

立法會
Legislative Council

LC Paper No. CB(1) 334/01-02
(These minutes have been seen
by the Administration and cleared
by the Chairman)

Ref: CB1/PL/HG/1

LegCo Panel on Housing

**Minutes of special meeting held on
Monday, 10 September 2001, at 10:45 am
in Conference Room A of the Legislative Council Building**

- Members present** :
- Hon CHAN Kam-lam (Chairman)
 - Hon Albert HO Chun-yan (Deputy Chairman)
 - Hon David CHU Yu-lin, JP
 - Hon LEE Cheuk-yan
 - Hon Fred LI Wah-ming, JP
 - Hon NG Leung-sing, JP
 - Hon James TO Kun-sun
 - Hon CHAN Yuen-han, JP
 - Hon LEUNG Yiu-chung
 - Hon Howard YOUNG, JP
 - Dr Hon YEUNG Sum
 - Hon SZETO Wah
 - Hon Abraham SHEK Lai-him, JP
 - Hon Albert CHAN Wai-yip
 - Dr Hon LO Wing-lok
 - Hon Frederick FUNG Kin-kee
 - Hon IP Kwok-him, JP
 - Hon LAU Ping-cheung
- Members attending** :
- Hon James TIEN Pei-chun, GBS, JP
 - Hon Eric LI Ka-cheung, JP
 - Hon Emily LAU Wai-hing, JP
 - Hon Audrey EU Yuet-mee, SC, JP
- Members absent** :
- Hon Andrew WONG Wang-fat, JP
 - Hon Andrew CHENG Kar-foo

Public officers attending : For item I

Housing Bureau

Mr Dominic WONG, GBS, JP
Secretary for Housing

Mr Andrew WELLS, JP
Deputy Secretary for Housing

Housing Department

Mr J A MILLER, JP
Director of Housing

For item II

Housing Bureau

Mr Andrew WELLS, JP
Deputy Secretary for Housing

Housing Society

Miss L C WONG
Deputy Executive Director

Clerk in attendance : Miss Becky YU
Chief Assistant Secretary (1)1

Staff in attendance : Ms Rosalind MA
Senior Assistant Secretary (1)3

I Statement on housing made by the Chief Secretary for Administration on 3 September 2001 - Moratorium on sales of Home Ownership Scheme flats (LC Paper Nos. CB(1) 1971/00-01(01) and (02))

At the invitation of the Chairman, the Secretary for Housing (S for H) highlighted the salient points in the statement by the Chief Secretary for Administration (CS) at the Appendix which was tabled at the meeting. The statement set out the present

state of the housing market and the Government's intentions, in particular the moratorium on Home Ownership Scheme (HOS) sales.

Consultation

2. The Chairman noted with grave concern that Members and the Chairman of the Housing Authority (HA) were only informed of the moratorium on HOS sales shortly before it was announced at a press conference. Given the far-reaching implication of the moratorium, he queried why the Administration had not consulted the Legislature and HA before reaching a decision on the moratorium. S for H explained that the Administration was fully aware of HA's views. In fact, the role of HOS was thoroughly discussed at an open HA meeting in June 2001, during which different proposals on reduction, abolition or replacement of HOS with loans had been put forward. On prior consultation with the Legislature, S for H said that this might not be necessary as there were already various channels through which Members could express their views on HOS. Indeed, Members had reflected their views to various senior officials in recent months. He assured members that the Administration had taken into account all different views before reaching a final decision on the moratorium.

3. In reply to the Chairman's further question, S for H confirmed that the implementation of the moratorium was an administrative arrangement to address the short-term problem of overlapping between the target group of HOS and that of the private sector residential market which had begun to crowd out private housing in a slow market. He stressed that the moratorium was by no means a change of housing policy which was clear and fair and continued to serve the community well.

4. Some members did not accept the Administration's explanation. Mr LEE Cheuk-yan opined that the moratorium was in fact a policy change since many eligible applicants would be deprived of the opportunity to buy HOS flats as a result of the moratorium. Expressing similar concern, Mr SZETO Wah opined that without proper consultation, the public would not be able to know if the Administration had really taken into account both supporting and dissenting views before reaching a decision on the moratorium. He criticized the Administration for operating in the dark. Miss CHAN Yuen-han added that it was imprudent for the Administration to hastily announce the moratorium without consulting Members and HA. As a member of HA, Mr IP Kwok-him considered it unfair to HA Chairman since he was only informed of the moratorium shortly before it was announced, thereby leaving him no time to consult other HA members. He was disappointed that the Administration had no respect for HA.

5. In response, S for H clarified that the Administration had informed HA Chairman of the moratorium a few days before its announcement. This was a proper and adequate arrangement since the Administration was not in a position to call for a HA meeting. It would be for HA Chairman to decide on the need to consult other HA members.

6. Ms Emily LAU said that she was surprised to learn that apart from the Legislature and HA, the Administration had also failed to consult the Executive Council before reaching a decision on the moratorium. She questioned the need to implement the moratorium in such a hurry. Mr Albert CHAN asked if the Administration had been under pressure from private property developers to implement the moratorium. He also enquired about the roles of the Housing Bureau (HB) and S for H in this regard.

7. S for H said that the decision to implement the moratorium was made by the Government. As the head of HB, he was one of the senior officials involved in the decision-making process. The decision on the moratorium was made for the benefit of the community as a whole after taking into account views from different sectors. Referring to the statement made by CS, S for H stressed that the Government was not going to allow vested interests to determine its actions. Dr YEUNG Sum remarked that according to a survey conducted by the Liberal Party, 60% of the interviewees considered that the decision to implement the moratorium was a submission to the pressure from private property developers. He cautioned that the way in which the moratorium was announced without prior consultation with Members would further undermine the relationship between the Executive and the Legislature.

8. Mr Frederick FUNG remained unconvinced that the Administration should implement the moratorium without prior consultation with HA which, according to the Housing Ordinance (Cap. 283) (HO), was the statutory body to determine and implement details of housing policies, including those on HOS. He recalled that at its meeting in April 2001, HA had endorsed the proposals to cap HOS sales to not more than 20 000 flats per year and to revise the split ratio between HOS and public rental housing (PRH) for the 44 000 public housing flats to be built over the next five years from 1:1 to 2:8. If HOS had begun to crowd out private housing in a slow market as claimed by the Administration, the Director of Housing (D of H) who was the Deputy Chairman of HA, S for H and other of the Administration who were also HA members should have opposed these proposals. The announcement of the moratorium by CS had in fact stripped HA of its statutory power to determine and implement housing policies. Mr FUNG asked whether S for H would resign if the moratorium failed to improve the prevailing economic conditions after the 10-month period.

9. In response, S for H said that it would be inappropriate for him to comment on the overall economy which straddled various policy areas and was affected by external factors as well. He also clarified that the overall responsibility for public and private housing matters in Hong Kong rested with S for H, who was responsible for formulating and implementing Government policies on the provision of housing in the public and the private sectors. HA had the statutory duty to determine and implement details of housing policies set by the Government. As regards the moratorium, S for H reiterated that it was not aimed at propping up the property market but rather at allowing sufficient time for the Government and HA to work out a long-term package

to prevent the recurrence of a situation where government subsidized housing competed unfairly with the private sector market. Since he was not responsible for the overall economy of Hong Kong, S for H considered Mr FUNG's question on his resignation out of context.

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10. Mr FUNG did not accept the Administration's explanation. He remained of the view that S for H should have opposed the HOS proposals at the HA meeting in April 2001 if the sale of HOS had put additional pressure on the real estate market, and that S for H should be held accountable for any failure of policy changes. [To express his grave dissatisfaction, Mr FUNG walked out of the meeting.] To facilitate a better understanding on the deliberation on HOS at HA meetings, Mr James TO requested and the Administration undertook to provide a copy of the minutes of the HA meetings held in April and June 2001.

Legitimacy of the moratorium

11. Ms Audrey EU noted that with the permission of the Chief Executive (CE), CS had asked HA Chairman to implement a moratorium on all sales of HOS flats until end June 2002. As HOS sales had always been a decision of HA, Ms EU asked whether the CE's permission was a directive made under that section 9 of HO. If so, she enquired about the circumstances under and the procedures through which CE could exercise the power conferred on him under section and whether CE had to consult relevant authorities such as the Executive Council before making such a directive as well as the mechanism through which HA could appeal against CE's directive. S for H said that the moratorium was not a directive given by CE. In fact, CE had so far never exercised his power under section 9 of HO to give directive to HA. Given the close working relationship between the Administration and HA as well as the fact that HA had been adhering to Government policy, it would not be appropriate to speculate on possible circumstances under which section 9 of HO should be invoked.

Clerk

12. Mr LEE Cheuk-yan asked if the moratorium would be subject to the approval of HA if this was not a directive given by CE. In reply, S for H confirmed that the moratorium would need to be endorsed by HA. D of H supplemented that the Home Ownership Committee (HOC) and the Rental Housing Committee (RHC) of HA would hold a joint meeting on 13 September 2001 to discuss the details of the moratorium, which would be subject to endorsement by HA at its subsequent meeting. To facilitate better understanding, Dr YEUNG Sum suggested and members agreed that the Legal Advisor of LegCo be requested to advise on the legal basis upon which CS could ask HA to implement the moratorium on HOS sales if such a request was not based on section 9 of HO.

Effect of the moratorium

13. Mr Albert HO and Mr IP Kwok-him remarked that HOS had all along been welcomed by the low-income group as it provided an opportunity for them to buy their

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own flats. It therefore came as a surprise that HOS had suddenly become a contributing factor to the downturn of the property market. Mr HO considered that the increase in the number of housing loans could not help meet demand for home ownership of the low-income group given the high property prices in the private sector. He also did not agree to the remarks of CS that families with total household incomes of \$20,000 could afford to buy private flats of \$2,500,000 although a different figure of \$1,800,000 had been quoted by S for H. Given the prevailing economic situation and possible future rises in interest rates, he questioned whether it was prudent for the Administration to encourage the public to use over 50% of their household income for mortgage repayment. Expressing similar concern, Mr Fred LI sought information on the basis upon which the assumption that four-person families with household income of \$20,000 could afford to buy flats under \$1,800,000.

14. While recognizing the contribution of HOS, S for H considered it necessary to review the current situation where HOS competed unfairly with the private sector. There was a significant overlap between the target group of HOS and that of the private sector residential market. This overlap was growing as interest rates fell and continued to fall since the beginning of 2001. Many “better-off” households who were eligible for HOS could now afford to purchase flats in the private sector. In order to ensure that housing resources would only be allocated to those in genuine need, the Administration had to review the role of HOS. The moratorium would allow time for the Government and HA to work out a long-term package to prevent the recurrence of the current situation. On mortgage repayment, S for H advised that as a norm this was capped at 40% of the household income of HOS buyers. It was however not uncommon for flat owners in the private sector to use more than 50% of their household income for mortgage repayment.

15. As many people would be deprived of the opportunity to buy HOS flats as a result of the moratorium, Mr LEE Cheuk-yan asked if the Administration would consider increasing the income and asset limits for PRH so that eligible HOS applicants who could not afford to buy flats in the private sector could apply for PRH. S for H responded that potential HOS purchasers should be able to take care of their housing needs during the 10-month moratorium through the provision of additional loans. Therefore, there was no need for further assistance in this respect. As the issue of PRH fell outside the remit of the moratorium, S for H considered that this should be dealt with by HA.

16. Referring to paragraph 31 of CS’s statement, Mr LEUNG Yiu-chung expressed concern that the Administration would abolish HOS after the long-term review. If this was the case, he asked how the Administration could meet the housing needs of those who were not eligible for PRH and who could not afford to buy their own flats in the private sector. In reply, S for H confirmed the value of HOS and stressed that the Administration had no intention to abolish HOS which had helped to satisfy the demand for home ownership and had freed up PRH for those in need. It also provided a cushion to fluctuations in the capacity of the private sector. However, in view of the overall market developments, changing patterns of housing demand and

the competing interests of different sectors of the community, the provision of loan finance was considered a better way of meeting public sector housing demand than traditional “bricks and mortar”. It was against this background that part of the review was to agree with HA a more radical cutback in the level of HOS sales in the longer term, with more loans to be put in place. Mr LEUNG reminded the Administration of its pledge for annual provision of 50 000 public housing flats. S for H said that the Administration had pledged to provide 50 000 housing assistance opportunities in the form of PRH, home ownership flats, home ownership loans and rental subsidy.

17. Mr Albert CHAN was doubtful that the moratorium would be able to benefit those whose properties had become negative assets as a result of the economic downturn. S for H clarified that the moratorium was not aimed at providing relief to a particular target group. Nevertheless, the Administration had requested banking institutions to adopt a more sympathetic approach towards those with negative assets.

18. Noting that many PRH estates had to share the same community facilities with HOS estates, Mr Fred LI expressed concern that the moratorium would affect the timely delivery of these facilities, thereby affecting both the PRH tenants and business operators concerned. D of H advised that as the moratorium only applied to the sale rather than the construction of HOS, it should not have much impact on the delivery of community facilities. Notwithstanding, HOC and RHC would discuss the technical issues relating to the moratorium at the meeting on 13 September 2001. At Mr LI’s request, the Administration undertook to provide the number, location and size of HOS flats to be affected by the moratorium

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19. The Chairman expressed concern that PRH tenants affected by redevelopment would not be able to buy HOS flats as a result of the moratorium. He asked what measures were in place to meet the housing need of this particular group. S for H advised that except for the sale of HOS flats, all other forms of housing assistance still remained in force. Tenants affected by redevelopment who wished to buy their own flats could apply for subsidized housing loans.

20. Mr James TIEN remarked that housing was an integral part of the financial policy. He also pointed out that the downturn of the property market and the drop in property prices were mainly attributed to the continuous unfavourable global and domestic economic situations as well as the prevailing currency policy rather than the pressure of HOS. Nevertheless, Members of the Liberal Party supported the suspension of HOS sales as this would have a positive effect on the real estate market. On the assumption that 30 000 private flats were currently available in the market, and that there was a difference of \$500,000 between a HOS and a private flat, the moratorium would enable \$15 billion to flow back to the private residential market. Moreover, as the sale of HOS flats by the Government was in fact an intervention to the property market, the suspension of HOS sales would allow the market forces to reassert themselves. Besides, the transfer of HOS flats put on hold to PRH would help further reduce the waiting time.

21. Mr Howard YOUNG agreed with Mr TIEN that the Administration should not interfere with the property market. On the manner in which HOS flats put on hold would be disposed of, Mr YOUNG asked if the Administration would consider using these flats as quarters for the disciplinary forces. While supporting the suspension of HOS sales given the significant decrease in demand for HOS in recent years, Mr LAU Ping-cheung cautioned about the impact of the moratorium on the financial situation of HA as the proceeds of HOS sales were the major source of income of HA. He also asked if the Administration would consider allocating HOS flats put on hold to the Urban Renewal Authority (URA) for rehousing residents affected by urban renewal. Mr David CHU was also in support of the moratorium. He concurred with other members that the HOS flats put on hold should be used to meet the long-term housing needs of the public. Consideration should be given to transferring these flats to PRH and providing interest-free housing loans to those eligible applicants to buy their own flats.

22. S for H assured members that the Government would ensure that HA would not suffer a cash-flow problem as a result of the moratorium, and that it remained the Administration's commitment to provide sufficient housing assistance opportunities to meet the housing needs of the low-income group. As regards the manner in which the HOS flats put on hold would be disposed of, S for H said that the Administration and HA would explore ways and means to prevent a large number of HOS flats from standing vacant for a prolonged period, including the suggestions put forward by members. D of H added that the ratio of the life-time subsidy cost of providing housing assistance through PRH, HOS and home ownership loans was roughly in the order of 4:2:1 respectively.

23. While welcoming the suspension of HOS sales, Mr Abraham SHEK considered that the 10-month moratorium was not a long-term solution, and that the Administration should review the HOS policy in the long run. The ultimate solution would be for the Administration to build sufficient PRH flats to meet the housing need of the low-income group. To facilitate a better understanding, the Administration was requested to provide information on the subsidy, including land premium, that was required for every HOS flat built.

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24. Mr Eric LI remarked that the impact of the moratorium would be minimal in view of the limited number of 20 000 HOS flats meant to be sold each year as compared with the substantial number of over 1 200 000 home owners in Hong Kong. Given that the moratorium was only intended to address short-term problems, Mr LI emphasized the need for the Administration to make clear its policy objective of ensuring an autonomous real estate market. Moreover, measures should be in place to stabilize the property market which was affecting more than 1 200 000 home owners. He agreed to the need to conduct a comprehensive review of HOS which should cover the impact of policy changes on the overall economic situation and the possible reduction in average waiting time for PRH as a result of re-allocation of housing resources after the review. The Administration should also consult the Legislature on the outcome of the review. At members' request, S for H undertook to revert to the

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Legislature on this issue in due course.

25. As a consolidated view of the Panel, Mr Albert HO moved and Mr Fred LI seconded the following motion:

“That this Panel condemns the Executive Authorities for asking to suspend and reduce the sales of Home Ownership Scheme flats and subsidized home ownership flats without consulting the Executive Council, the Legislative Council, the Housing Authority and the Housing Society.”

Mr James TIEN remarked that while there was no formal consultation before the announcement of the moratorium, the Legislature had discussed issues relating to HOS in great details over the past years. As such, Members of the Liberal Party would not support the motion. The Chairman also said that Members of the Democratic Alliance for the Betterment of Hong Kong would not support the motion as it was not uncommon for the Administration to implement policies without prior consultation.

26. The motion was put to vote. Of the members present, six voted for the motion, five voted against it and one abstained. The Chairman declared that the motion was carried.

(Post-meeting note: A letter on the motion was issued to the Administration on 10 September 2001.)

II Housing Society’s plan to build flats in the Mainland (LC Paper No. CB(1) 1976/00-01(01))

27. The Deputy Secretary for Housing (DS for H) said that CS had made it clear that the Administration would not support any plan of the Housing Society (HS) to build flats outside the territory as this was at variance with its role of providing self-contained homes for families in Hong Kong. The Deputy Executive Director/HS (DED/HS) clarified that the proposal to build flats in the Mainland was only a very preliminary idea which was put in the annual work plan as a possible way forward for HS. In view of the widespread concern over the idea, HS had arranged a special meeting to discuss the proposal this afternoon and it was most likely that HS would drop such a proposal.

28. Mr Fred LI considered it imprudent for HS, being an organization receiving government subsidies in the form of reduced land premium and low-interest loans, to come up with the proposal which was completely unacceptable to both the Government and the general public. He opined that the Government representatives appointed to the Executive Committee of HS should have opposed to the proposal in the first place. Besides, the proposal should not be disclosed to the public before this was discussed by HS. DED/HS responded that the proposal had not been included in the agenda for discussion by HS at this stage. It was only a very preliminary idea and

its feasibility had yet to be explored. The Chairman of HS had just happened to mention the proposal during an interview with the press and had the least intention to introduce the proposal to the public at this stage. As any decision of HS would have an impact on the property market, Mr Abraham SHEK held the view that HS should be cautious in making any announcement.

29. Mr Albert HO asked if the proposal reflected the concern of HS over its diminishing role in Hong Kong. In reply, DED/HS reiterated that HS was committed to meeting the housing needs of the general public. However, as HS was a self-financing body, it had to work out new proposals in the light of the changing circumstances and the proposal to build flats in the Mainland was only one of the many proposals in the annual work plan of HS.

30. Noting that HS had been awarded management contracts of HA estates, Mr LEE Cheuk-yan enquired if this represented a change in the role of HS. DED/HS advised that HS had all along been involved in estate management work for housing developments, including rental housing estates owned by HS and also estates where the units were sold such as Sandwich Class Housing Scheme estates. Given its expertise in estate management and the need to explore more business opportunities, HS had tendered for the management contracts of HA estates.

III Any other business

31. There being no other business, the meeting ended at 1:20 pm.

Legislative Council Secretariat

27 November 2001