

立法會
Legislative Council

LC Paper No. CB(1) 1927/00-01
(These minutes have been seen
by the Administration and cleared
by the Chairman)

Ref: CB1/PL/HG/1

LegCo Panel on Housing

**Minutes of meeting held on
Monday, 5 March 2001, at 2:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam (Chairman)
Hon Albert HO Chun-yan (Deputy Chairman)
Hon David CHU Yu-lin
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Hon James TO Kun-sun
Hon CHAN Yuen-han
Hon LEUNG Yiu-chung
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
- Members absent** : Hon Abraham SHEK Lai-him, JP
Dr Hon LO Wing-lok
- Public officers attending** : **For item IV**
Housing Bureau

Mr M L WAN
Principal Assistant Secretary for Housing
(Project Management)

Mr Enoch LAM
Chief Assistant Secretary for Housing
(Project Management) 2

Civil Engineering Department

Mr Y F MOK
Assistant Director (Civil)/Land Development

Ms Alice PANG
Senior Engineer/Housing Sites

Planning Department

Mr K K LING
District Planning Officer/Hong Kong

Transport Department

Mr C W KWAN
Chief Traffic Engineer/Hong Kong

Agriculture, Fisheries & Conservation Department

Mr K K MOK
Senior Nature Conservation Officer

For item V

Housing Bureau

Mr Andrew WELLS, JP
Deputy Secretary for Housing (2)

Housing Department

Mr Marco WU
Deputy Director/Management

Mr Andrew LAI
Head, Corporate Strategy Unit

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

Staff in attendance : Ms Erin TSANG
Senior Assistant Secretary (1)3

I Confirmation of minutes of previous meeting
(LC Paper Nos. CB(1) 706 and 707/00-01)

The minutes of the meetings held on 4 and 19 December 2000 were confirmed.

II Information paper issued since last meeting

2. Members noted that the following information papers had been issued since the last meeting -

LC Paper No. CB(1) 705/00-01 -- Submission from a Mr CHEUNG Kam-shui expressing his views on compensation for residents affected by clearance of Tung Tau Cottage Area;

LC Paper No. CB(1) 730/00-01 -- Extracts from the Report of the Hong Kong Special Administrative Region of the People's Republic of China in the light of the International Covenant on Economic, Social and Cultural Rights; and

LC Paper No. CB(1) 739/00-01 -- Submission from the Hong Kong People's Council on Housing Policy expressing their views on the Proactive Registration Campaign for the Elderly.

III Date of next meeting and items for discussion

3. Members agreed to discuss the following subjects at the next regular meeting scheduled for Monday, 2 April 2001, at 2:30 pm -

- Rent Allowance for the Elderly Scheme;
- Report of the Hong Kong Special Administrative Region of the People's Republic of China in the light of the International Covenant on Economic, Social and Cultural Rights; and

- Enhancement of transparency in the formulation of Deeds of Mutual Covenant for Tenants Purchase Scheme estates.

(Post-meeting note: At the request of the Administration, discussion on Rent Allowance for the Elderly Scheme was deferred to the meeting on 7 May 2001.)

4. The Chairman reminded members of the visit to some construction sites of the Housing Authority scheduled for Tuesday, 6 March 2001, at 1:30 pm.

IV Site formation at Lung Wah Street (LC Paper No. CB(1) 708/00-01(03))

5. At the invitation of the Chairman, the Principal Assistant Secretary for Housing (Project Management) (PAS for H (PM)) highlighted the salient points in the information paper. He said that the site at Lung Wah Street was initially planned for private housing development. In view of the importance of urban renewal in the Western District which was one of the earlier settlement areas on the Hong Kong Island, the Administration would consider developing the site for rehousing purposes when opportunity arose to facilitate urban renewal in the Western District. The estimated cost of the construction of site formation works and associated infrastructure for the housing development was \$107.5 million in money-of-the-day prices.

6. Mr Howard YOUNG questioned the suitability of the site for housing purpose given its close proximity to Kwun Lung Lau which had been subject to landslide before. Water from the rivulet at the back of the site would further aggravate the geological condition of the site. The Senior Engineer/Housing Sites (SE/HS) advised that the results of the site investigation had confirmed that the risk of landslide was not high. Notwithstanding, precautionary measures which included the erection of debris barriers would be provided to ensure slope safety. As regards the rivulet at the back of the site, SE/HS said that drains would be built to direct the water away from the site.

7. As a member of the Central and Western District Council (C&WDC), Mr IP Kwok-him said that C&WDC was opposed to the proposed project at Lung Wah Street, particularly to its original form which was intended for private housing development. While acknowledging that the project had been subsequently changed for rehousing purpose, C&WDC remained concerned about the traffic and environmental impact arising from the proposed development, the nuisance during construction and loss of existing vegetation, including a one hundred year old tree. It was much regretted that despite the strong opposition from C&WDC, the Town Planning Board had decided not to propose amendment to the project to meet the objection. Dr YEUNG Sum also asked if the Administration would consider transplanting the old tree referred to as in the case of the tree at Sports Road.

8. The Assistant Director (Civil)/Land Development explained that a detailed review of the Lung Wah Street development layout had been carried out in the light of some C&WDC members' request to trim down the site area for the reasons of tree

preservation and provision of larger open space. It was concluded that, because of the central location of the trees in the development, it was not feasible to adjust the boundary of the open space to accommodate the trees. Besides, no rare or special species were identified at the site according to a tree survey. He nevertheless assured members that compensatory planting would be provided within the site. As regards the proposed transplanting of the old tree, he advised that the Administration had considered such an option and concluded that this was technically not feasible having regard to the large size of the tree. Apart from its big trunk of 2.1 metres in diameter, the Senior Nature Conservation Officer further elaborated that the old tree was grown on a slope and its roots being entangled with a large rock. Separation of the tree from the rock would inevitably damage the roots of the tree.

9. Mr IP Kwok-him did not accept the Administration's explanation. He remained of the view that the Administration should re-consider the issue of tree preservation at the Lung Wah Street site taking into account the old age of the tree and strong opposition from green groups. The Chairman also urged the Administration to consult C&WDC before the funding proposal for site formation at Lung Wah Street was submitted to the Public Works Subcommittee on 18 April 2001.

V Proposal to lower the income and asset limits for households eligible to apply for public rental housing and Home Ownership Scheme flats
(LC Paper Nos. CB(1) 708/00-01(04) and (05))

10. The Chairman remarked that at the last meeting on 5 February 2001, members passed a motion urging the Housing Authority (HA) to consult the public, including the Legislative Council, before making a decision on the proposal to lower the income and asset limits for applicants of Home Ownership Scheme (HOS)/Home Purchase Loan Scheme and Waiting List (WL). The current discussion was to follow up on the motion. In response, the Deputy Secretary for Housing (2) (DS for H (2)) affirmed that it had been the Administration's practice to consult the Legislature on major policy issues. As to when the two sets of income and asset limits were reviewed, the Deputy Director/Management (DD/M) replied that the review was conducted annually in February or March each year and any subsequent adjustments would take effect from April in that year.

11. Mr LEUNG Yiu-chung said that the Panel had never been consulted on the proposal. Members were only informed of the new income and asset limits after these had been endorsed by HA. Given that thousands of applicants would be taken out of the eligibility net for HOS and WL as a result of the reduction, Mr LEUNG expressed grave disappointment that HA should ignore the motion passed by the Panel and hastily endorse the proposal at its meeting on 8 February 2001, particularly when the new limits would only take effect in April 2001. He queried if this was the Administration's move to prop up the private property market. DD/M replied that this was not the case. He said that there was no change in HA's policy and the review of HOS and WL income and asset limits was conducted in accordance with a well-established mechanism which examined both the housing and non-housing applicants. The mechanism had been used for more than ten years and was widely accepted by the

community. Even after the reduction, among all the non-owner-occupied households in the private sector, some 35% and 60% would be eligible for public rental housing (PRH) and HOS respectively. DS for H (2) added that while members would be consulted on major policy issues, the latest review of the income and asset limits involved no policy changes. The review was necessary to ensure that public subsidy continued to be made available to those in genuine need.

12. Mr LEUNG and Mr LEE Cheuk-yan however pointed out that HA had departed from the established review mechanism by freezing the HOS and WL income and asset limits for the past two years. They questioned the rationale for adjusting the limits now when the economic situation was deteriorating. The Head, Corporate Strategy Unit (H,CSU) clarified that HA had reduced the HOS income limit by 6% to \$31,000 while maintaining the asset limit at \$700,000 in 1999/2000 in the light of the property market slump. He said that while there was room to adjust the WL income and asset limits downwards in the last two reviews for 1999/2000 and 2000/01, HA had adopted a wait-and-see approach by freezing these limits in general having regard to the volatile market situation and signs of economic recovery. Despite the initial signs of economic recovery, the housing and non-housing costs in the third quarter of 2000 had dropped further since the last review in February 2000. Such downward movements would bring down the HOS income and asset limits by 29% and 21%, while the WL income and asset limits by 15% and 13% respectively. To narrow the discrepancies between the projections and the existing HOS and WL income and asset limits, the Home Ownership Committee and the Rental Housing Committee of HA decided at their joint meeting on 8 February 2001 to reduce the limits in order to better reflect the policy objective of allocating public housing resources to those in genuine need. Noting that the full rates of reduction, which had been accumulated for two years, might be too drastic, HA had adopted a moderate approach of reducing the HOS/HPLS income and asset limits by 20% and 14%, while the WL income and asset limits by 7.5% and 6.5% respectively.

13. Given that the property prices and rentals in the private sector had dropped substantially after the Asian financial turmoil, Mr Fred LI considered that HA should also adjust the sale prices and rents of public housing in parallel with the reduction of the two sets of limits. DD/M advised that the sale prices and rents of public housing were set with reference to affordability rather than market situation. H,CSU added that the objective of requiring applicants for HOS and PRH to pass income and asset tests as well as other eligibility criteria laid down by HA was to ensure rational allocation of the scarce housing resources to those in genuine need. The HOS and WL income and asset limits were set to cover households which could not afford to buy or rent a reasonable flat in the private sector respectively. As the affordability of public housing applicants would be affected by household income, inflation and deflation etc, it was necessary for HA to regularly adjust the two sets of limits to reflect the up-to-date position.

WL income and asset limits

14. Mr LEE Cheuk-yan questioned the accuracy of the information set out in Annex A to LC Paper No. CB(1) 708/00-01(04). By way of illustration, it was irrational that the average non-housing expenditure per person for one-person households should be lower than that for two-person households. Expressing similar concern, the Chairman enquired about the basis upon which the average non-housing expenditure was arrived at. DD/M advised that the information referred to was provided by the Census and Statistics Department taking into account the lower half expenditure group of tenant households in private permanent housing and all households in private temporary housing of the 1994/95 Household Expenditure Survey and the projection by the Consumer Price Index (A) to the third quarter of 2001. The difference in non-housing expenditure per person between one-person and two-person households might be due to the fact that the majority of the one-person households were elderly singletons who had a different pattern of expenditure. Mr LEE however pointed out that as most of the elderly singletons were not working, it would not be fair to other working singletons if the non-housing expenditure of the former was included in the determination of the WL income limit for one-person households. DD/M explained that in formulating a proposal, the Administration had to take into account the interest of all parties concerned and to ensure that the proposal was fair and administratively simple. He added that HA was aware of the impact of the reduction of WL income and asset limits on PRH applicants and had adopted a milder rate of reduction than the full adjustment under the established review mechanism.

15. Mr Albert HO expressed concern that the burden of rent on PRH tenants would increase after the reduction of the WL income and asset limits. He reiterated the need for HA to reduce PRH rents since the median rent-income ratio (MRIR) of many PRH households had already exceeded the prescribed limit of 10% under the Housing Ordinance (Cap. 283). DD/M clarified that the WL income and asset limits and MRIR were two separate standards. The former applied to PRH applicants to ensure that the scarce PRH resources would not be provided to those who did not have genuine need, while the latter to sitting tenants to ensure that PRH rents were maintained at an affordable level. As regards rent setting, DD/M said that apart from the comparable estate values of PRH estates, HA would also take into account the following standards -

- MRIR not to exceed 15% for the minimum allocation standard of 5.5 square metres per person; and
- MRIR not to exceed 18.5% for the minimum allocation standard of 7 square metres per person.

16. Noting that more than 10 000 existing PRH applicants, who were low-income earners, would be taken out of the eligibility net for PRH as a result of the reduction of the WL income and asset limits, Mr HO was concerned that they might have to lower their standard of living in order to cope with the high rentals in the private sector, thereby further exacerbating the problem of disparity in wealth in Hong Kong.

Mr Frederick FUNG echoed that while he was in support of the reduction of the HOS income and asset limits as this could release more resources for PRH, he was opposed to the reduction of the WL income and asset limits, which in his view were already on the low side. Expressing similar concern, Mr James TO considered that HA should be more sympathetic towards those PRH applicants who had registered on WL for a long time but became ineligible for PRH as a result of the reduction. DD/M affirmed that a compassionate approach would be adopted to exempt the application of the new limits on those applicants who had successfully gone through the vetting process and were awaiting flat allocation. It was anticipated that about 34% of the total live applicants on WL would benefit under this arrangement. For those who were over-income/over-asset at the investigation, they would be given the opportunity to reinstate their position should their incomes/assets drop within the established limits again within one year.

HOS income and asset limits

17. Given that the Administration had taken relief measures to freeze various fees and charges to ease the impact of economic downturn on the general public, Miss CHAN Yuen-han was not convinced that HA should endorse the reduction of the HOS and WL income and asset limits. H,CSU responded that it had been HA's objective to help families in genuine need of housing. However, there had been concerns within the community that the prevailing HOS income and asset limits were too high to the extent that HOS was not focusing at low-income families. HA was hence urged to adjust the limits downwards. Indeed, HA should stick to the established review mechanism as it was the most equitable way of allocating the scarce public housing to those in genuine need. Miss CHAN asked if HA had assessed whether the some 30 000 HOS applicants who had been taken out of the eligibility net for HOS as a result of the reduction could afford to buy a flat in the private sector. DD/M advised that with the substantial fall in property prices and interest rate as well as sustained deflation, families with income over the HOS income limit of \$25,000 would be able to purchase a reasonable flat in the private sector.

18. Mr Andrew CHENG however pointed out that existing HOS applicants who had been taken out of the eligibility net for HOS might not be able to buy private flats having regard to the requirement for substantial down payment. He opined that if the need for lowering the HOS income and asset limits arose as a result of inadequate supply of housing resources, consideration should be given to increasing resources in this respect. He also enquired about the parties which had urged HA to reduce the limits given that academics, commentators and public housing concern groups had all along supported the continuous provision of HOS to low-income families which could not afford to buy private flats. DS for H (2) reiterated that public housing resources should only be allocated to families in genuine need. He cautioned that an artificially expanded eligibility net would cause hardship to applicants in genuine need as they would have to wait longer due to the inclusion of other "non-deserving" applicants. DD/M added that HA had taken into account all views received, including those from academics, in reviewing both the HOS and WL income and asset limits.

19. Mr LAU Ping-cheung asked whether eligible applicants' chances for HOS would increase after the reduction of the two sets of limits. DD/M advised it would hinge on the supply of HOS. Nevertheless, those who had been taken out of the new eligibility net for HOS would still be eligible for the housing assistance offered by the Housing Society under the Home Starter Loan Scheme which had higher income and asset limits. He also noted Mr LAU's concern about the accumulative effect of future review of HOS and WL income and asset limits and assured members that efforts would be made to strike a balance among factors affecting the review.

20. Mr Albert HO and Mr James TO expressed concern about the effect of the 5% contributions under the Mandatory Provident Fund on the incomes of public housing applicants. H,CSU explained that the contributions would not form part of household income when applying for HOS and PRH.

Review of mechanism

21. While agreeing to the need for a review mechanism, the Chairman urged HA to take into account the fact that some PRH applicants had been registered on WL for a very long time. It would be unfair if they were deprived of their opportunity for PRH as a result of subsequent changes in eligibility criteria. The situation would be further aggravated in the event of reduction in waiting time for PRH. Consideration should be given to exempting the application of any changes to applicants already on WL and reinstating their waiting time should they meet the new eligibility criteria again. He also reiterated the need for HA to consult members before making any major changes. In reply, DD/M agreed that there was always scope to improve the mechanism. In view of the availability of new findings from the Household Expenditure Survey by the middle of 2001, HA had committed to taking the latest findings of the survey into account and to reviewing the established mechanism before the HOS and WL income and asset limits for 2002/03. Miss CHAN Yuen-han held the view that HA should wait for the release of the new findings before deciding to lower the HOS and WL income and asset limits for 2001/02.

22. Members reiterated that they were opposed to the reduction of the two sets of limits. As a consolidated view of the Panel, Mr LEE Cheuk-yan proposed and Miss CHAN Yuen-han seconded the following motion –

“That this Panel strongly reproves the Housing Authority for hastily endorsing the lowering of the income and asset limits for households applying for public rental housing and Home Ownership Scheme flats before consulting the public and this Panel, and demands that the Housing Authority should suspend the implementation of the new limits, review the current mechanism and conduct full consultation.”

The motion was unanimously passed by the members at the meeting. The Chairman instructed that the motion be conveyed to the Administration.

(Post-meeting note: A letter on the motion was issued to the Administration on 6 March 2001.)

VI Any other business

23. There being no other business, the meeting ended at 4:40 pm.

Legislative Council Secretariat
28 August 2001