

立法會
Legislative Council

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by the Administration)

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LegCo Panel on Housing

**Minutes of special meeting held on
Monday, 25 February 2002, at 4:30 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 NG Leung-sing, JP
Hon LEUNG Yiu-chung
Dr Hon YEUNG Sum
Hon SZETO Wah
Hon Abraham SHEK Lai-him, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
- Members absent** : Hon Fred LI Wah-ming, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok
- Public officers attending** : Housing Bureau

Ms L K LAM
Principal Assistant Secretary (SD)

Housing Department

Mr Marco WU
Deputy Director

Mr Carlson CHAN
Head, Corporate Strategy Unit

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

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

I Review of income and asset limits for public housing applicants

- (LC Paper No. CB(1) 429/01-02(04) — Information paper provided by the Administration
- LC Paper No. CB(1) 492/01-02 — Power-point presentation materials (Chinese version only)
- LC Paper No. CB(1) 717/01-02 — Extracts from the minutes of the meeting of the Housing Panel held on 3 December 2001
- LC Paper No. CB(1) 647/01-02(06) — Information paper provided by the Administration
- LC Paper No. CB(1) 914/01-02 — Extracts from the minutes of the special meeting of the Housing Panel held on 20 December 2001
- LC Paper No. CB(1) 724/01-02(05) — List of follow-up action arising from the discussion on 20 December 2001
- LC Paper No. CB(1) 724/01-02(06) — Administration's response to CB(1) 724/01-02(05)
- LC Paper No. CB(1) 966/01-02 — Extracts from the minutes of the meeting of the Housing Panel held on 7 January 2002
- LC Paper No. CB(1) 1146/01-02 — Motion moved by Hon LEUNG Yiu-chung)

At the invitation of the Chairman, the Deputy Director of Housing (DD of H) said that in the light of members' comments and the motion passed by the Panel at its meeting on 7 January 2002, the Administration had further reviewed the mechanism for determining the income and asset limits for public housing applicants. The revised mechanism as well as the income and asset limits would be submitted for

consideration by the Rental Housing Committee (RHC) and the Home Ownership Committee (HOC) of the Housing Authority (HA) at a joint meeting on 28 February 2002. The Head, Corporate Strategy Unit (H/CSU) then gave a power-point presentation on the review of the mechanism, highlighting the changes in the formula for determining the Waiting List (WL) and Home Ownership Scheme (HOS) limits and the proposed implementation framework.

2. Dr YEUNG Sum was disappointed that in reviewing the mechanism for determining the WL and HOS income and asset limits, the Housing Department (HD) had failed to take into full account the recommendations pertaining to the motion passed by the Panel at its meeting on 7 January 2002. As a result, the prescribed WL and HOS income and asset limits for households other than one-person households would be lowered. The proposed reduction would inevitably affect the low income families which had already been suffering from high unemployment and financial hardship as a result of economic restructuring. He urged that the Administration should not submit to the pressure of developers and force people to buy private flats by reducing the limits. Mr LEUNG Yiu-chung also expressed grave concern that many low income families, particularly those three to four-person households which comprised the majority of families in Hong Kong, would be deprived of the opportunity for public housing consequent upon the reduction. Moreover, the mandatory implementation of the review mechanism implied that there would be frequent changes in the eligibility criteria for public housing, thereby inducing a sense of insecurity among the general public. Mr LEE Cheuk-yan echoed that instead of narrowing the eligibility net for PRH by lowering the WL income and asset limits, the Administration should provide greater assistance to help the low income group to tide over their financial hardship amid the economic downturn. Expressing similar concern, the Chairman urged the Administration to take into account the plight of the low income families and defer the review of the HOS and WL income and asset limits. Mr SZETO Wah added that the Administration should review the overall housing policy taking into consideration the benefits and interests of the society.

3. In response, the Principal Assistant Secretary for Housing (Special Duties) (PAS for H (SD)) stressed that public housing should only be offered to those who could not afford to rent or buy flats in the private sector. The income and asset limits were set to determine the eligibility of applicants to ensure rational allocation of the scarce housing resources. In the light of members' concerns, the Administration had relaxed the basis for the calculation of the limits. DD for H added that there was an established mechanism for reviewing both the WL and HOS limits annually. The major consideration for these annual reviews was applicants' affordability which would be affected by changes in household income and market conditions. These limits would be adjusted upwards or downwards to reflect the housing costs as well as expenditure pattern of the reference groups rather than submitting to pressure of developers as alleged. H/CSU also clarified that the eligibility net for public housing would not be narrowed as a result of the proposed reduction of the prescribed income and asset limits. By way of illustration, about 35% of tenants in private housing would still be eligible for public rental housing (PRH) under the new proposal, which was comparable to the current ratio of 34.5% while better than that of 29.5% in 1994/95. He further pointed out that the higher reduction of the HOS income and

asset limits was to reflect the rise in affordability of households as a result of the significant drop in property prices and interest rates. The proposal for conducting a mid-year review of the income and asset limits for HOS was aimed at providing greater flexibility for the Housing Authority (HA) to make timely adjustments to reflect the latest market situation. However, the mid-year review would not be applied to WL applicants given the fact that rentals were less susceptible to frequent and major adjustments.

4. Mr Frederick FUNG was not convinced of the Administration's response. He pointed out a large number of three to four-person households would become ineligible for PRH as a result of the proposed reduction. However, as the decrease would be offset by the increase in eligible one-person households, it appeared that the eligibility net of PRH would still cover 35% of households living in private tenements. Given that the United States of America had adopted a standard of including one-third of households of different sizes living in private tenements into the eligibility net of public housing, Mr FUNG enquired about the situation in Hong Kong and whether consideration would be given to adopting a similar standard in Hong Kong. Expressing similar concern, Mr LEE Cheuk-yan sought information on the number of one-person households which would be included in and the number of three to four-person households which would be taken out from the eligibility net for PRH as a result of the proposed reduction of WL income and asset limits. H/CSU advised that under the current proposal, an additional 4 800 one-person households currently living in rental accommodations in the private sector would fall inside and 6 500 other households would fall outside the eligibility net of PRH. However, statistics on the number of households of different sizes in subsidized public housing and owner-occupied private tenements which would be eligible for PRH were not available.

Formula for deriving the income and asset limits

5. As to why the Administration had declined to include a contingency element of 10% of household income in the calculation of non-housing expenditure as put forward in the motion, H/CSU explained that the average non-housing expenditure for setting the WL and HOS income and asset limits were derived from the findings of the Household Expenditure Survey (HES). Apart from basic necessities, HES also covered expenditure on non-essential items which accounted for about 10% or more of the total non-housing expenditure of the reference groups. Besides, contributions to the Mandatory Provident Fund would be excluded from the calculation of applicants' income. Similarly, the calculation of housing expenditure had assumed a much higher housing cost than what the target households of PRH would actually spend. Therefore, the current formula had already provided for a contingency element in the calculation of both the housing and the non-housing expenditure. In the absence of statistics on the level of saving in Hong Kong, the Housing Department considered that the provision of 5% contingency in the calculation of income limits appropriate.

6. Given the anticipated surge in unemployment rate, Dr YEUNG Sum remained of the view that the inclusion of a contingency element of 10% would serve as a cushion for the low income families amid the economic downturn. He also expressed concern that many sitting tenants would be required to pay additional rent as a result of

the proposed reduction of WL income and asset limits. The Chairman echoed that the increase in rent would aggravate the financial burden of tenants and might give rise to family disputes, particularly if the rent was shared by family members whose income might not have been increased over the past few years. Mr Frederick FUNG also pointed out the Administration had adopted a double standard in reducing the income and asset limits in the light of the drop in rentals and property prices on the one hand, but failing to adjust PRH rents accordingly on the other. He cautioned that as the prevailing overall median rent-income ratio (MRIR) of all PRH had already exceeded the prescribed limit of 10% under the Housing Ordinance (Cap. 283), the proposed reduction would further push up the ratio.

7. In reply, DD of H clarified that MRIR and the proposed reduction of WL income and asset limits were two separate issues. The former applied to the existing 600 000 PRH households while the latter to PRH applicants. He added that under the Housing Subsidy Policy, only tenants who had been living in PRH for ten years or more were required to declare household income at a biennial cycle, and only those with a household income exceeding two to three times of the WL income limits were required to pay 1.5 times or double net rent plus rates as appropriate. H/CSU supplemented that at present, 12 500 PRH households were required to pay 1.5 times or double rent. It was expected that the figure would go up by 3 000 consequent upon the proposed reduction. By way of illustration, he added that for four-person households, only those with a monthly household income exceeding some \$30,000 or \$45,000 were required to pay 1.5 times or double rents. The resultant rent-to-income ratios would still be very low.

8. Mr LEE Cheuk-yan remained of the view that the use of the lower 25% of the expenditure group which included non-working households would pull down the non-housing expenditure of the reference groups and hence the WL and HOS income and asset limits. For instance, the WL income limit of \$14,800 for four-person families was not sufficient to support the families after payment of rent. They would have to cut down on other expenses which would inevitably affect their living standard. He therefore urged the Administration to use the average of the second lowest quarter expenditure group to calculate the non-housing expenditure as proposed in the motion. In other words, only the 26% to 50% of the expenditure group should be used as the basis for calculation to allow for a more reasonable level of disposable household income. H/CSU advised that prior to 1997, the average expenditure of the lowest one-third expenditure group had been adopted in the calculation of non-housing expenditure. HA had only recently relaxed the calculation by using the average of the lower half expenditure group in 1997. In the light of members' concern, the Administration had further proposed to relax the basis for calculation to exclude the elderly and the unemployed from the reference groups. Recipients of Comprehensive Social Security Assistance had already been excluded under the existing formula.

9. Mr CHAN Kam-lam remarked that he had no strong views on the proposals put forward by members and the Administration as there were always advantages and disadvantages in the adjustment of WL and HOS income and asset limits, regardless whether these were adjusted upward or downward. He however stressed that HA should be more sympathetic towards those applicants who had registered on WL for a

long time but would become ineligible as a result of the reduction. Consideration should be given to exempting these applicants from the application of the new limits and rehousing them to unpopular PRH flats such as those in remote areas like Tung Chung. DD of H affirmed that HA might adopt a compassionate arrangement to exempt applicants who had already successfully gone through the vetting process and were awaiting flat allocation from the application of the new limits. It was estimated that more than 20 000 of the 93 000 applicants on WL would benefit from this arrangement. For those applicants whose household income had exceeded the limits, their applications would be frozen and reviewed in one year's time. They would be reinstated in WL should their income meet the limits again. Mr WONG Sing-chi however pointed out that these cases would be treated as new applications and the applicants had to wait for another four years before they would be allocated PRH. Such an arrangement was not able to provide timely relief to their financial hardship amid the economic downturn. Mr Frederick FUNG echoed that consideration should be given to retaining their waiting time when their applications were reinstated in WL. In view of the efforts to reduce the waiting time for PRH, DD of H was confident that the average waiting time for PRH would be reduced to three years by 2003. An even shorter waiting time would be expected for those applying for PRH in the New Territories. H/CSU supplemented that applicants would not be taken out from WL immediately after the implementation of the new limits. They would remain on WL. Their eligibility for PRH would be determined only when they were due for flat allocation. Having regard to the anticipated surge in unemployment rate, Dr YEUNG Sum remarked that those who had taken out of WL now might become eligible for PRH after a short while. In order to save the administrative cost for re-registration and to alleviate the hardship of the low income group, the Administration should relax the limits.

10. Mr CHAN Kam-lam noted the Administration's proposal of reviewing the HOS income and asset limits when there was a discrepancy of 5% between the results of the mid-year review and the prevailing limits. While agreeing to the need for mid-term review, Mr CHAN considered the threshold of 5% too small to justify a revision of the limits as this would affect the eligibility of many applicants. He urged the Administration to take a macro view in fine tuning the limits. DD of H responded that unlike PRH applicants who had to wait for flat allocation, HOS applicants could buy flats in any HOS sale exercise so long as they met the criteria for that particular exercise. H/CSU also pointed out that 5% of the proposed HOS income limit for four-person households would amount to \$1,000 which was quite substantial to justify for a revision.

11. Mr LEUNG Yiu-chung was not convinced that applicants should be deprived of the opportunity for HOS and forced to buy flats in the private sector for a mere difference of \$1,000. He questioned whether this was a move to prop up the property market. Given the low prescribed HOS income and asset limits, applicants who became ineligible for HOS would not be able to afford flats in the private sector. Therefore, there was no overlapping between the target clientele of HOS and private flats as claimed by the Administration. Noting that the HOS income and asset limits were derived from, among other things, interest rates over the past 12 months which were record low, the Chairman cautioned that those who became ineligible for HOS

and were forced to buy private flats as a result of the proposed reduction might have difficulty to cope with the mortgage payment if interest rates started to rise. DD of H explained HOS had been introduced to help those who could not afford to buy flats in the private sector to achieve home ownership. The HOS income and asset limits were set to determine applicants' affordability to ensure rational allocation of the scarce housing resources. To keep in pace with the latest market conditions, mid-year reviews of the limits would be carried out. He assured members that the market interest rate would be used for the calculation of the limits if it was higher than the average interest rate in the past year.

Motion on relaxation of the formula for deriving the Waiting List income limits by Mr Albert HO, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Mr Frederick FUNG (LC Paper No. CB(1) 1146/01-02)

12. At the invitation of the Chairman, Mr LEUNG Yiu-chung informed members that as the Administration had not taken into full account the recommendations pertaining to the motion passed at the Panel meeting on 7 January 2002, decision had been take to move the motion again at the current meeting with a view to persuading the Administration to review the proposal before this was submitted to HA for consideration.

13. Mr LEUNG Yiu-chung proposed and Dr YEUNG Sum seconded the following motion:

“That this Panel is opposed to the new proposal on income limits for public rental housing applicants put forward by the Housing Department at the brainstorming session of the Housing Authority (HA) on 7 February 2002 and requests HA to accept the following four recommendations passed at the Housing Panel meeting on 7 January 2002:

- (a) to include the rent for flats of sizes below 20 square metres and bedspaces in the calculation of housing expenditure;
- (b) to calculate the rental expenditure per square metre according to household sizes;
- (c) to include an element of ‘contingency money’ equivalent to 10% of the household income in the calculation of non-housing expenditure; and
- (d) to calculate the non-housing expenditure using the average of the second lowest quarter expenditure group, i.e., only the 26 to 50% of the expenditure group should be used as the basis for calculation.”

14. The motion was unanimously passed by the members present at the meeting. The Chairman instructed that the motion be conveyed to the Administration and HA before the joint meeting of RHC and HOC on 28 February 2002. To enhance communication with HA, Mr LEUNG Yiu-chung suggested that the Panel should meet

with both RHC and HOC direct to exchange views on the subject.

Motion on exemption of application of the new income and asset limits to applicants already on the Waiting List by Mr Albert HO

(LC Paper No. CB(1) 1173/01-02(02))

15. The Chairman briefed members on the motion tabled at the meeting. He said that the objective of the motion was to urge the Administration to exempt applicants already registered on WL from application of the new WL income and asset limits even if these were endorsed by HA despite repeated opposition from members and the public.

(Post-meeting note: The motion was subsequently circulated to members vide LC Paper No. CB(1) 1173/01-02(02).)

16. The Chairman proposed and Mr LEE Cheuk-yan seconded the following motion:

“That this Panel requests that any decision to lower the income and asset limits should only apply to applications submitted after the promulgation of the new policy. For applications submitted before the promulgation, they should be allowed to remain on the Waiting List as long as they meet the criteria at the time of submission.”

17. The motion was unanimously passed by members at the meeting. The Chairman instructed that the motion be conveyed to the Administration and HA urgently before the joint committee meeting on 28 February.

(Post-meeting note: Separate letters on the two motions were issued to the Administration and HA on 26 February 2002.)

II Any other business

18. There being no other business, the meeting ended at 6:30 pm.

Legislative Council Secretariat

2 April 2002