

立法會
Legislative Council

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LegCo Panel on Housing

**Subcommittee to study the letting and rent policies of non-domestic premises
of the Housing Authority and the Housing Society**

**Minutes of first meeting held on
Wednesday, 23 January 2002 at 8:30 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Andrew WONG Wang-fat, JP (Deputy Chairman)
Dr Hon David CHU Yu-lin, JP
Hon CHAN Yuen-han, JP
Dr Hon LO Wing-lok
Hon WONG Sing-chi

Members attending : Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon Howard YOUNG, JP
Hon Tommy CHEUNG Yu-yan, JP

Members absent : Hon Abraham SHEK Lai-him, JP (Chairman)
Hon LEUNG Yiu-chung
Hon LAU Ping-cheung

Public officers attending : Housing Bureau

Miss Joey LAM
Principal Assistant Secretary (2)

Housing Department

Mr C P ROBERTS
Assistant Director/Commercial Properties

Hong Kong Housing Society

Mr K L WONG
Director (Estate Management)

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

Staff in attendance : Miss Lolita SHEK
Senior Assistant Secretary (1)3

I Election of Chairman

Mr David CHU, the member who had the highest precedence in the Council among those who joined the Subcommittee, presided at the election of Chairman and invited nominations for the chairmanship. Mr Andrew WONG nominated Mr Abraham SHEK, who was absent from the meeting but had indicated acceptance of the nomination, and the nomination was seconded by Mr WONG Sing-chi. There being no other nominations, Mr Abraham SHEK was declared Chairman of the Subcommittee.

2. Members agreed to elect a Deputy Chairman. In the absence of the Chairman, Mr David CHU presided at the election of Deputy Chairman and invited nominations for the deputy chairmanship. Mr WONG Sing-chi nominated Mr Andrew WONG, and the nomination was seconded by Mr David CHU. Mr Andrew WONG accepted the nomination. There being no other nominations, Mr Andrew WONG was declared Deputy Chairman of the Subcommittee.

3. In the absence of the Chairman, members agreed that Mr Andrew WONG should take over the chair.

4. The Chairman then drew members' attention to the requests for late membership from Miss CHAN Yuen-han and Mr LEUNG Yiu-chung. Members agreed that their requests be acceded to.

II Terms of reference and internal discussion

(LC Paper No. CB(1) 835/01-02(01) -- Proposed terms of reference)

5. Members agreed to adopt the terms of reference.

III Meeting with the Administration

- (LC Paper No. CB(1) 835/01-02(02) -- Background brief on rent policy of non-domestic premises of the Housing Authority
- LC Paper No. CB(1) 835/01-02(03) -- Information paper on commercial letting policies of the Housing Society
- LC Paper No. CB(1) 835/01-02(04) -- Information paper on the Housing Authority's commercial business
- LC Paper No. CB(1) 1322/00-01 -- Referral from Duty Roster Members regarding the Housing Authority's prevailing policy and procedures on letting of non-domestic premises
- LC Paper No. CB(1) 1388/00-01 -- Minutes of the case conference relating to the above referral
- LC Paper No. CB(1) 1794/00-01(07) -- Information paper on rent policy on markets and commercial premises of the Housing Authority provided by the Administration
- LC Paper No. CB(1) 1842/00-01 -- Information on the latest development on alleged maladministration in the letting procedures for commercial premises of the Housing Authority provided by the Administration
- LC Paper No. CB(1) 187/01-02(05) -- Information paper on rent policy on non-domestic premises of the Housing Authority provided by the Administration
- LC Paper No. CB(1) 325/01-02 -- Referral from Duty Roster Members after meeting with a group of market stall operators of Jat Min Chuen on 1 November 2001
- LC Paper No. CB(1) 534/01-02 -- Further information on alleged maladministration in the letting procedures for commercial premises of the Housing Authority provided by the Administration)

6. The Assistant Director of Housing/Commercial Properties (AD of H/CP) briefed members on the portfolio, overall policies, letting arrangements and management of commercial premises under the Housing Authority (HA) as set out in the information paper (LC Paper No. CB(1) 835/01-02(04)). The Director (Estate Management) of the Hong Kong Housing Society (D(EM)/HS) then gave an introduction on the general principles, letting arrangements and rent assessment for the commercial premises under HS.

7. On the conduct of meeting, the Chairman suggested that members should put forward their concerns first and the Administration would then be requested to provide a written response before the next meeting to facilitate further discussion on the subject. Members agreed to the Chairman's proposal. They also agreed that deputations be invited to give their views at a future Subcommittee meeting.

Letting policy

8. Mr WONG Sing-chi enquired about the market share of the commercial premises of HA and HS in respect of retail spaces in Hong Kong. AD of H/CP advised that HA commercial premises comprised about 10% of the total retail spaces in Hong Kong. D(EM)/HS said that the market share of HS was very small since it managed only 380 commercial leases, which were about 5% of those managed by HA. In view of the high combined market share of HA and HS, Mr WONG considered that they had an important role to play in stabilizing the retail market of Hong Kong. He urged that apart from commercial principles, HA and HS should also take into account the plight of their commercial tenants amid the economic downturn in formulating their letting and rent policies. At members' request, the Administration undertook to provide the market share of the commercial premises of HA and HS in respect of retail spaces in Hong Kong with a breakdown by trade if available. If not, at least a breakdown of retail spaces, particularly market stalls, under HA and HS as opposed to that under the Food and Environmental Hygiene Department (FEHD).

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9. While acknowledging that commercial premises of HA and HS were leased through direct allocation, tender and negotiation, Mrs Selina CHOW noted with concern that there were no clear guidelines on how these options should be adopted in the tendering of commercial premises. Miss CHAN Yuen-han also pointed out that commercial tenants displaced as a result of redevelopment of public housing estates and clearance operations were no longer given the opportunity to tender for commercial premises in new public housing estates through restricted tenders nor by negotiation. As most of these tenants were small business operators who were incapable of competing in open tenders, they would have no choice but to close down their businesses even for renowned shops. The closure of these shops was at variance with the Government's intention of preserving local attractions to promote tourism. To facilitate members' understanding, the Administration undertook to provide the basis upon which decisions to lease commercial premises under HA and HS by tender and negotiation was arrived at; the rationale for not offering restricted tender opportunities to displaced tenants of redeveloped public housing estates and clearance operations as well as the number of premises leased by restricted tender.

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10. Miss CHAN added that commercial tenants of HA and HS were experiencing a business slump amid the economic downturn. The situation was further aggravated by the introduction of large chain stores. By way of illustration, the introduction of superstores in public housing estates such as Jat Min Chuen had severely hampered the competitiveness of existing market stall operators and forced some of them out of business. She cautioned that the situation was not conducive to fair competition and not of benefit to consumers in the event of monopolization by

large chain stores as a result of closing down of small business operators. Mr Tommy CHEUNG also pointed out that tenants would not have participated in the tendering exercise if they were aware that chain stores would be subsequently introduced to their commercial complex. While acknowledging that the presence of large chain stores might increase pedestrian flow, Mrs Selina CHOW emphasized the need to strike a balanced trade mix within the commercial premises to meet the demand of the residents on the one hand and ensure healthy competition on the other. The Chairman also expressed concern about possible monopolization in the event that all the designated stalls for a certain trade within a commercial complex in public housing estates were operated by a single person. In this connection, the Administration was requested to advise -

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- (a) the rationale behind the introduction of large chain stores such as superstores in public housing estates and the measure which HA and HS had taken to prevent monopolization by these stores while maintaining the competitiveness of individual stall operators;
- (b) the number of cases in the past five years where HA and HS had let out to superstores premises vacated by individual stall operators as a result of poor business; and
- (c) whether commercial tenancies of HA and HS in effect were transferable and the extent to which a single person was allowed to effectually operate all the designated stalls for a certain trade within a commercial complex to achieve monopolization.

Rent policy

11. Mrs Selina CHOW held the view that rents for commercial premises were set on the basis of tender prices rather than market rent as advocated by HA and HS. Given that bidders tended to raise their bids to enhance competitiveness, particularly in a booming market, the tender price did not necessarily reflect the market price. Dr LO Wing-lok echoed that despite the drop in commercial rents in the private sector, rents for medical clinics in public housing estates were still on the high side. The high rentals might be attributed to the introduction of open tender to replace the previous ballot system for letting of clinic premises which had resulted in over-estimation of the market value of clinic premises. He urged HA and HS to take into account rents of comparable commercial premises in the vicinity in setting rents for clinics in public housing estates. Mr Howard YOUNG added that HA and HS should also take into account the factor of continuity of service in determining the rents for clinic premises. To facilitate members' understanding, the Administration was requested to advise the mechanism through which comparable market rent could be determined in the letting of commercial premises of HA and HS.

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12. Mr Tommy CHEUNG was not convinced that commercial premises of HA and HS should be let at market rent on terms comparable to those in the private sector. He pointed out that the remote location and unavailability of certain trades such as

banks and restaurants in some of HA and HS commercial premises, including Sun Tin Wai Estate in Shatin, had little attraction to shoppers. It was therefore unreasonable for tenants concerned to pay market rent. As a good trade mix was essential to provide adequate services to residents on the one hand and attract customers on the other, Mr CHEUNG enquired about the basis upon which the trade mix of commercial premises under HA and HS was arrived at. Given the long lead time for construction of public housing projects, Mrs Selina CHOW asked if HA and HS would review the planning for ancillary facilities, including commercial premises, from time to time to take account of the changing circumstances to meet the needs of both domestic and non-domestic tenants. In this connection, the Administration was requested to advise the factors which HA and HS would take into account in planning for commercial facilities within public housing estates and the average time taken for completion of such facilities.

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Vacancy rate

13. Mrs Selina CHOW and Mr Tommy CHEUNG opined that the unwillingness of HA and HS to reduce rent of their commercial premises upon re-letting had attributed to the high vacancy rate. There were cases where HD had to re-let premises at a reduced rent or leave these vacant for a long period of time after failing to reach an agreement on rent with the existing tenants upon renewal of tenancies. In this connection, the Administration was requested to provide the number of such cases in the past five years. Mr CHEUNG expressed dissatisfaction that HA and HS had turned a blind eye to the plight of commercial tenants amid the economic downturn and declined to reduce rent despite the high vacancy rate, which in his view was at variance with the commercial principles advocated by HA and HS. To facilitate members' understanding, the Administration was requested to provide a comparison on vacancy rate of markets managed by HA/HS and those by single operators. Noting that some single operators were also facing a hard time under the prevailing economic situation as in the case Ming Tak Estates of HA and Verbena Heights of HS, the Chairman asked whether there were cases where single operators had requested for early termination of tenancy agreements due to poor business.

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14. Mrs CHOW recalled that the Administration had pointed out that the conversion of vacant space to other purposes such as office or welfare use might be a better strategy to reduce vacancy rate. In this connection, the Administration was requested to advise the factors which HA and HS would take into account in converting vacant space to other purposes, the lead time for the conversion and how affected tenants would be notified of such a change.

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Coordination among FEHD, HA and HS in the provision of markets

15. Miss CHAN Yuen-han remarked that apart from HA and HS, FEHD was also responsible for the provision of markets in a district. She stressed the need for better coordination among the three organizations to avoid undue competition among market stall operators. By way of illustration, the opening of a new market at Ma Hang Estate in Stanley by HA had adversely affected the business of the stall operators in the

nearby temporary market of FEHD. Members agreed that FEHD be invited to brief the Subcommittee on its market policy when the subject was discussed by the Subcommittee in future.

16. To allow sufficient time for the Administration to respond to the questions raised at the current meeting, members agreed to hold the next Subcommittee meeting on Wednesday, 6 March 2002, at 8:30 am.

(Post-meeting note: At the request of the Administration and with the concurrence of Hon Abraham SHEK, Chairman, the meeting was rescheduled for Thursday, 14 March 2002, at 2:30 pm.)

IV Any other business

17. There being no other business, the meeting ended at 10:10 am.

Legislative Council Secretariat
12 March 2002