect on contractors with unsatisfactory performance.

6.11 FEHD also asserted that the more DNs a contractor has received, the lower its score in “past performance” would be, which may in turn affect its chance of tender award. As such, issuance of DNs does exert a certain degree of deterrent effect on contractors (see **para. 3.26**). In principle, we accept this view. When competition is fierce and bidders’ scores are close, any minor change in the score of any item under “technical score” or “price score” (including “past performance” under “technical score”) would have implications for the tender result. On this issue, our focus is whether the deterrent effect of DNs is strong enough to affect a contractor’s chance in winning future service contracts, and whether the marks accorded to “past performance” up to 7.5 at maximum have been fully utilised.

6.12 We have scrutinised the 14 street cleansing service contracts awarded by FEHD between April 2019 and March 2020 (see **Table 3**), and found that the successful tenderers of the 14 service contracts only scored between 0 and 3 in “past performance”. The variation was only 3 marks. Among them, six scored 3 in “past performance” (see **Items 8, 9, 11 - 14** in **Table 3**) and two scored 1.5 (see **Items 1 and 2** in **Table 3**). The remaining six scored 0 (see **Items 3–7, and Item 10** in **Table 3**) and ranked last among the tenderers in this item. Yet, they were all awarded the tender eventually.

6.13 We have also examined the records of the tenderers which overall ranked second among all tenderers in their respective tendering exercises, *viz.* **items 8, 9 and 13** in **Table 3**. The tender results show that the unfavourable effect of DNs and “past performance” score on contractors was not impactful. An unsatisfactory score in “past performance” does not necessarily cost a contractor a new service contract.

6.14 We notice that in tender evaluation, FEHD normally would only give a score between 0 and 3 for “past performance”. This indicates that FEHD had not fully utilised the 7.5 marks accorded to the item to distinguish good from bad “past performance”. This may weaken the deterrent effect that DNs and “past performance” assessment would have on contractors.

6.15 To conclude our observations set out in paragraphs **6.6 to 6.14**, we consider that the DPS and DNs of FEHD cannot effectively deter or warn contractors with unsatisfactory performance.

Current monitoring mechanism fails to incentivise contractors to improve services rendered by employees

6.16 Currently, FEHD seeks to ensure compliance with contract requirements through enforcement actions and supervision on services of contracts. Nevertheless, save for encouraging tenderers to include “innovative proposals” in their tenders under the new mechanism effective since 1 April 2019, FEHD’s current monitoring mechanism includes no measures that directly incentivise contractors to proactively improve services rendered by their employees after obtaining a contract (see **para. 3.5**). Under the current mechanism, a contractor’s chance of contract award would not be affected so long as it meets the minimum contract requirements on the existing contract and avoid demerit points or DNs from FEHD. The mechanism fails to motivate contractors to improve the services rendered by their employees.

6.17 We consider that contractors delivering services that just meet contract requirements can only reach the minimum standard of compliance. For continuous improvements in service quality and in recognition of the excellent performance of some contractors and their employees, FEHD should consider setting up an incentive or reward system outside the current enforcement framework (for instance, contractors with constant improvement in service quality would be given a performance-based monetary reward, or “extra scores” in future tenders) so that contractors would have greater motivation to enhance service quality.

Effectiveness of Monitoring Efforts

Effectiveness of day-to-day monitoring by DEHO management staff of various ranks

6.18 FEHD relies on inspections, regulatory examinations and enforcement action to assess whether the day-to-day performance of contractors complies with contract requirements. Take the Tsuen Wan district as an example. The number of inspections and regulatory examinations conducted by the local DEHO management staff of various ranks have met the relevant requirements as set out in the inspection guidelines (see **Table 5**). If non-compliance with contract requirements is found during day-to-day inspections and regulatory examinations, the management staff would take enforcement

action to issue DNs to the contractors concerned and deduct their monthly service fee (see **para. 3.20**).

6.19 We consider that the various DEHOs can effectively monitor the day-to-day services delivered by contractors under their purview (see **paras. 3.8–3.14**). In 2018, the FEHD created the post of Overseer in each district for conducting thematic inspections on the street cleansing problems within the district. This has helped to fill the gaps and strengthen the monitoring of the contractors' services (see **para. 3.10**).

Lack of regulatory coordination

6.20 This Office is of the view that, apart from the monitoring by DEHOs at the district level, FEHD should also monitor the overall performance of individual contractors, identify and recognise contractors with excellent performance to encourage other contractors to follow their examples. It should also implement measures to help contractors with substandard performance to improve. However, the system for management and monitoring of the overall performance of individual contractors is not a coordinated one. The monitoring responsibility is taken up individually by DEHOs. Our investigation finds that while the DEHOs have separately maintained data of cases in which contractors have been issued DNs and had their monthly service fee deducted because of poor performance, statistical analysis on such data has not been carried out. Consequently, FEHD has no clear idea as to which contractors have performed relatively less satisfactorily. Furthermore, the main function of the OU under the QAS is to monitor the performance of contractors in providing mechanised cleansing services (see **para. 3.15**), while the duties of the CITs of the QAS are limited to handling complaints relating to "employment-related" defaults of contractors (see **para. 3.16**). Neither the OU nor the CIT functions as a central coordination or regulation unit.

Lower ratios of inspections by QAS during non-office hours, weekends and holidays

6.21 Data between 2015 and 2019 show that, of all the inspections conducted by the QAS, about 72% to 82% were conducted on weekdays (see **Table 6**), 18% to 28% were on weekends and holidays; 68% to 76% were conducted during office hours, 24% to 32% were during non-office hours.

6.22 Although the QAS is not responsible for monitoring the overall performance of contractors, one of its functions is to monitor the contractors' performance in

providing mechanised cleansing services (see **para. 3.17**). Our investigation found that inspection ratios of the QAS during non-office hours, weekends and holidays were relatively low (see **para. 6.21**). Many popular spots of tourist attraction and consumption require enhanced cleansing service during night time, weekends and holidays because of heavy flow of visitors, and contractors continue to provide cleansing services during non-office hours. We, therefore, hold the view that the QAS should step up its inspections during non-office hours, weekends and holidays.

Failure to make good use of complaint data and compile a list of hotspots of complaints about street cleanliness

6.23 There are a lot of hotspots of complaints about street cleanliness in the territory (see **para. 4.1**) and members of the public and members of DCs and the LegCo have expressed concern and made complaints and reports about these locations, requesting that cleansing efforts be stepped up. **Table 10** shows that between 2015 and 2019, FEHD received 56,821 to 69,423 complaints about street cleansing services each year. The number of complaints shows a rising trend.

6.24 FEHD indicated that it has drawn up a list of “illegal refuse deposit blackspots” (see **para. 4.5**), but not a list of hotspots of complaints about street cleanliness (see **para. 4.4**). We believed that FEHD did take follow-up action on individual complaints. For example, it had provided prosecution data with regard to locations such as Lo Tak Court, Chuen Lung Street and Sha Tsui Road in Tsuen Wan (see **para. 4.10**). FEHD further explained that the follow-up actions in respect of each complaint at various locations and the before-and-after situation of those locations were recorded in its complaint management information system. It would also explore long-term measures to continuously monitor the contractors to ensure improvement in service quality. However, it had not provided us with illustrated examples other than figures of its prosecution actions (see **para. 4.11**).

6.25 We consider that good complaint management is conducive to a department’s proper use of resources and service improvement. The details and types of complaints, the locations and times concerned, as well as other relevant data can help the department understand and analyse the problems and eventually identify inadequacies. With regard to street cleansing services, FEHD should make good use of complaints and views received from different channels, grasp relevant information for in-depth analysis so as to understand public concerns and service gaps of contractors. This will facilitate systematic deployment of resources to resolve persistent problems.

6.26 Our investigation confirms that FEHD has followed up on daily complaints, kept in touch with the DCs and local groups for handling individual complaints and issues at locations of concern. The Department has also drawn up a list of “illegal refuse deposit blackspots” and installed IP cameras at these locations (See **para. 4.5**), which have facilitated its efforts in monitoring and combating the problem of illegal deposit of refuse. We consider that FEHD should make good use the data entered into its computer system after inspections, combine such data with the information received from outside sources and conduct analysis with a view to compiling a list of hotspots of complaints about street cleanliness for different districts and reviewing the list periodically. It should formulate specific measures and require contractors to step up cleansing services at those locations constantly. Besides, FEHD should consider devising guidelines for follow-up actions and require contractors to enhance cleansing services at those locations.

6.27 We understand that environmental hygiene problems may involve the jurisdiction of other Government departments and require their assistance and collaboration for proper handling (see **para. 4.2**). As such, FEHD may refer the problems involved in hotspots of complaints about street cleanliness and update the list from time to time to facilitate more effective management of the hygiene condition at the hotspots.

6.28 In light of the observations set out in **paragraphs 6.18 to 6.27**, we consider the day-to-day inspections by DEHOs to be basically effective in monitoring the performance of contractors. Nevertheless, the Department should put in place more systematic and comprehensive regulatory measures, draw up strategic and specific measures through summing up experience and data analysis in order to resolve or alleviate environmental hygiene problems such that street cleansing services of contractors can be improved as a whole. Our investigation found that FEHD should review the coordination and regulation system for monitoring the overall performance of contractors, as well as the QAS’s inspection ratios during non-office hours, weekends and holidays, draw up a list of hotspots of complaints about street cleanliness and make good use of complaint data. These should help enhance the overall efficiency of the monitoring mechanism.

Continuous Improvement in Service Efficiency of Contractors

6.29 FEHD has been bringing in new technologies from time to time (see **paras. 5.3–5.7**) and adopting mechanisation and automation techniques. For example, it has increased the number of street-washing vehicles and grab lorries and explored the option of procuring small mechanical sweepers for continuous improvement in contractors' service efficiency. We consider these measures effective in allowing contractors more room for re-deploying resources, thereby further enhancing their services in other aspects specified in the contracts. For instance, the time and manpower thus released can be deployed to focus on improving the cleanliness of streets.

Monitoring of and Support for Contractors in Protecting Frontline Cleansing Workers during the Pandemic

6.30 It is stated clearly in the relevant legislation and service contracts signed between FEHD and contractors that the contractors, as employers, have a duty to safeguard the occupational health and safety of their frontline cleansing workers (see **paras. 5.8 and 5.9**). Although street cleansing services has been outsourced to contractors, FEHD still owns the responsibility to monitor contractors' compliance with the relevant legislation and contract requirements in providing legal and proper protection to their frontline cleansing workers. FEHD should take follow-up and enforcement action in a timely manner when a contractor fails to comply with relevant legislation and contract requirements.

6.31 Concerning the shortage of supply of protective gear during the pandemic in early 2020, we notice that FEHD had gradually increased the number of face masks distributed to contractors between February and May of the year, and taken measures to ensure the priority delivery of face masks to their frontline workers (see **paras. 5.14 and 5.15**). Given the acute shortage of supply of protective gear around that time, which was a well-known fact, it was really not easy for the frontline workers to maintain street cleansing services under the situation. FEHD should learn from the experience during the pandemic, proactively intervene and provide support when the contractors have tried their best but still failed to provide their employees with due protection (e.g. failure in procuring sufficient protective gear). This can ensure that the protection of workers' occupational health and safety, such that they can help maintain street cleansing services, keep the environment hygienic and help fight the pandemic.

RECOMMENDATIONS

6.32 In light of the above, The Ombudsman has made the following recommendations to FEHD:

- (1) closely monitor whether the quality of street cleansing services tendered on or after 1 April 2019 has improved, conduct timely reviews of service efficiency as necessary and report the findings to the Government with a view to further refining the tendering mechanism (see **para. 6.5**);
- (2) explore with the relevant policy bureau the mechanism or measures for rectifying the unsatisfactory performance of contractors. In particular, FEHD may consider including “poor performance” in the DPS, or setting up a new system with reference to DPS under which demerit points may be given to contractors against serious defaults in performance so as to achieve greater deterrent effect (see **paras. 6.6 and 6.7**);
- (3) review the mechanism for deducting monthly service fee. Include a deterrence element in calculating the amount of deduction, so that the effect of the deduction would not be limited to recovering the administrative cost only but also deterrent. Contractors would then be more proactive in enhancing service performance (see **paras. 6.8–6.10**);
- (4) review the marking scheme for tender evaluation and utilise fully the scores for distinguishing good from bad “past performance” such that DNs can exert stronger deterrent effect on contractors (see **paras. 6.11–6.14**);
- (5) consider formulating more proposals that offer greater motivation to contractors to proactively enhance the service quality of their employees. Encouragement should be given when the performance of contractors and their employees exceeds requirements (see **paras. 6.16 and 6.17**);

- (6) review the regulatory regime to monitor the overall performance of contractors, conduct analysis on complaint data to facilitate the monitoring of contractors in improving performance (see **para. 6.20**);
- (7) step up the QAS inspections during non-office hours, weekends and holidays (see **paras. 6.21 and 6.22**). Arrange inspections in a flexible manner in accordance with inspection results and needs, so as to better meet the inspection objective;
- (8) compile and analyse information of complaints about poor street cleansing services frequently lodged by members of the public/the DCs and LegCo/local groups, like details of unsatisfactory performance and locations concerned; draw up a list of hotspots of complaints about street cleanliness for constant monitoring, and consider devising guidelines for follow-up such that timely actions can be taken to strengthen cleansing services and improve the situation (see **paras. 6.23–6.27**);
- (9) continue to explore and bring in new technologies to enhance the efficiency of street cleansing services (see **para. 6.29**); and
- (10) keep a close watch on the pandemic and situations unforeseeable at the time of drawing up service contracts. Intervene proactively and provide thorough support as needed in order to protect the occupational health and safety of workers and maintain the standard of street cleansing services (see **paras. 6.30 and 6.31**).

ACKNOWLEDGEMENTS

6.33 The Ombudsman thanks FEHD for its full cooperation during the course of this investigation.

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