

立法會
Legislative Council

LC Paper No. CB(1) 2410/01-02

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by the Administration)

Ref: CB1/PL/HG/1

LegCo Panel on Housing

**Minutes of meeting held on
Friday 5 July 2002, at 10:45 am
in the Chamber of the Legislative Council Building**

Members present : Hon Albert HO Chun-yan (Chairman)
Hon CHAN Kam-lam, JP (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 SZETO Wah
Hon Albert CHAN Wai-yip
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP

Members absent : Dr Hon David CHU Yu-lin, JP
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Dr Hon LO Wing-lok
Hon LAU Ping-cheung

Public officers attending : **For items III and IV**
Housing, Planning and Lands Bureau

Mr C M LEUNG
Permanent Secretary for Housing

Ms Elaine CHUNG
Deputy Secretary for Housing (1)

Mr Marco WU
Deputy Secretary for Housing (2)

Attendance by invitation : **For items III and IV**
The Coalition for Defending the Housing Rights of the Grass Roots

Ms WONG Ling-hei
Representative

Hong Kong People's Council on Housing Policy

Mr LAU Ka-wah
Representative

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

Staff in attendance : Ms Cindy CHENG
Senior Assistant Secretary (1)SC3

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1) 2110/01-02 — Minutes of the meeting held on 3 June 2002)

The minutes of the meeting held on 3 June 2002 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) 1947/01-02 — Fourth report on progress of implementation of the greater private sector involvement scheme provided by the Administration

LC Paper No. CB(1) 2128/01-02 — Circular on greater private sector involvement in estate management and maintenance services issued by the Housing Authority

LC Paper No. CB (1) 2193/01-02(01) — List of follow-up actions arising from discussion

LC Paper No. CB(1) 2193/01-02(02) — List of outstanding items for discussion

3. Since agenda items III and IV were closely related, the Chairman suggested and members agreed to discuss these two items in parallel.

III Resumption of sales of Home Ownership Scheme flats

IV Review of the institutional framework for public housing

Meeting with the Coalition for Defending the Housing Rights of the Grass Roots

4. At the invitation of the Chairman, Ms WONG Ling-hei highlighted the salient points in the submission from the Coalition for Defending the Housing Rights of the Grass Roots (CDHRGR) which was tabled at the meeting. Ms WONG queried whether the cut-back in future sales of Home Ownership Scheme (HOS) flats from not exceeding 9 000 to not more than 2 000 a year after 2005-06 was a move to prop up the property market. Given the projected deficit of the Housing Authority (HA), she cautioned that the reduction in HOS sales would further aggravate the financial situation of HA, which would in turn increase the rent for public rental housing (PRH) despite that the prevailing overall median rent-income ratio had already exceeded the prescribed limit of 10% under section 16 of the Housing Ordinance (Cap. 283) (HO). She urged HA to abide by the law and reduce PRH rent immediately. Consideration should also be given to reviewing the prevailing rent-setting criteria for new PRH flats. Ms WONG added that CDHRGR was strongly opposed to any amendment to HO which aimed at facilitating HA to increase PRH rent.

(*Post-meeting note:* The submission was subsequently circulated to members vide LC Paper No. CB(1) 2220/01-02.)

Meeting with the Hong Kong People's Council on Housing Policy

(LC Paper No. CB(1) 2212/01-02(01) — Submission from the Council)

5. Mr LAU Ka-wah said that the Hong Kong People's Council on Housing Policy (HKPCHP) hoped that the change of HA to an advisory body under the new institutional framework for housing and the implementation of the new accountability system would enable the Administration to promptly respond to the housing need of the general public. He however expressed concern on the appointment of the Secretary for Housing, Planning and Lands as the Chairman of HA lest this would undermine the impartiality of HA. To this end, effort should be made to increase the democracy and transparency of HA with a view to strengthening its advisory role. The constitution of HA should comprise government officials, elected members from each of the 18 District Councils, representatives from housing concern groups, professionals and academia. The Chairman of HA should be elected from among its members. HKPCHP also stressed that any proposal to amend section 16 of HO in respect of PRH rent should not infringe the fundamental principle of affordability.

Meeting with the Administration

(LC Paper No. CB(1) 2100/01-02(01) — Statement on 5 June 2002 by the Chief Secretary for Administration on Home Ownership Scheme policy

Report of the review of the institutional framework for public housing

LC Paper No. CB(1) 2100/01-02(02) — Statement on 20 June 2002 by the Chief Secretary for Administration on review of the institutional framework for public housing)

6. The Permanent Secretary for Housing (PS for H) said that the moratorium on the sale of HOS flats as announced by the Chief Secretary for Administration (CS) on 3 September 2001 would cease as scheduled on 30 June 2002. For the 12-month period from 1 July 2002 to 30 June 2003, two phases of HOS flats would be put on sale. The first phase of about 2 400 flats would be sold in September 2002, while the second phase of about 2 500 flats would be sold in April 2003, subject to market situation. The level of sales of HOS flats up to 2005-06 would be subject to an annual ceiling of 9 000 units, and as soon as possible thereafter to a sale level of no more than 2 000 units a year. As regards the review of the institutional framework for public housing, PS for H said that the Report contained recommendations to address problems relating to, inter alia, the role of the Principal Official, the work of Housing Bureau and Housing Department, the roles of HA and the Housing Society (HS).

7. On *the resumption of HOS sales*, Mr CHAN Kam-lam noted that a large number of HOS flats had been left vacant as a result of the moratorium. He asked what measures the Administration would take to reduce the vacancy rate. The Deputy Secretary for Housing(1) (DS for H(1)) advised that at the end of 2001-02, the total number of completed HOS flats was about 8 000, of which 7 000 were HA flats and 1 000 were HS flats. The number of HOS flats under construction or of which the construction contracts had been let was about 30 000, consisting of around 28 000 HA flats and 2 000 HS flats. In accordance with the plan to replace HOS flats by loans, HA was now considering converting several sites, involving 12 000 flats in total, to other uses such as PRH and schools etc. The aim of the Government was to do the utmost in order to dispose of all the flats in three to four years' time.

8. Given that the moratorium had been able to address the problem of overlapping between the HOS and the private sector residential markets, Mr CHAN opined that the sale level of 9 000 HOS flats a year should be maintained if not increased. He also considered that the Administration should expedite the pace of the Tenants Purchase Scheme (TPS). Mr Frederick FUNG echoed that there should not be any overlapping, particularly after the recent reduction of the income and asset limits for HOS applicants. He expressed concern that the substantial cut-back in future sales of HOS flats would hamper HA's ability to make quick re-adjustment of meeting the housing needs of the low income group. He then enquired about the basis upon which the sale limit of 2 000 HOS flats a year was arrived at and whether it was the Administration's intention to eventually abolish HOS.

9. DS for H(1) explained that the sale limit of not more than 9 000 HOS flats a year was determined taking into account forecasts of population-based housing demand and the market conditions at that time. The residual programme of about 2 000 flats a year, roughly equivalent to one average public housing estate, would be a prudent insurance against possible unforeseen economic changes by retaining a readily available stock of subsidized home ownership flats. This quantum would be kept under review in the light of market developments. PS for H added that the Administration would not back away from its commitment to provide 50 000 housing opportunities a year. The cut-back in HOS flats would be matched by an increase in the number of loans offered to eligible households. The Government was convinced that the increasing use of home ownership loans rather than the traditional "bricks and mortar" approach was essential to provide more choice to home purchasers, make better use of public resources and avoid mismatches in short-term supply and demand. He also clarified that the Administration had no intention to abolish the HOS, and that the long-term sustainable limit of 2 000 flats would preserve the ability of HA to gear up its programme again should unforeseen circumstances arise in future. As regards TPS, DS for H(2) advised that HA was committed to its target of offering an average of not less than 25 000 PRH flats a year for sale to sitting tenants up to 2007. The average subscription rate for the last four phases of TPS was about 70%. HA would review the pace of TPS taking into account tenants' response.

10. Mr Frederick FUNG however pointed out that consequent upon the reduction of HOS income and asset limits, eligible HOS buyers were no longer able to afford flats in the private sector. The cut-back in the levels of sale of HOS flats would deprive them of the opportunity to achieve home ownership. Noting that the sale of not more than 2 000 HOS flats a year was intended for unforeseen circumstances, Mr LEE Cheuk-yan expressed concern that the Administration would shelve HOS if the property market remained stable. He stressed that the provision of housing loans could not replace the production of HOS flats. Given that HOS flats were sold at discount prices, the financial commitment of HOS buyers was much less than loan recipients who had to pay full market value for their properties. The Chairman echoed that the situation of loan recipients would be further aggravated in the event of rise in interest rate and adverse changes in their financial status.

11. DS for H(1) advised that the income and asset limits were essential to determine the eligibility for public housing subsidy. As a result of the significant fall in property prices amid the economic downturn, private sector residential properties had become more affordable to the general public. There was also a modest increase in the number of property transactions in recent months. Many of these transactions involved small flats towards the lower end of the market, which was positive evidence that the market could adjust to the needs of customers and respond proactively to the prospect of more loans being made available to replace the traditional HOS programme. To reflect the significant increase in affordability of private sector residential property, HA had reduced the income limits for family HOS applicants from \$25,000 to \$21,000 a month and, for singleton applicants, from \$12,500 to \$10,500. It had also adjusted the formula used to calculate these limits to make it more responsive to changes in the market. HA would conduct more frequent reviews so as to follow market trends more closely and to ensure effective deployment of public housing resources to those in genuine need. DS for H(2) added that loans were a more cost-effective way of providing housing assistance to the relevant target groups. They could effectively respond to short-term changes in market demand while inflexible flat production could result in over or under supply. Overseas experience also revealed that the provision of direct financial assistance to eligible households allowed more choices and was proved to be more cost-effective than actual flat production. Mr NG Leung-sing agreed that the provision of housing loans was more flexible in achieving the target of home ownership and would help stabilize the property market.

12. Mr Frederick FUNG was not convinced that the Administration should focus on the cost of HOS. He pointed out that the proceeds from sale of HOS were much higher than the interest generated from housing loan which had to be spread over a period of over 10 to 20 years. Expressing similar concern, Miss CHAN Yuen-han remarked that HOS had not only enabled low income families, particularly young couples, to achieve home ownership but also served as a major income of HA. PS for H clarified that HOS was not profitable if land premium was taken into account. He reiterated that the Administration was committed to assisting families in genuine need of housing through the provision of rental units, HOS flats and home ownership

loans. It would continue to implement this policy in a flexible and responsive manner, taking a balanced and objective view of market developments, changing patterns of housing demand and the competing interest of different sectors of the community.

13. Miss CHAN Yuen-han opined that the cut-back in future HOS sales together with an increase in the number of housing loans were aimed at propping up the property market. PS for H clarified that this was not the case. He reiterated that the increasing use of home ownership loans rather than the traditional “bricks and mortar” approach was to provide more choices to home purchasers, make better use of public resources and avoid mismatches in short-term supply and demand. Mr LEE Cheuk-yan remained concerned about the financial burden of loan recipients, particularly in the event of a poor market condition where most properties had become negative equities. He considered it necessary for the Administration to assess the impact of the cut-back in HOS sales on the economy as a whole. Mr LEUNG Yiu-chung echoed that apart from ensuring the rational allocation of public housing resources, the Administration should endeavour to address the concerns about uncertainty of loan recipients who were forced to buy flats in the private sector as a result of the cut-back in HOS sales. To facilitate members’ understanding, Mr James TO requested the Administration to provide the number of loan recipients who had become owners of negative equities over the past few years.

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14. On *PRH*, Miss CHAN Yuen-han considered that the proposed provision of rental allowances to eligible household to rent flats in the private sector was a move to prop up the property market. She stressed that rental allowances could not replace PRH which was the ultimate solution to improve the living condition of the low income group. PS for H responded that the Administration was committed to providing rental accommodation to households which were unable to afford any other type of adequate housing. It also aimed to maintain a stock of PRH flats sufficient to meet demand from eligible households, and to reduce the average waiting time for PRH to three years by 2002. He pointed out that of the 50 000 publicly assisted housing opportunities a year, about half of which would be made in the form of new PRH flats or rental allowances. The increasing use of rental allowances would allow for the adjustment of the annual number of opportunities offered to match actual annual effective demand. Mr LEUNG Yiu-chung pointed out that the reduction of waiting time was achieved through the lowering of the income and asset limits for applicants on the Waiting List. Mr NG Leung-sing however took a different view. He opined that if it was the Government’s intention to stabilize the property market, consideration should be given to reducing PRH production. The cut-back in PRH flats should be matched by an increase in the number of rental allowances. Moreover, the design of PRH flats should only include basic facilities to encourage tenants to improve their living condition through home ownership.

15. On *PRH rents*, Mr Frederick FUNG pointed out that the average household income had dropped by 30% amid the economic downturn. To assist tenants to tide over their financial hardship, HA should seriously consider reducing PRH rents which

were set at a high level in 1997 when the property market was booming. This was also in line with the rent reduction for commercial tenants of HA. DS for H(2) advised that PRH rents were set taking into account tenants' affordability. In the light of the economic downturn, HA had already frozen PRH rents for the past few years. Financial assistance, including the Rent Assistance Scheme, was also made available to households which experienced temporary financial difficulties. Those who had long-term financial hardship could apply for Comprehensive Social Security Assistance administered by Social Welfare Department. Notwithstanding, HA had set up an ad hoc committee to review the domestic policy in the long term. The Panel would be consulted on the findings of the review in due course.

16. On *the review of the institutional framework for public housing*, Miss CHAN Yuen-han expressed concern about the over-reliance on the private sector in meeting the housing need of the community. Mr James TO echoed that long-term housing strategy be mapped out to address the socio-economic implications arising from a private sector-led property market. DS for H(2) reaffirmed the Administration's objectives of helping all households to gain access to adequate and affordable housing and encouraging home ownership in the community. In this connection, the Administration would ensure that housing demand and supply were monitored effectively, and that housing development was planned and implemented efficiently. By adopting a private sector-led strategy, the Administration could make the best use of resources of the private sector in the delivery of housing programmes. The Chairman pointed out that it would not be in the best interest of the community for the Administration to introduce drastic changes to the prevailing housing policy. He urged the Administration to take into account members' views in the formulation of the overall housing strategy to ensure the cost-effective operation of the public housing programme in meeting demand of families with genuine housing need. PS for H took note of the Chairman's view.

17. As regards the new accountability system, PS for H advised that the control of the housing policy would be vested with the Principal Official concerned, subject to the direction from the Chief Executive on the advice of the Executive Council. A new housing organization would be formed by the merger of the Housing Bureau and the Housing Department. To meet the changing aspirations of the community, the new organization would place greater emphasis on strategic planning and research. The Principal Official would become both the Chairman of HA and head of the new housing organization to provide a unified chain of command running from formulation of housing strategy through to implementation of public housing programmes. The Principal Official would also uphold the main objectives underlying the housing strategy of providing "Better Housing for All" to the Hong Kong community and make the maximum use of public funds.

18. Before concluding, the Chairman requested the Administration to review the following housing policies and revert back to the Panel in the next session -

- (a) sales descriptions of uncompleted residential flats;
- (b) re-housing policy upon clearance; and
- (c) overcrowding relief.

V Any other business

19. The Chairman announced that this was the last meeting for the session. He thanked the Administration for its contributions at the meetings.

20. There being no other business, the meeting ended at 12:55 pm.

Legislative Council Secretariat
7 August 2002