

Chapter VIII : Housing

8.1 At the Chairman's invitation, the Secretary for Housing (S for H), Mr Dominic WONG, gave a presentation highlighting the major tasks of the Housing Bureau (HB) in 2001-02 (Appendix V-7).

Land supply for housing

8.2 Mr NG Leung-sing pointed out the importance of having the infrastructure, such as connecting roads, put in place to tie in with the completion of new housing developments. He enquired if the Administration had any plan to fast-track such infrastructural works. S for H advised that this would be achieved by streamlining some internal procedures, including those relating to tendering. By way of illustration, he said that the Administration could invite tenders for projects shortly before the relevant funding proposals were submitted to the Finance Committee for approval but the tender would be awarded after funding was secured. This could expedite the projects by some three to 12 months. As to whether the supply of land for housing would increase as a result of the fast-tracking process, S for H explained that it was difficult to quantify the actual increase in land supply which would be affected by various factors. Mr NG held the view that an indicator had to be worked out to assess the effectiveness of the fast-tracking process. S for H took note of Mr NG's view.

Private housing

8.3 Miss Emily LAU questioned the role of S for H in calling on home buyers to purchase their own flats with a view to propping up the property market as he did in last February. S for H clarified that HB had no intention to prop up the property market, nor had he called on home buyers to purchase flats at any point in time. The remark he made in February was in relation to a response to a press enquiry and he said that buyers should take into account their affordability and needs before deciding on flat purchase. Miss LAU considered that as the S for H, he should refrain from making similar comment in future to avoid possible misinterpretation.

Public rental housing

8.4 Mr Fred LI referred to the zero-rent concept for public rental housing (PRH) recently put forward by a senior Government official, whereby tenants would no longer be required to pay rent but to shoulder all expenses relating to management and maintenance as well as rates for their flats. Mr LI

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stated that Members of the Democratic Party were opposed to such a concept as it was at variance with the prevailing policy on subsidized housing which was set with reference to the affordability of tenants. Besides, it was in fact a rent increase in disguise. He queried whether HB had performed its role of ensuring the provision of PRH at reasonable rent to those families which could not afford other types of accommodation.

8.5 S for H affirmed that it remained the Government's continuing commitment to providing PRH to those in genuine need through the public housing programme administered by the Housing Authority (HA) and the Housing Department (HD). As regards PRH rent, S for H recognized that HA had problems with rent adjustment following the passage of the amendment to Section 16A of the Housing Ordinance (Cap. 283) before July 1997, under which the median rent-to-income ratio (MRIR) of all PRH estates after determination of variation of rent by HA should not exceed 10%. To this end, HA would set up a working group shortly to look into the matter. Pending the recommendations of the working group, HA would decide on the way forward for PRH rent. He stressed that at present, no preliminary views had been formed in this respect. As to whether the working group would also examine the feasibility of the zero-rent concept, S for H assured members that the working group would consider all views received before making its recommendations.

8.6 Noting from the press reports that the Deputy Secretary for Housing had already consulted some parties on the zero-rent concept, Dr YEUNG Sum asked if it reflected the Administration's intention to adopt the zero-rent concept in order to get round the MRIR limit of 10%. He cautioned that it was entirely against the principle of PRH if the new concept were to be adopted. S for H clarified that the Deputy Secretary for Housing had not conducted any consultation for such a purpose, and that the Government would continue to provide various forms of assistance, including PRH, to families in genuine need of housing.

8.7 Miss CHAN Yuen-han asked if the Administration would stop allocating flats as small as 16 to 17 square metres to two-person elderly tenants. S for H stressed that the Administration was committed to allocating PRH to elderly persons according to the pledged waiting time. HA was reviewing the allocation standard but a conclusion had yet to be made. As regards the addition of adult children to tenancies of elderly tenants for the purpose of providing care to the elderly parents, S for H advised that the majority of applications had been

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acceded to on compassionate grounds and individual merits. Miss CHAN pointed out that this would be at variance with the Chief Executive's pledge for caring the elderly. Instead of considering each application on individual merits, Miss CHAN urged that the Administration should review the policy on addition of family members to PRH tenancies.

Subsidized home ownership (SHO) schemes

8.8 Responding to Mr Frederick FUNG's enquiry on impact of the 27% cut in capital expenditure for housing on PRH and SHO flats, the Director of Housing (D of H) pointed out that the capital expenditure of HA had been unusually high over the past three years. The level of expenditure was expected to come down as the pace of flat production stabilized. There would be 88 000 units due for completion in the current financial year, but only 40 000 units in the next. This was in line with the Government's pledge for provision of at least 50 000 housing assistance opportunities each year. He added that the current split between PRH and SHO flats was about 60:40, and that HA would not be selling more than 20 000 units per year over the next few years.

8.9 In view of the poor economy and high unemployment rate, Mr FUNG considered that the Administration should increase the ratio of PRH. D of H advised that it was difficult to switch from one type of development to another after the award of contracts. He however pointed out that the decision of transferring certain number of SHO flats to PRH flats made by HA last year would help reduce the average waiting time for PRH to three years by 2003, two years ahead of the schedule.

8.10 Noting that there would be a reduction of 21 000 SHO flats between 2003 and 2007, Mr CHAN Kam-lam opined that instead of disposing of the sites originally earmarked for SHO projects to the private sector, the Administration should consider using these sites to build PRH given the large number of applicants on the Waiting List (WL). S for H clarified that an equivalent number of housing loans would be provided to make up for the shortfall in SHO production. He also assured members that sufficient land had been earmarked for the production of PRH, and that the average waiting time for PRH would be reduced to three years by 2003 as pledged. As regards the sites originally earmarked for SHO projects, S for H advised that these would be put on sale under the Land Sale Programme according to established practices.

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8.11 Given that the proceeds from sale of SHO flats were a major source of revenue of HA, Mr SIN Chung-kai expressed concern that the partial replacement of SHO flat production with loans would give rise to a structural deficit on the part of HA. D of H said that in crude terms under the HA's budget, deficits on the operating account for PRH estates were covered by receipts on commercial properties less the dividend paid to the Government. The revenue from SHO schemes was used to fund both new construction projects and housing loans. If HA were to change the proportion in favour of more housing loans, it would have to review its financial arrangements with the Government. He agreed with Mr SIN that while the recent offloading of some of the existing loans of HA to the Hong Kong Mortgage Corporation Limited had improved the cash flow of HA by \$10 to \$12 billion over the next four to five years, there was still a limit to the number of loans which HA could offer. If the Administration took the policy decision that HA should reduce SHO production and increase the number of loans, it would need to review the financial arrangements between the Government and HA. S for H assured members that financial resources would be provided to HA should it experience any financial difficulties in complying with the policy objective set by the Government.

Subsidized housing loan schemes

8.12 Noting that some recipients of the Home Starter Loan Scheme had difficulties in repaying their loans as a result of the economic downturn, Mr Albert HO asked if the Administration would review the repayment policy, vis-à-vis extending the repayment period or allowing the recipients to repay only the principal rather than the loan interest for the time being to tie them over the financial hardship. S for H explained that as the Administration had not received any request for relaxation of repayment policy, it would not be appropriate for the Administration to take any action, particularly given that both the recipients and the Government had entered into legally binding agreement on the loans. He nevertheless assured members that HB would discuss with the Finance Bureau and other relevant departments as to how individual hardship cases could be dealt with according to their own merits.

8.13 Mr Albert CHAN remained of the view that efforts should be made to assist recipients of subsidized housing and loan schemes who had difficulties with their mortgage repayments. In reply, S for H considered that mortgagees who had financial difficulties should approach the banks concerned to work out alternative arrangements. While it was not appropriate for the Government to

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interfere with commercial dealings, the Bureau had met with representatives from the financial sector urging them to adopt a more sympathetic approach in handling hardship cases. Mr Albert CHAN however pointed out that as mortgagees were not allowed to sell the properties and use the proceeds to repay the banks, this would force them to go bankrupt. In this regard, he urged the Administration to accord greater flexibility to those loan recipients to tie them over the financial hardship. Besides, this would not incur losses to the Government nor the banks. S for H assured members that the Administration would consider all hardship case according to their individual merits.

Survey of housing aspirations

8.14 Mr SZETO Wah opined that a separate survey should be conducted to ascertain the intention of elderly people to take up residence in the Mainland. This would enable the Administration to draw up policy on the provision of rental subsidies in lieu of PRH to the elderly and also help to alleviate the demand for PRH. S for H explained that the survey on housing aspirations aimed to collect statistical data for the purpose of forecasting future housing demand and to provide a broad picture of housing preference. The survey would cover people from all walks of life and different age groups, including the elderly.

8.15 In reply to Mr Howard YOUNG's question on the cost effectiveness of the survey of housing aspirations, the Director of Planning advised that this was in fact the third survey on the subject with the first one conducted in 1996 and the second in 1999. The survey was necessary to collect information, in particular on housing preferences, which had to be obtained through direct interviews with households. In working out the unit cost of the survey, reference had been made to surveys conducted by the Census and Statistics Department.

Sales Descriptions of Uncompleted Residential Properties Bill

8.16 Noting that HA members would be held criminally liable if the sales brochures prepared by HA failed to comply with the Sales Descriptions of Uncompleted Residential Properties Bill (the Bill), Mr LAU Ping-cheung cautioned that this might discourage potential candidates to accept appointment to HA. He asked if resources had been earmarked for conducting study on the impact of such a requirement and whether consideration would be given to arrange insurance coverage for HA members against any civil liability in the event of non-compliance with the Bill. While acknowledging Mr LAU's concern, S for H

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advised that at present, no resources had been earmarked for such a purpose. He nevertheless assured members that extensive consultation had been conducted on the Bill, and that the Administration would take into account all the views collected before the Bill was introduced in the Legislative Council in the current session.

Squatter control

8.17 Noting that only 18 000 out of the total 222 800 squatter population would be rehoused to PRH in the next five years, Mr IP Kwok-him asked if the slow rehousing process was attributed to resource constraints. In reply, D of H stressed that households, regardless whether they were inadequately housed or living in squatters or illegal structures, should apply for PRH through WL. Consequent upon the clearance operations over the past few years, the number of squatters in the urban area had been radically reduced. At present, most of the 400 000 illegal squatter structures in Hong Kong were in the New Territories and most were used for agricultural and industrial purposes. Since it was the Government policy not to clear any land unless it was required for development, HD as the Government's clearance agent would not take the lead to clear any land simply for the sake of clearance. In reply to Mr IP's further enquiry on the proportion between development and non-development clearances, D of H advised that about 3 000 units of illegal structures had been demolished last year as a result of non-development clearances. The number of development clearances was however three to four times more than that of non-development clearances. He also pointed out that clearance of illegal structures did not necessarily result in any housing demand.