

立法會
Legislative Council

LC Paper No. CB(1) 406/01-02
(These minutes have been seen
by the Administration)

Ref: CB1/PL/HG/1

LegCo Panel on Housing

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

- Members present** : Hon Albert HO Chun-yan (Chairman)
Hon CHAN Kam-lam (Deputy Chairman)
Dr 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 SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
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 WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
- Member attending** : Hon LAU Kong-wah
- Public officers attending** : **For item IV**
Housing Bureau
Mr S W WONG, GBS, JP
Secretary for Housing

Mr Andrew R WELLS, JP
Deputy Secretary for Housing

Housing Department

Mr Tony MILLER, JP
Director of Housing

For item V

Housing Bureau

Miss Joey LAM
Principal Assistant Secretary

Housing Department

Mr C P ROBERTS
Assistant Director/Commercial Properties

Invitation by attending : Shek Lei Public Housing Estate Shop Operators Concerning Group

Mr HO Sia-kwan
Representative

Association of Commercial Tenants of the Leung King Estate Market in Tuen Mun

Mr CHUI Yung-fong
Chairman

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

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mrs Mary TANG
Senior Assistant Secretary (1)2

I Confirmation of minutes of previous meeting

LC Paper No. CB(1) 89/01-02 -- Minutes of the meeting held on 11 October 2001

The minutes of the meeting held on 11 October 2001 were confirmed.

II Information papers issued since last meeting

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

LC Paper No. CB(1) 107/01-02(01) -- Submission from the Society for Community Organization regarding the effect of the moratorium on Home Ownership Scheme sales on public rental housing tenants affected by redevelopment; and

LC Paper No. CB(1) 107/01-02(02) -- Submission from the Hong Kong People's Council on Housing Policy expressing their views on the 2001 Policy Address on housing matters.

III Date of next meeting and items for discussion

(LC Paper No. CB(1) 187/01-02(01) -- List of follow-up actions arising from discussion

LC Paper No. CB(1) 187/01-02(02) -- List of outstanding items for discussion)

3. The Chairman suggested and members agreed to discuss the following items at the next meeting scheduled for 3 December 2001 -

- (a) Review of the domestic rent policy and the income and asset limits for public housing applicants; and
- (b) Relief measures provided by the Housing Authority (HA) and the Housing Society (HS) for owners whose properties have become negative equity.

Noting that HS had proposed to require sitting tenants to undergo a comprehensive income and asset test to determine their eligibility to continue to receive housing subsidy, members agreed that the matter be included for discussion under (a).

4. On (b), Mr CHAN Kam-lam informed members that HA's Rental Housing Committee had recently approved the relaxation of the 24-month restriction on property ownership for public rental housing (PRH) applicants. As regards means to assist owners of subsidized home ownership schemes whose properties had become negative equity, HA should be requested to provide a paper setting out the relief measures. Mr Andrew WONG also remarked that during a meeting with the aggrieved owners of Sandwich Class Housing Scheme flats at which he and some members had attended the day before, the owners concerned had expressed grave dissatisfaction that HS had unilaterally transferred the mortgage of their flats to the Hong Kong Mortgage Corporation. They had earlier approached Duty Roster Members and would like to meet with the Panel to express their concern. In view of the urgency, Mr WONG considered that priority be accorded for discussion of the subject. The Chairman said that the matter could be included in item (b). It was also agreed that both HA and HS be invited to attend the meeting for discussion of the subjects.

(Post meeting note: On the advice of the Administration and with the concurrence of the Chairman, the discussion on review of domestic rent policy had been deferred until the completion of the domestic rent review in early 2002.)

IV Briefing by the Secretary for Housing on the Chief Executive's Policy Address 2001

(Policy objective booklet provided by the Housing Bureau)

Institutional framework for public housing

5. Mr Andrew WONG enquired about the relationship between the Housing Bureau (HB), HA and HS. He asked if HB could direct HA and HS to implement certain housing policies. The Secretary for Housing (S for H) advised that there was a clear delineation of responsibilities among HB, HA and HS. As the head of HB, the Secretary for Housing had the overall responsibility for formulating and monitoring the implementation of Government's macro and strategic policies on housing in the public and the private sectors. HA was a financially autonomous, statutory body established under the Housing Ordinance (Cap. 283) (the Ordinance) to plan and build public sector housing, either for rent or sale, and to implement Government policies. The Housing Department (HD) was the executive arm of HA and was responsible for actually implementing tasks within the remit of HA. On the other hand, HS was incorporated by law with its own constitution and was independent. It was appointed as the Government's agent on various occasions in implementing complementary housing schemes. S for H emphasized that HB would not normally interfere with the operation of HA and HS, and that administrative decisions such as rent setting and revision were to be made by HA and HS in accordance with the established guidelines. Under special circumstances, the Chief Executive (CE) might invoke the power under section 9 of the Ordinance to give directions with respect to the exercise or performance by HA of any power, functions or duties under the Ordinance. In fact, CE had never exercised such a power. Mr WONG however pointed out that the

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power given under section 9 was meant for serious contravention by HA and not for day-to-day implementation of housing policies. He expressed dissatisfaction that S for H was trying to evade his question and requested that a verbatim transcript for this part of discussion be provided so that there would not be any misunderstanding by any party.

6. Responding to the Chairman's question on the progress of work of the Committee on the Review of the Institutional Framework for Public Housing, S for H advised that under the leadership of the former Chief Secretary for Administration (CS), the Committee had conducted a comprehensive review of the institutional framework and had made some initial recommendations. Consequent upon the announcement of the moratorium on the sales of Home Ownership Scheme (HOS) flats by the incumbent CS on 3 September 2001, the Committee would need more time to finalize its recommendations taking into account the outcome of the review of the longer-term housing issues, which was expected to complete in 2002.

Land supply for housing

7. Mr NG Leung-sing asked if the Administration had in place a land production target to meet its flat production target for both public and private housing. S for H said that while land supply was taken into account in the initial planning process, the actual planning for housing projects was based on the number of units to be produced. Nevertheless, the Administration would ensure sufficient supply of land to meet housing demand. Mr NG considered that the Administration should expedite land formation to facilitate the provision of housing-related infrastructure with a view to creating more employment opportunities. S for H took note of Mr NG's view.

Flat supply

8. Mr Albert CHAN noted that in the past, extensive public consultation had to be conducted before major changes on housing matters were introduced. However, recent changes in housing policies were implemented hastily without prior consultation as evidenced by the replacement of annual production target of 85 000 flats with the provision of 50 000 housing assistance opportunities and the imposition of the moratorium on HOS sales. Mr CHAN found it difficult to keep up with these rapid changes and expressed concern that such a trend would set the pace for implementation of future housing policies. Miss CHAN Yuen-han echoed that the latest changes in public housing matters had caught her by surprise. She queried why the Administration had not consulted the Legislative Council on these important matters which would have a serious impact on the community.

9. In response, S for H said that there had not been any major changes in the strategy for implementing housing policies. Recent developments in the property market had necessitated the adoption of certain measures but these did not involve policy changes. Where appropriate, affected parties would be consulted on the proposed measures. In cases where the proposals had been fully deliberated and generally supported, these would be expeditiously implemented after a decision was made. As regards the moratorium on HOS sales, S for H said that there had been

adequate exchange of views by LegCo members on various occasions, and a lot had been said about the effect of HOS on private residential market. While there were members who objected to the moratorium, there were many who supported it. Since there were divergent views on the subject which could not be resolved even after further consultation, the Administration took the decision to implement the moratorium. He reiterated that the moratorium was not a policy change but a measure to give the market a chance to breathe and for market forces to reassert themselves. Miss CHAN said that she disapproved the way in which the Administration handled the matter, adding that consultation was necessary despite that there were dissenting views.

10. Mr Albert CHAN was not convinced of the Administration's response since the implementation of HOS was a policy rather than a measure. He expressed worries that the Administration would ultimately abolish HOS. S for H said that he had re-affirmed the value of HOS at the debate on Policy Address on 18 October 2001. He assured members that there would be continued provision of HOS flats but the quantity would be adjusted taking into account the prevailing conditions in the private property market. A review of the supply of HOS flats undertaken by both the Administration and HA was expected to complete in June 2002.

11. As to whether the pledge for annual provision of 85 000 flats an established policy, S for H clarified that this was only a flat production target to meet the projections produced by the housing demand model, which showed that there was a projected requirement of 80 000 new flats on average each year. Of these, 50 000 were public housing units. In the light of changes in the market conditions and the need for greater flexibility in the provision of public housing, the Administration had decided to provide 50 000 housing assistance opportunities a year in the public sector, including public rental housing (PRH) flats, rental allowances, subsidized home ownership flats and housing loans. As regards the provision of private housing units, S for H reiterated that this would depend on decisions of developers, based on market conditions and commercial considerations. Consequent upon the aforesaid changes, the annual flat production target of 85 000 units was no longer valid. At Mr Albert CHAN's request, the Administration undertook to provide further information on the extent of assistance and implementation details of the 50 000 housing assistance opportunities.

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Public sector housing

12. On *home ownership*, Mr CHAN Kam-lam noted that the target of 70% home ownership by 2007 was left out in the policy objective booklet. He asked if such a target was still valid and if so, the measures which the Administration would take to achieve this goal. S for H affirmed that it remained the Administration's objective of achieving 70% home ownership by 2007. The reason for not specifying the date in the policy objective booklet was to avoid unnecessary misunderstanding that the Government was forcing people to buy homes. He stressed that property ownership was a personal decision to be made by an individual taking into account his/her own financial situation and other personal considerations. The Administration would not force home ownership but would assist prospective owners through the provision of various subsidized housing schemes such as the Home Starter Loan Scheme and HOS.

13. On *PRH*, Mr Abraham SHEK opined that amid the prevailing economic situation, the Administration should focus its attention on those inadequately housed households rather than encouraging home ownership. He considered that with the availability of land and resources, the Administration should expedite the production of PRH so as to shorten the waiting time for applicants on the Waiting List (WL) on the one hand and to create more employment opportunities on the other. S for H said that at present, there were about 98 000 applicants on WL and the average waiting time was about four years. These figures represented a substantial improvement as compared to 1995. It was expected that with the provision of an average of 23 000 PRH flats each year, the average waiting time would be further reduced to three years by end of 2003. Mr Albert CHAN however pointed out that the reduction in waiting time was made possible through the tightening of the eligibility criteria for PRH. S for H disagreed.

14. On *domestic rent*, Mr LEE Cheuk-yan remarked that there had been repeated calls for the Administration to provide relief measures for those in need to tide over the difficult period. These included the request for a 30% rent reduction for PRH tenants. To this end, the Administration had proposed to offer a rent holiday of one month in December 2001, representing a reduction of 8%. Members of the eight political parties of LegCo had however counter proposed that PRH tenants whose rental had exceeded 13% of their total household income should be entitled to a rent reduction of 13%. The proposal had been put forward to the Financial Secretary, who agreed to liaise with the respective Bureau Secretaries. Mr LEE then enquired about the position of the matter. The Director of Housing (D of H) said that HA was due to review rents for the majority of its estates in December 2001. It had set up an ad hoc committee to study the basis for determining the rents of PRH estates. The committee planned to put its findings in the form of a consultative document to be released by the end of this year or early next year and members' views would be most welcomed. The Administration would brief the Panel on the outcome of the consultation exercise. Mr LEE was disappointed that the Administration had not taken into account the consensus of the eight political parties for a further rent reduction. While welcoming any proposals put forward by members and the public, S for H said that the Administration had to carefully assess the implications of such proposals.

15. Mr Frederick FUNG noted that according to statistics, the average household income of PRH tenants had been decreasing as a result of the economic downturn. As rents for both commercial and domestic premises in the private sector were being adjusted downwards, he considered that the same should apply to public housing. He was however disappointed that HA had been slow in making corresponding rent reduction for PRH. In response, D of H pointed out that the average rent of PRH flats was only 40% of that of comparable flats in the private sector. Besides, tenants who were in need of assistance could seek relief through various means such as the Comprehensive Social Security Assistance (CSSA) Scheme and the Rent Assistance Scheme (RAS). At present, about one in every six PRH tenants were CSSA recipients who were not required to pay rent and there were 2 600 tenants who had been granted rent reduction under RAS. On the other hand, efforts would be made to encourage 1 500 well-off tenants to vacate their PRH flats for re-allocation to those in

genuine need. In this connection, the ad hoc committee set up earlier this year was looking at ways to strike a balance to ensure compliance with HO in the longer run. As regards non-domestic premises, D of H emphasized that these should be run on commercial principles. Notwithstanding, HA had implemented relief measures in 1998 to assist its commercial tenants to tide over the current economic hardship. They could choose to surrender their tenancies without penalty or apply for rent reassessment of their premises. He noted that the re-assessment in 1998 had resulted in an average rent reduction of 20%. The proposed rent re-assessment exercise would be conducted from 1 November 2001 to 31 January 2002.

16. On *median rent-income ratio* (MRIR), Mr FUNG noted with concern that the overall MRIR of all PRH estates had increased from 9.1% in the first quarter of 1998 to 10.7% in the third quarter of 2001, representing an increase of 20%. He considered it necessary for the Administration to reduce PRH rent by 30%. D of H advised that there were various factors influencing the overall MRIR. These included the overall economy which had an impact on average household income and the implementation of the Comprehensive Redevelopment Programme which had resulted in the demolition of a large number of lower-rented PRH estates. To assist tenants to tide over the difficult period, HA had deferred the rent review cycle to December 2002. Moreover, a rent holiday of one month would be offered in December 2001.

17. Given that the overall MRIR had exceeded the prescribed limit of 10% under HO, Mr LEUNG Yiu-chung considered it necessary for the Administration to reduce PRH rent to ensure compliance with HO. S for H explained that according to section 16(1A) of HO, the overall MRIR of all PRH estates should not exceed 10% as a result of any determination of variation of rent by HA after the preceding rent determination came into effect. However, as there was no determination of variation of rent after freezing of rent, the provisions relating to MRIR under HO would not apply. While acknowledging that the Administration might not have contravened HO, Mr LEUNG pointed out that it had ignored the rationale for capping the overall MRIR at 10%, which was meant to achieve a reasonable balance between rent and income. S for H recalled that the Administration was opposed to the Private Member's Bill in relation to MRIR which was passed in June 1997. Yet, it had all along been abiding by the provisions therein. As the overall MRIR of over 10% was not a result of variation of rent, there was no contravention on the part of HA. He added that if the Bill had meant otherwise, this should have been clearly spelt out in the first place.

18. On *rehousing upon clearance*, Mr Frederick FUNG expressed concern about the rehousing arrangements for residents of unauthorized rooftop structures affected by the five-year rolling clearance programme of the Buildings Department (BD). According to the prevailing rehousing criteria, only dwellers who lived in rooftop structures before 1 June 1982 and who were registered under a freezing survey would be entitled to rehousing within the same district, otherwise they would have to be rehoused to interim housing in Tuen Mun. Since rooftop clearance was conducted on a much wider scale nowadays, confrontation might occur on the day of clearance. To this end, Mr FUNG suggested that the cut-off date be extended from 1 June 1982 to 1 January 1991 to bring it in line with the normal waiting time of seven years for PRH. S for H said that the Administration had reviewed the rehousing criteria for rooftop

dwellers and decided to maintain status quo. The freezing survey had been applied to previous rooftop clearance exercises and suitable rehousing arrangements were offered to clearers. Before carrying out the clearance exercises, BD would liaise with HD to ensure that sufficient rehousing units were made available for the affected clearers. Judging from past experience, no major problems had been encountered in the clearance of rooftop structures. The Deputy Secretary for Housing added that HD and BD would take steps to ensure a safe and orderly clearance. At Mr James TO's request, the Administration undertook to provide more information on the rooftop clearance, in particular on the number of rooftop dwellers who were not covered by the freezing survey.

19. On *housing for the elderly*, Miss CHAN Yuen-han noted from page 13 of the policy objective booklet that integrated care services would be provided in PRH estates with a high concentration of elderly persons. She asked if such services were provided by both the Social Welfare Department (SWD) and HD. Citing the case of Fung Tak Estate, Miss CHAN expressed dissatisfaction that HD had outsourced the care services to outside contractors which employed estate management staff who lacked proper training in elderly care to take care of the elderly tenants. S for H said that HD and SWD were in the process of identifying the PRH estates which could provide integrated care services. D of H added that in contracting out management services of PRH estates and Tenants Purchase Scheme estates, HD would liaise with SWD to ensure that the special needs of the elderly were taken care of. In response to Mr Abraham SHEK's question, S for H reaffirmed that the Administration was committed to reducing the average waiting time of elderly WL applicants to two years by 2005.

Private sector housing

20. Mr LEE Cheuk-yan enquired about the relief measures for tenants of cubicles and bedspace apartments who were most in need of assistance. S for H replied that it might not be possible for the Administration to interfere with rental matters in the private sector which were determined according to commercial principles.

V Rent policy on non-domestic premises of the Housing Authority

Meeting with the Shek Lei Public Housing Estate Shop Operators Concerning Group (LC Paper No. CB(1) 187/01-02(03) -- Submission from the Concerning Group)

21. Mr HO Sia-kwan said that the provision of superstores in older PRH estates had threatened the survival of wet market stall operators. By way of illustration, the three supermarkets of the same chain in Shek Lei Estate had dominated the retail business. As a result, two out of the three existing frozen meat stalls and a number of dry goods stalls were forced out of business. The stall operators concerned had no other means to earn their living since most of them were not well educated. The situation was further aggravated amid the economic downturn, particularly when many local people chose to spend in the Mainland rather than in Hong Kong. Mr HO urged that HA should have due regard to the plight of the affected stall operators and should consider

reducing rent to assist them to tide over the financial hardship. In response to Mr NG Leung-sing's question on whether an across the board rent reduction of 30% would enable the stall operators to sustain their business, Mr HO said that he was not able to comment on this in the absence of evidence.

Meeting with the Association of Commercial Tenants of the Leung King Estate Market in Tuen Mun

22. On behalf of the commercial tenants of Leung King Estate in Tuen Mun, Mr CHUI Yung-fong thanked members for their assistance in the fight for rent reduction. On the other hand, he criticized HA's Commercial Properties Committee (CPC) for endorsing the policy on widening of trade in commercial premises, which had given rise to aggravated competition among retailers within an estate. Mr CHUI also pointed out that the voluntary rent reassessment exercise was not welcomed by stall operators as this was at variance with their request for an across the board rent reduction. He considered that HA members should visit the market stalls at Leung King Estate and to see for themselves how poor the business had become. Many stalls had been forced out of business because of the high rental. Mr CHUI added that the commercial tenants in Tuen Mun had requested him to convey their regret about an earlier remark of a HA member that the displaced commercial tenants who were pioneers in the older estates were not welcomed in new estates as their disorderly display of goods would adversely affect the image of new shopping centres. They had demanded an apology from the HA member concerned.

23. Being the HA member in question, Mr NG Leung-sing took the opportunity to clarify his position on the matter and to explain the basis upon which his earlier remark was made. Mr NG recalled that when the subject of compensation arrangement for non-domestic tenants upon redevelopment of PRH estates was discussed at the Panel meeting on 4 June 2001, the Administration proposed to offer a lump sum payment in lieu of reprovisioning opportunities for the displaced tenants. He had made reference to past records which indicated that the majority of displaced tenants who had succeeded in restricted tender for shops in new estates were unable to run a viable business because they were unable to conform to market requirements. The disorderly display of their goods was a source of complaints and had in turn affected the image and business of the new shopping centres.

Meeting with the Administration

(LC Paper No. CB(1) 1794/00-01(07) -- Information paper provided by the Administration

LC Paper No. CB(1) 187/01-02(04) -- Extracts from the draft minutes of the meeting held on 18 July 2001

LC Paper No. CB(1) 187/01-02(05) -- Information paper provided by the Administration)

24. With the consent of the Chairman, The Assistant Director/Commercial Properties (AD/CP) took the opportunity to respond to some of the points raised by the deputation. On trade widening, AD/CP said that the trade description in many older estates was very narrow which had in fact impeded retailers from developing new

businesses to keep up with the latest trends. Therefore, when the policy of trade widening was introduced last year, this was well accepted. However, there were some retailers who did not find the new policy beneficial as there was inevitably rent implications in some circumstances. Having reviewed the situation, CPC had decided at its meeting on 23 October 2001 to suspend the trade widening scheme for the time being. It was also agreed that in the course of the rent re-assessment exercise, tenants who had already had their trade widened would be given the opportunity to choose to remain status quo or reverting to their original trade.

Rent reduction

25. Miss CHAN Yuen-han enquired about the Administration's response to the joint request of Members of the eight political parties for an across the board rent reduction of 30%. The Principal Assistant Secretary for Housing (PAS for H) said that commercial facilities within housing estates were run on prudent commercial principles. As such, an across the board rent reduction would not be appropriate. Instead, HA proposed to conduct a voluntary rent reassessment exercise so that commercial tenants on fixed term of one year or more at market rent could apply to have their rents reassessed for the remainder of their current tenancies. If the reassessed rent was below the contractual rent, a reduction would be offered. It was expected that tenants would be advised of the re-assessed rent within one month of the request. AD/CP added that it had always been HA's policy that commercial tenants paid market rent without subsidy. Individual assessments would be made of each premises and information from tenants on their business volume or other evidence was most welcome. Surveyors would be employed to assist in the reassessment exercise to ensure that the rents reflected the realistic value of the premises.

26. Miss CHAN suggested that instead of awaiting the outcome of the rent reassessment exercise, consideration should be given to reducing the rent by 30% across the entire spectrum first, to be followed by a review after six months. AD/CP said that as rent for commercial premises varied according to their location and trade, it would not be equitable to make a flat-rate reduction. The rent reassessment exercise was a better alternative to ensure that no tenant was asked to pay excessive rent. Mr NG Leung-sing considered that HA should expedite the rent reassessment exercise. Mr LEE Cheuk-yan however opined that instead of adhering to market conditions in reassessing rent, HA should consider providing relief for the ailing retail business of market stalls. He hoped that the Administration could be more sympathetic to the plight of stall operators. There should be a higher rent reduction to help them to tide over the current economic hardship.

Vacancy rate

27. Noting from paragraph 7 of the Administration's paper that rent reduction was effective in reducing vacancy, Mr LEUNG Yiu-chung opined that HA should implement rent reduction in the first place. He also considered that, apart from rent reassessment, HA should have in place other measures to assist market stall operators. AD/CP said that rent reduction would not necessarily help reduce the vacancy rate, particularly of shopping centre space which was no longer commercially viable.

Notwithstanding, a package of measures which included rental adjustment, upgrading of facilities and change to alternative use had been implemented to reduce vacancy rates. In view of the far-reaching implication of commercial rent policy, Mr LEUNG suggested that a Subcommittee be established to follow up the subject.

(Post meeting note: A notice inviting members to decide on the need for a Subcommittee to follow up the issue was circulated to members under LC Paper No CB(1)262/01-02 on 9 November 2001.)

28. Referring to the Annex to the Administration's paper which set out HA's commercial premises in the 42 estates with 20% or higher vacancy, Mr Fred LI noted with concern that market stalls had the highest vacancy rate, and that 18% of the stalls had been left vacant for three years or more. This had indeed incurred an excessive loss of rent which could have otherwise been avoided had HA agreed to apply an across the board rent reduction. He opined that HA's rent policy was too rigid, and consideration should be given to providing immediate relief to tenants. AD/CP reiterated that rent reduction would not necessarily do much to reduce the vacancy rate. The current worldwide economic slowdown had affected consumer demand for goods and therefore demand for retail and commercial premises in both the public and private sectors. Even if there was a marked rent reduction, it was unlikely that an appreciable number of additional stalls would be let out. It would also be unfair for existing tenants to pay higher rent than new tenants, so rents for other stalls would have to be adjusted accordingly if rents for vacant stalls were reduced, leading to a greater amount of rent lost overall.

29. Noting from the information provided by the Administration earlier which revealed that the vacancy rates of some of the markets and shopping centres on the Hong Kong Island were as high as 50% to 70%, Mr LAU Kong-wah considered that the Administration might have under-estimated the overall vacancy rate of 5%. While the Administration had explained that the high vacancy rate was attributed to aging of estates, outdated facilities and low occupancy rates of new estates, it had failed to take into account other contributing factors such as high rentals and improper management which favoured large chain stores. In reply, AD/CP stressed that the vacancy rates were correct, and that there were wide variations among different estates. He accepted that the situation was far from satisfactory but stressed this was primarily the result of the economic downturn which had caused a surge in the overall vacancy rate for shops in PRH estates from 2% to 5 ½ %. The vacancy rate in the private sector had also increased and stood at 9%. Efforts such as the conduct of a rent reassessment exercise which would take into account the factors referred to by Mr LAU were being made by HA to reduce vacancy. He did not agree that CPC was favouring large chain stores and ignoring small market stalls. The important point was to strike a reasonable balance between the interests of both residents and commercial tenants.

30. Mr NG Leung-sing said that CPC had visited some of the commercial premises in older estates with high vacancy rates. It was noted that the dwindling population and the declining purchasing power of the lower-income families who stayed put in these estates had adversely affected the retail business. As a result, the shopping

centres had become less attractive to retailers and hence the high vacancy rates.

Impact of superstores on wet markets

31. Miss CHAN Yuen-han and Mr IP Kwok-him noted with concern that the provision of superstores in public housing estates had posed a serious threat to the survival of existing wet market stalls. By way of illustration, the business of the fresh food stalls in Wah Fu Estate was seriously affected after the introduction of superstores. They opined that in managing commercial premises within a housing development, care should be taken to ensure a good trade mix to avoid aggravated competition. They also cautioned that the community would suffer if all the smaller market stalls were to cease operation as a result of unfair competition from major supermarket chains.

32. AD/CP said that commercial facilities in public housing estates were provided for the benefit of the residents. He saw no reason why residents living in public housing estates could not have the same benefits as those in private developments. In new estates, both superstores and wet markets would be made available to provide residents with a wider choice of products. AD/CP clarified that HA had no intention to introduce superstores in existing estates. He added that supermarkets had all along been allowed to sell pre-packaged fresh foods. The recent trend was for supermarket operators to provide service-type fresh food in keeping with the preference of customers. To alleviate the impact of superstores on wet markets, CPC agreed last year that only existing supermarkets of over 800 square meters in size might be allowed to use 20% of the leased area to sell service-style fresh foods, subject to the approval by the relevant Business Director of HD who had to be satisfied that the change would not have a serious impact on the business of wet market stalls. At present, there were 20 supermarkets meeting the size criteria and only six of them had been successful in their application for service-style sale of fresh foods. It was expected that the impact of superstores on wet markets would not be substantial. HA would closely monitor the situation and would seek to improve the competitiveness of wet markets through upgrading of facilities such as retrofitting of air-conditioners, particularly in markets with high vacancy rates. HD would also be prepared to reduce rent for wet markets should their business be seriously affected by superstores. At members' request, the Administration agreed to provide the locations of the six supermarkets which had been approved to sell service-style fresh food.

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VI Any other business

33. There being no other business, the meeting ended at 5:05 pm.