

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 717/01-02  
(These minutes have been seen  
by the Administration)

Ref: CB1/PL/HG/1

**LegCo Panel on Housing**

**Minutes of meeting held on  
Monday, 3 December 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)  
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  
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 LAU Ping-cheung
- Member attending** : Hon Cyd HO Sau-lan
- Members absent** : Dr Hon David CHU Yu-lin, JP  
Hon Howard YOUNG, JP  
Hon IP Kwok-him, JP

**Public officers  
attending**

**: For item IV**

Housing Bureau

Ms L K LAM  
Principal Assistant Secretary (Special Duties)

Housing Department

Mr Marco WU  
Deputy Director

Mr Carlson CHAN  
Head, Corporate Strategy Unit

Hong Kong Housing Society

Miss L C WONG  
Deputy Executive Director

**For item V**

Housing Bureau

Ms Ophelia TSANG  
Principal Assistant Secretary (1)

Miss Joey LAM  
Principal Assistant Secretary (2)

Housing Department

Mrs Doris MA  
Assistant Director/Sales

Hong Kong Housing Society

Miss L C WONG  
Deputy Executive Director

Mr William K L IP  
Financial Controller

Hong Kong Mortgage Corporation

Mr Kenny FOK  
Senior Vice President

**Attendance by invitation** : **For item IV**  
Society for Community Organization

Mr YAU Kin-ching  
Resident Representative

Ms LEI King-ying  
Resident Representative

Ms WONG Choi-wan  
Resident Representative

Mr PANG Hung-cheong  
Community Organizer

Miss WU Wai-yan  
Community Organizer

**For item V**

Hong Kong Housing for the Sandwich Class

Mr Bill LAI  
Representative

Mr TANG Hau-chuen  
Representative

Ms Stella YEUNG  
Representative

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

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

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**I Confirmation of minutes of previous meeting**

(LC Paper No. CB(1) 406/01-02)

The minutes of the meeting held on 5 November 2001 were confirmed.

**II Information paper issued since last meeting**

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

LC Paper No. CB(1) 281/01-02 -- Third report on progress of implementation of the greater private sector involvement scheme 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) 420/01-02 -- Referral from Duty Roster Members regarding rehousing policy for residents affected by squatter clearances

**III Date of next meeting and items for discussion**

(LC Paper No. CB(1) 429/01-02(01) -- List of follow-up actions arising from discussion

LC Paper No. CB(1) 429/01-02(02) -- List of outstanding items for discussion)

3. Members agreed to discuss the subjects of “Rehousing policy for residents affected by squatter clearances” and “Review of policy on interim housing” at the next regular meeting scheduled for 7 January 2002. Owing to insufficient time for discussing the item on “Relief measures provided by the Housing Authority and the Housing Society for owners whose properties have become negative equity” at the current meeting, members decided to continue the discussion at the next meeting, and that the subject of “Review of policy on interim housing” be deferred to a later meeting.

4. Referring to LC Paper No. CB(1) 457/01-02 regarding follow-up actions arising from the briefing on Summary Results of 2001 Population Census at the Financial Affairs Panel on 8 November 2001, the Chairman proposed and members agreed that a joint meeting with the Transport Panel and the Planning, Lands and Works Panel be held to consider inter-related data for policy areas such as town planning, housing and transport collected from the Census. The date of the joint meeting would be decided after the release of the publications relevant to the policy areas of the three Panels.

5. The Chairman advised that pursuant to Mr LEUNG Yiu-chung's proposal at the last meeting on 6 November 2001 that a subcommittee be set up to study the letting and rent policies of non-domestic premises of the Housing Authority (HA) and the Housing Society (HS), a notice inviting members to decide on the need for such a subcommittee was issued on 9 November 2001. As 18 members had indicated support for the establishment of the subcommittee, the Panel endorsed that a Subcommittee be appointed to study the letting and rent policies of non-domestic premises of HA and HS.

*(Post meeting note: A notice to invite membership for the Subcommittee was issued to members vide LC Paper No. CB(1) 494/01-02 on 5 December 2001.)*

#### **IV Review of income and asset limits for public housing applicants**

##### Meeting with the Society for Community Organization

(LC Paper No. CB(1) 429/01-02 (03) -- Submission from the Society)

6. At the Chairman's invitation, Mr PANG Hung-cheong highlighted the salient points in the submission from the Society. He said that despite the fall in property prices as a result of the economic downturn, the rentals of private tenements, including cubicles and bedspace apartments, remained very high and the housing expenditure of some of these residents could reach as high as 25%. If the income and asset limits for the Waiting List (WL) for public rental housing (PRH) were to be reduced, many of these low-income families would become ineligible for PRH. They would have to cut down their expenses in order to cope with the high rentals in the private sector. The proposed reduction would defeat the purposes of public housing of enhancing social stability, improving the living standard of the low income group and facilitating economic growth. Mr PANG also queried the basis upon which the income and asset limits was arrived at. He considered that in calculating the non-housing expenditure, the Administration should take into account the different spending patterns of different PRH applicants. By way of illustration, working singletons had to spend more on travelling than their non-working counterparts while some singletons had to support their families in the Mainland. Mr YAU Kin-ching, Ms LEI King-ying and Ms WONG Choi-wan also expressed grave concern that they would be deprived of the opportunity to improve their living conditions through WL as a result of the reduction of the income and asset limits.

##### Meeting with the Administration

###### *Review of income and asset limits by the Housing Authority*

(LC Paper No. CB(1) 429/01-02 (04) -- Information paper provided by the Administration)

7. The Head, Corporate Strategy Unit (H,CSU) gave a power-point presentation on the review of the income and asset limits for WL and the Home Ownership Scheme (HOS), highlighting the basis upon which these limits were determined, the current

review mechanism and the findings of a recent review. He said that these findings would be submitted for consideration by the Rental Housing Committee and the Home Ownership Committee of HA at a joint meeting in early 2002. Subject to their endorsement, the new WL and HOS income and asset limits would be implemented with effect from 1 April 2002.

8. On *WL income and asset limits*, Mr Fred LI enquired about the number of existing PRH applicants who would become ineligible for PRH as a result of the proposed reduction of the WL income and asset limits. He expressed concern that the rent-income-ratio (RIR) of these applicants would surge given the high rentals in the private sector. H.CSU advised that about 10 000 applicants would be taken out of the eligibility net for PRH. However, he drew members' attention to the fact that HA had adopted a compassionate approach earlier this year when it reduced the WL income and asset limits by exempting the application of the new limits on those applicants who had successfully gone through the vetting process and were awaiting flat allocation. HA might consider adopting similar arrangements to alleviate the impact should it decide to adjust the WL income and asset limits next year. He said that the RIRs of tenants in the private sector were higher than those in the public sector.

9. Mr LI considered that in determining the WL income and asset limits, the Administration should take into account the plight of those who lived in cubicles in coping with the high rentals and poor living conditions. The Deputy Director of Housing (DD of H) explained that these limits were calculated on the basis of housing expenditure of tenant households in private tenements of comparable sizes to that of PRH flats for different household sizes. In fact, the sizes of private dwellings currently occupied by WL applicants were much smaller and hence the actual rentals paid were much lower.

10. Mr LEE Cheuk-yan cautioned that the proposed reduction of WL income and asset limits would have an adverse psychological impact on social stability, particularly amid the economic downturn. He also considered that the Administration should -

- (a) advise the anticipated increase in burden of rent on existing PRH tenants if the income and asset limits were to be reduced by 17%;
- (b) consider using the median instead of the lower half expenditure group of tenant households in private permanent housing and all households in private temporary housing in calculating the average non-housing expenditure;
- (c) review the current average non-housing expenditure of one-person households which had been pulled down by the inclusion of non-working elderly singletons. Consideration should be given to using different average non-housing expenditure per person for working and non-working singletons; and
- (d) consider including an element of "contingency money" in the income and asset limits.

Mr Frederick FUNG echoed that the Administration should not use the lower 25% of the expenditure group in calculating the average non-housing expenditure. He opined that the use of the lower one-third group was more appropriate.

Admin

11. DD of H clarified that in the past, the lower one-third expenditure group had been adopted in the calculation of non-housing expenditure. However, as previous studies indicated that the use of the average of the lower half expenditure group could better reflect the actual spending pattern of the group, this had been adopted since 1997. To facilitate future discussion, the Administration was requested to respond to the points raised by Mr LEE Cheuk-yan in the preceding paragraph.

12. Mr CHAN Kam-lam considered that HA should be sympathetic towards those applicants who had registered on WL for a long time but would become ineligible for PRH as a result of the reduction. He proposed that those applicants who registered on WL for three years or more should be exempt from the application of the new limits. Consideration should also be given to transferring some of these WL applicants to HS which adopted a set of higher income and asset limits than HA. On the other hand, HS should step up publicity on its housing schemes so that PRH applicants would be well informed of the different choices of public housing available. The Deputy Executive Director of the Housing Society (DED/HS) took note of Mr CHAN's views.

13. Mr LEUNG Yiu-chung questioned the need for HA to review the income and asset limits annually. He opined that the review should be conducted less frequently so as to reduce the disturbance to both PRH applicants and sitting tenants. DD of H explained that PRH and HOS applicants were required to undergo a comprehensive means test, covering both income and net assets, and other eligibility criteria laid down by HA to ensure that the scarce housing resources were only allocated to those in genuine need. The WL and HOS income and asset limits were set to cover households which could not afford to rent and buy a reasonable flat in the private sector respectively. As the affordability of applicants would be affected by changes in household income and market conditions, it was necessary for HA to regularly adjust the two sets of limits in order to ensure rational allocation of the public housing resources.

*Review of income and asset limits by the Housing Society*  
(LC Paper No. CB(1) 429/01-02(04))

14. DED/HS highlighted the salients points in the information paper setting out the recent revision of income limits and the application of well-off tenant policy for all rental estates under HS.

15. Mr Fred LI and Mr Frederick FUNG noted that HS had been adopting a set of higher income and asset limits than HA since the rents for HS rental flats were higher than that of HA rental flats. It was therefore unfair for HS to reduce the income limits without adjusting the rents accordingly. They were particularly concerned about the high reduction rate of 40% of the income limit for one-person households. Mr FUNG enquired about the basis upon which the new income limits were arrived at.

Expressing similar concern, Mr LEUNG Yiu-chung questioned the rationale for HS to apply the same income limit to families with five to six persons and those with seven persons or more.

16. DED/HS explained that the income limits were set at levels at which rentals would not exceed 20% of the total household income of applicants. Reviews of these limits were conducted annually, but these had been suspended from 1998 to 2000 due to economic downturn. In its review in 2001, HS had progressively reduced the income limits and at the same time adopted the asset limits of HA to take account of the downward movement of property prices and the availability of Government loans to assist people to buy homes. As regards the impact of the reduction on one-person households, DDE/HS advised that the previous income limit for these households was set at a relatively high level. Given the limited number and the low rent of one-person flats, HS had to ensure that these flats were allocated to those in genuine need and hence the greater reduction in the respective income limit. She added that with the relaxation in space allocation standards in recent years, households with five to six persons were allocated flats of sizes similar to those allocated to households with seven persons or more. It was therefore reasonable to apply the same income and asset limits to both types of households.

17. Owing to time constraints, members agreed that a special meeting be held to continue discussion on the subject given its complexity and far-reaching implications. As HA would discuss the proposed reduction in early 2002, Mr CHAN Kam-lam opined that the special meeting should be conducted as soon as practicable so that members' views could be conveyed to HA for consideration well beforehand. Members agreed that the special meeting be held on Thursday, 20 December 2001, at 4:30 pm, and that interested parties and academics be invited to express their views.

## **V Relief measures provided by the Housing Authority and the Housing Society for owners whose properties have become negative equity**

### Meeting with the Hong Kong Housing for the Sandwich Class

(LC Paper No. CB(1) 246/01-02 -- Submission from the deputation

LC Paper No. CB(1) 429/01-02(05) -- Further submission from the deputation)

18. Mr Bill LAI expressed grave concern that the requirement for payment of land premium of up to 39% of the property prices to the Government upon sale of Sandwich Class Housing Scheme (SCHS) flats had discouraged banking institutions to arrange debt restructuring for SCHS owners. To this end, the Administration should reduce the land premium and provide an additional 10% guarantee against default in repayment of mortgage in order to facilitate SCHS owners to bargain with the banks for more favourable financial arrangements. He also considered that the same low interest rate of 3.5% offered to recipients of the Home Starter Loan Scheme (HSLs) should similarly be applied to the top-up loans for SCHS owners. Despite that HS had sold its top-up loans to the Hong Kong Mortgage Corporation (HKMC), it should continue to assist SCHS owners to negotiate with HKMC for reduction of



interest rate of the top-up loans and debt restructuring. Consideration should also be given to setting up a secondary market for SCHS flats.

Meeting with the Administration

(LC Paper No. CB(1) 429/01-02(06) -- Information paper provided by the Administration regarding relief measures adopted by the Housing Authority

LC Paper No. CB(1) 429/01-02(07) -- Information paper provided by the Administration regarding relief measures adopted by the Housing Society)

19. With the consent of the Chairman, PAS for H (1) took the opportunity to respond to some of the points raised by the Hong Kong Housing for the Sandwich Class (HKHSC). She explained that SCHS flats were built on land granted at concessionary land premium and sold to eligible applicants at a discount of full market value. Hence, SCHS flats were heavily subsidized by the Government. To ensure that these flats were allocated to those in genuine need, resale restrictions which included repayment of premium based on the discount rates were imposed to avoid abuse. Such a resale restriction was also applicable to other subsidized housing schemes. The proposed reduction in the land premium to be paid to the Government by SCHS flat owners upon sale of their properties would inevitably involve further subsidy to the SCHS flat owners. It would have serious implications on other subsidized housing schemes. The Administration could not therefore agree to the proposal. It nevertheless would actively explore the possibility of establishing a secondary market for SCHS flats.

Admin

20. Mr Andrew WONG opined that as the discount rate of SCHS flats was in fact repayment of land premium to the Government, consideration should be given to setting the land premium for each flat at a fixed amount of the original sale price of the flat so that it would not fluctuate according to market conditions. Moreover, the Government should consider providing guarantees to banks for land premium so that SCHS owners could negotiate with the banks for more favourable financial arrangements.

Top-up loans

21. DED/HS said that top-loans of not more than 20% of the original price of SCHS flats were provided by HS to assist SCHS purchasers who encountered financial difficulties to complete assignment of their flats. Under this arrangement, loan recipients could enjoy a five-year interest-free repayment holiday after which they were required to repay the loan at prime rate (P) over a span of 15 years. Taking into account the loan holiday, the effective interest rate of the top-up loan was below P-2.3%, which was lower than the prevailing mortgage rate in the market, and therefore could not be further reduced. As regards the difference between SCHS and HSLs buyers, DED/HS pointed out that the latter bought their flats at full market price and hence might have suffered greater financial loss as a result of the economic downturn than SCHS buyers. Against this background, the interest rates of the loans

offered under these two schemes might not necessarily be the same. She nevertheless assured members that HS would examine the possibility of establishing a secondary market for SCHS flats with the Administration as promised at the meeting with HKHSC on 27 November 2001.

22. On the request for reduction of the interest rate of top-up loans, the Senior Vice President, HKMC advised that as these loans were still under the repayment holiday and the earliest repayment date was September 2003, there was no immediate financial pressure on the loan recipients at present. However, HKMC was prepared to consider devising debt restructuring or shortfall plans for borrowers should they encounter repayment difficulties after the expiry of the five-year repayment holiday in line with the general practice adopted by banking institutions. In fact, HKMC had recently assisted a borrower in making such arrangements.

#### Guarantees against default provided by HS

23. Dr YEUNG Sum opined that HS should consider the HKHSC's proposal of increasing the guarantees against default from 10% to 20% if this incurred no significant risk on its contingency liability. DED/HS explained that it was difficult to assess the risk involved in the absence of sufficient data. She added that HS was required to pay half of the premium for the land on which SCHS flats were built and the remaining half would be paid by SCHS owners to the Government instead of HS upon sale of their flats. Besides, SCHS was not the only subsidized housing scheme for which HS provided guarantees, the total contingency liability incurred would exceed \$4 billion if HS were to extend the guarantees to all its housing schemes, including the more than 4 000 unsold SCHS flats, which was beyond the financial capability of HS. The Chairman however pointed out the contingency liability of HS would decrease as a result of the reduction in sale prices of the 4 000 SCHS flats. He also urged the Administration to request other financial institutions to offer low-interest loans to SCHS owners.

Admin

#### Relief measures for HSLs recipients

24. Mr CHAN Kam-lam supported the expeditious establishment of a secondary market for SCHS flats. Referring to the proposed relief measures for HSLs recipients at the Annex to LC Paper No. CB(1) 429/01-02(07), Mr CHAN considered that in line with other subsidized home ownership (SHO) schemes, HSLs recipients whose total amount of current mortgage and HSLs payments exceeded 40% of their monthly income instead of the proposed 50% should be allowed to apply for the relief measures as appropriate. He also opined that the asset limit of \$50,000 should be raised to \$100,000 or \$150,000 as loan recipients might need to pay for other household expenditures apart from mortgage repayments. Moreover, the proposed temporary suspension of loan repayment was not very effective if interest would continue to be charged on the outstanding loan amount. To this end, consideration should be given to extending the original loan repayment period and waiving the interest requirement during deferral of repayment. To facilitate better understanding, the Administration was requested to provide an estimated number of HSLs recipients who would benefit from the proposed measures.

25. PAS for H (1) clarified that the limit of 40% was applicable to HOS only while SCHS and HSLs were subject to the limit of 50%. The asset limit was set so that the amount would be sufficient for HSLs loan repayment for about seven months. The Administration would have to examine the proposed extension of the original repayment period in greater detail and consult the Finance Committee given its far-reaching implications on other SHO schemes. As regards the number of HSLs recipients who would benefit from the proposed relief measures, PAS for H (1) advised that it was difficult to provide such an estimate as the first HSLs repayment had only started in August 2001.

#### Eligibility of past beneficiaries of subsidized housing schemes for PRH

26. Mr LEUNG Yiu-chung was disappointed that the Administration had turned down all the requests from HKHSC, except for the establishment of a secondary market for SCHS flats. He asked how the Administration could help relieve the financial hardship of SCHS owners, particularly those who had to sell their properties even at a loss. He opined that as owners concerned were still required to pay land premium to the Government, it was unfair for the Administration to regard them as past recipients of public housing assistance and disallow them to apply for PRH after sale of their SCHS flats, particularly after the recent relaxation of the 24-month no property restriction by HA to enable private property owners to apply for PRH after sale of their flats. PAS for H (2) reiterated that SCHS flats were subsidized by the Government as these were built on land granted at concessionary land premium and sold at a discount of full market value. To safeguard the rational allocation of public housing resources and to prevent double housing benefits, past beneficiaries of SCHS were not normally allowed to apply for PRH after sale of their flats. However, the Housing Department (HD) would exercise flexibility in accepting applications for PRH from past recipients of SHO schemes on special grounds such as adverse changes to family or financial conditions. Households suffering from exceptional hardship could also obtain PRH through compassionate rehousing upon recommendation of the Social Welfare Department (SWD).

27. Mr Frederick FUNG was strongly opposed to the policy on double housing benefit. He also queried the application of double standards in implementing the said policy. By way of illustration, the most heavily subsidized housing scheme in Hong Kong was PRH which incurred a subsidy of \$1,030,000 for each flat. Yet, there was no restriction on the number of times a former tenant could re-apply for PRH as long as he met the eligibility criteria. Buyers of Tenants Purchase Scheme (TPS) flats who experienced financial hardship were also allowed to revert back to their tenant status within two years from the purchase of TPS flats. He therefore considered it unfair to SHO owners that PRH tenants were allowed to enjoy double housing benefits while they were deprived of the opportunity to apply for PRH even if they had met all the eligibility criteria. As regards compassionate rehousing, Mr FUNG made reference to a case where a HOS owner who applied for compassionate rehousing after disposal of his flat on ground of financial hardship was told by SWD staff that he had to file for divorce in order to be eligible for PRH.

28. Both Mr LEUNG Yiu-chung and Mr Frederick FUNG's views were shared by the Chairman, Mr Andrew WONG, Mr Albert CHAN and Miss CHAN Yuen-han. Mr CHAN urged the Administration to exercise greater flexibility in addressing the plight of the general public amid the economic downturn as in the case of Singapore. Consideration should be given to relaxing the restriction on past beneficiaries of SHO schemes to apply for PRH. PAS for H (2) explained that SHO schemes had addressed the housing needs of their recipients. Therefore, in general, past beneficiaries of SHO schemes should not be given housing assistance again even if they chose to give up their flats. Notwithstanding, HD would exercise discretion in allowing past beneficiaries in genuine hardship to apply for PRH. Those in immediate need of housing could seek expeditious relief through compassionate rehousing. She said that some 190 and 160 applications for PRH from past recipients of SHO schemes had been accepted on special grounds in 1998-99 and 1999-00 respectively. At the Chairman's request, the Administration undertook to provide the successful rate of these 350 cases.

Admin

### Way forward

29. Mr Bill LAI/HKHSC suggested that HS should use the proceeds from the sale of the top-up loans to provide guarantees for HKMC in exchange for their provision of a lower interest rate for SCHS owners. He also criticized the Housing Bureau for turning a blind eye to the plight of SCHS owners and refusing to provide any concrete measures to alleviate their financial hardship. In response to the Chairman, DED/HS said that HS had not made any profits from the sale of top-up loans. In granting the top-up loans, HS had actually deferred the receipt of part of the price of the flats sold. PAS for H (1) reiterated that HS had always been responsive to the needs of SCHS owners and had provided timely assistance whenever necessary. Measures such as the provision of guarantees to banks in case of default in exchange for the provision of mortgage loan, three-year subsidy on interest of the mortgage loan above prime rate and top-up loans with a five-year interest-free repayment grace period had been implemented.

30. Owing to time constraints, members agreed to continue discussion on the subject at the next meeting on 7 January 2002. Meanwhile, members were requested to forward their views and proposals in writing to the Secretariat two weeks before the meeting for onward transmission to the Administration. A paper setting out its response with supporting statistics should be provided by the Administration to facilitate discussion at the next meeting.

Admin

## **VI Any other business**

31. There being no other business, the meeting ended at 5:00 pm.