

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 578/02-03  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Minutes of meeting held on  
Monday, 2 December 2002, at 2:30 pm  
in the Chamber of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, JP (Chairman)  
Hon Albert HO Chun-yan (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  
Hon Frederick FUNG Kin-kee  
Hon IP Kwok-him, JP  
Hon LAU Ping-cheung
- Members absent** : Hon Tommy CHEUNG Yu-yan, JP  
Dr Hon LO Wing-lok  
Hon WONG Sing-chi

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**Attendance by invitation** : **For item IV**  
Housing, Planning and Lands Bureau

Ms Elaine CHUNG, JP  
Deputy Secretary (Housing)1

Housing Department

Mr K H LAU  
Business Director/Allocation

Mrs Doris MA  
Assistant Director/Sales

**For item V**

Housing, Planning and Lands Bureau

Ms Elaine CHUNG, JP  
Deputy Secretary (Housing)1

Housing Department

Mr K H LAU  
Business Director/Allocation

Mr C Q LEE  
Chief Manager/Management (Support Services)2

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

**Staff in attendance** : Ms Cindy CHENG  
Senior Assistant Secretary (1)4

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**I. Confirmation of minutes**  
(LC Paper No. CB(1) 350/02-03 — Minutes of the meeting held on  
4 November 2002)

The minutes of the meeting held on 4 November 2002 were confirmed.

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**II. Information paper issued since last meeting**

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

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|------------------------------|--|
| LC Paper No. CB(1) 316/02-03 | — Circular on greater private sector involvement in estate management and maintenance services issued by the Housing Authority   |
| LC Paper No. CB(1) 319/02-03 | — Control of illegal hawking in public rental housing estates  |
| LC Paper No. CB(1) 338/02-03 | — Rent concessions for commercial tenants of the Housing Authority   |
| LC Paper No. CB(1) 358/02-03 | — Referral from Duty Roster Members regarding rehousing policy for occupants affected by clearance of illegal rooftop structures |

**III. Items for discussion at the next meeting**

- (LC Paper No. CB(1) 386/02-03(01) — List of follow-up actions  
LC Paper No. CB(1) 386/02-03(02) — List of outstanding items for discussion)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 6 January 2003, at 2:30 pm -

- (a) Home Ownership Scheme; and
- (b) Law Reform Commission of Hong Kong Report on Local Completed Residential Properties: Sales Descriptions and Pre-contractual Matters.

4. Referring to item 10 of the list of outstanding items for discussion, Mr LEE Cheuk-yan enquired if a Subcommittee would be set up to study the rehousing policy for occupants affected by clearance of illegal rooftop structures. The Chairman suggested and members agreed to discuss the issue at the next meeting.

#### IV. Home Assistance Loan Scheme

(LC Paper No. CB(1) 386/02-03(03) — Paper provided by the Administration)

5. At the invitation of the Chairman, the Deputy Secretary for Housing, Planning and Lands (Housing)<sup>1</sup> (DS for H) highlighted the salient points in the information paper which set out the details of the new Home Assistance Loan Scheme (HALS). She added that loan finance was a more cost-effective way of mobilizing the scarce public housing resources in meeting demand than traditional “bricks and mortar”. It also provided a wider choice to customers, offered a more flexible, market-friendly response to changes in public sector housing demand and was in line with the Government’s non-interventionist approach in respect of the property market. The Chairman then drew members’ attention to paragraph 10 of the paper and pointed out that the net expenditure incurred by Housing Authority (HA) should be around \$1.63 billion instead of \$1.63 billion per annum.

*(Post-meeting note: A corrigendum of the relevant page was circulated to members on 3 December 2002 vide LC Paper No. CB(1) 432/02-03.)*

#### Home Ownership Scheme versus Home Assistance Loan Scheme

6. While agreeing that loan finance was more flexible, Dr YEUNG Sum pointed out that it could not completely replace the Home Ownership Scheme (HOS) which had enabled the Administration to make timely adjustments to market fluctuations, particularly in the event of a booming property market where purchase of flat was beyond the affordability of middle and low-income families even with the provision of loans. Therefore, it would be better for the Administration to make available both HOS and HALS for the choice of eligible applicants. Miss CHAN Yuen-han echoed that HOS flats, which were sold at a discounted price, had helped many low-income families, particularly those young couples, to achieve home ownership. HOS had also encouraged better-off tenants to vacate their public rental housing (PRH) flats for re-allocation to others who were in genuine need of housing. The indefinite suspension of HOS production and sales would not only force buyers to purchase flats in the private sector but also reduce the number of PRH flats for re-allocation. She asked if the Administration would reinstate HOS in the event of fluctuations in the property market.

7. DS for H advised that the decision to indefinitely suspend HOS production and sales would help to address the problem of overlapping between HOS and private residential market as a result of imbalance between supply and demand. Business Director/Allocation (BD/A) reiterated that loan finance was more cost-effective and flexible in meeting housing demand. It also provided wider choices to applicants in terms of location, size and price of flats. Mr Frederick FUNG was not convinced of the Administration’s response. He pointed out that unlike HOS where the sale proceeds could be used to subsidize PRH production, loan finance had no monetary return. DS for H explained that HOS was not cost effective if land premium as well

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as construction and maintenance costs were taken into account. In fact, the cost of one HOS flat was sufficient to provide for three housing loans.

8. While agreeing that the suspension of HOS production and sales was acceptable under the prevailing market situation, Mr IP Kwok-him opined that the Administration should critically review the need for HOS in the long run taking into account actual housing demand. Mr Abraham SHEK considered that the replacement of HOS production by HALS was a step in the right direction given the improved affordability of many families consequent upon the substantial drop of over 60% in property price since 1997. They should be able to acquire their own flats with the provision of HALS. He however pointed to the need to increase PRH supply to help those who were inadequately housed. Mr Albert CHAN echoed that it was more cost effective to provide PRH units with the committed resources for HALS. BD/A replied that the HA would ensure an adequate production of PRH to keep the pledge of maintaining the average waiting time at three years. Given that the policy on HOS would be discussed at the next meeting, the Administration was requested to include in the discussion paper responses to members' questions raised at the current meeting.

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9. Noting that only 25 000 PRH flats would be produced each year and 10 000 HALS loans would be offered, Mr LEE Cheuk-yan also asked how the Administration could uphold the pledge for annual provision of 50 000 assisted housing opportunities. DS for H advised that consequent upon the review of the existing housing and planning policies, it was decided that the Government should withdraw from its role as property developer by halting the production and sale of subsidized flats and radically reduce its share in the overall housing production in Hong Kong. In future, public housing programmes would be geared towards meeting the housing needs of low-income families. The annual production of PRH flats would be predicted by actual demand and the need to keep the average waiting time at three years. As regards the quota for HALS, DS for H said that it would be adjusted according to actual demand and HA's resources. She added that as long as the Government could achieve the above pledge, it was not necessary to have a fixed numerical target for provision of assisted housing opportunities. Mr Frederick FUNG however pointed out that the provision of loan finance was to a certain extent a form of market intervention.

10. Mr Albert CHAN was skeptical that the introduction of HALS after the moratorium on HOS production and sales was aimed at propping up first sales by property developers. In response, DS for H clarified that this was not the case. Public housing policy was formulated for the benefit of the society as a whole rather than a particular group of people. Past experience also revealed that most of beneficiaries under various subsidized housing loan schemes had purchased flats in the secondary market. In this connection, the Administration was requested to provide information on the types of flats purchased by subsidized housing loan recipients, particularly those under the Home Purchase Loan Scheme (HPLS) and Home Starter Loan Scheme (HSLs).

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Home Assistance Loan Scheme

11. Mr Albert CHAN expressed concern about possible abuse of HALS by children of elderly applicants who might use the loan in property speculation. DS for H said that this would be a matter of education. Efforts would be made to alert elderly HALS recipients of their legal liabilities in home purchase.

12. On *income and asset limits*, Mr Fred LI enquired about the basis upon which the income limit of \$23,000 was arrived at. Expressing similar concern, the Chairman commented that the Administration's paper was too simple without the necessary information, including the time-frame for review of the income and asset limits and the number of loan available to a beneficiary under HALS. DS for H explained that to ensure rational allocation of public housing resources, HALS would adopt the same affordability formula of HOS, which was derived from the prevailing property price of a 10-year old private flat of 40 square metres in the extended urban area or New Territories area. However, the income limit for HALS had been slightly adjusted upward to \$23,000 to take account of the increased housing expenditure necessitated by loan repayment. The income and asset limits would be reviewed on a regular basis. In line with the Government housing policy, no more than one loan would be offered to each beneficiary under HALS. At members' request, the Administration would provide further information on the loan repayment to income ratio of beneficiaries under various subsidized housing loan schemes.

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13. On *loan and subsidy amount*, Mr LEE Cheuk-yan urged the Administration to critically review the cost-effectiveness of HALS as opposed to HOS which was a more preferred option of the low-income group. To enhance the attractiveness of HALS, consideration should also be given to increasing the loan amounts for different options.

14. On *implementation*, Mr LEUNG Yiu-chung questioned the rationale for setting the initial quota of HALS at 10 000. He expressed concern that some people might not be able to benefit from HALS if no additional quota was provided. DS for H advised that the initial quota was worked out taking into account past utilization rates of HPLS and HSLs. Following the moratorium on HOS sales in 2001, the Administration had increased the number of housing loans by 12 000 to 16 500. Of the applications received, over 10 000 were granted subsidy with another 3 000 having approval-in-principle being granted. She assured members that the quota would be constantly adjusted according to actual demand. Mr LAU Ping-cheung enquired about the number of HPLS and HSLs loan recipients who had not used their loans to purchase flats and the reasons behind. BD/A replied that according to information, about 20% to 30% HPLS and HSLs loan recipients had not made use of their loans. This might be due to personal considerations or problems in finding a suitable flat within the prescribed period.

15. Mr Frederick FUNG remarked that the suspension of HOS production and sales had already reduced the chances for PRH tenants to achieve home ownership. The situation would be further aggravated if the initial quota of 10 000 HALS was

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equally split between Green Form and White Form applicants. He cautioned that the Administration might not be able to maintain the average waiting time for PRH at three years as a result of the reduction in number PRH flats being vacated by sitting tenants after purchase of their own flats.

16. On *financial implications*, Mr Frederick FUNG expressed concern that without HOS sale proceeds, which accounted for more than 60% of the income of HA, the provision of HALS would further aggravate the already stringent financial situation of HA. Mr LEUNG Yiu-chung also doubted that HA could provide HALS on a continuous basis. DS for H advised that the Administration was optimistic that HA would continue to be able to on-sell HALS loans to institutions such as Hong Kong Mortgage Corporation (HKMC). Therefore, the net expenditure to be incurred by HA in providing these interest-free loans was essentially the payment of interest on the loans sold to the institutions referred to, which was estimated at around \$1.63 billion. It was expected HA would initially be able to absorb this interest payment. Besides, loans were to be repaid by the recipients. Should HA experience cash flow problems in future, the Government would provide the necessary financial assistance so that activities of HA would not be affected. Mr Abraham SHEK enquired about the situation where HKMC did not agree to purchase the loans from HA. BD/A assured members that many financial institutions, including HKMC, had indicated interests in HALS. Notwithstanding, the Administration was exploring with HA other possible means to improve the financial situation of HA. Mr IP Kwok-him remarked that consideration could be given to providing interest-bearing loans to HALS recipients so that the interest generated could be used to assist more eligible applicants.

**V. Policy on overcrowding relief**

- (LC Paper No. CB(1) 1176/01-02 — Relevant papers and extracts from the draft minutes of the meeting between Legislative Council Members and North District Council members held on 31 January 2002
- LC Paper No. CB(1) 2623/01-02 — Relevant papers and extracts from the draft minutes of the meeting between Legislative Council Members and Kwai Tsing District Council on 13 June 2002
- LC Paper No. CB(1) 386/02-03(04) — Paper provided by the Administration)

17. On *provision of overcrowding relief*, Mr Fred LI said that Members of the Democratic Party had all along been requesting the Administration to relax the space standard for overcrowding relief (OR) from 5.5 to six square metres (m<sup>2</sup>) Internal Floor Area (IFA) per person, particularly when the IFA per person for some applicants

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on the Waiting List (WL) had reached 10 m<sup>2</sup> upon allocation of flats. Expressing similar concern, Mr Albert HO considered that the existing policy on OR was too rigid and unjustified given the discrepancy in space standard between allocation of PRH and OR. Mr SIN Chung-kai also cautioned that such a discrepancy might give rise to social disharmony. He considered it necessary for the Administration to expedite OR to alleviate the hardship of overcrowded families.

18. DS for H clarified that the allocation of larger flats to smaller households was a result of the mismatch of supply and demand of PRH and by no means a standing practice. The existing space allocation standards for PRH were still 5.5 and seven m<sup>2</sup> IFA per person. BD/A added that the current definition of overcrowded households at 5.5 m<sup>2</sup> IFA per person allowed the Administration to focus the limited housing resources to improve the living condition of some 10 000 households with the highest living density. If the space standard for OR were relaxed to six and seven m<sup>2</sup> IFA per person, an additional 18 880 and 59 000 families would become eligible for OR respectively, thereby committing the Government and HA to a higher level of expenditure which was probably unsustainable in the long term. The proposed relaxation might also lengthen the average waiting time for PRH as more flats would be allocated for OR.

19. Mr Fred LI queried the accuracy of the number of families which would become eligible for OR after the proposed relaxation. The Administration might need to conduct a survey to ascertain the actual situation. Given the plight of overcrowded families, particularly those which had become overcrowded after their children grew up, he urged the Administration to seriously consider relaxing the space standard for OR. Expressing similar concern, Mr Frederick FUNG pointed out that there were families comprising three generations who had been living in a small PRH unit of 23 m<sup>2</sup> in Sham Shui Po for many years. He was also not convinced that the proposed relaxation would incur additional resources as flats vacated by overcrowded families upon OR could be used for re-allocation to WL applicants.

20. Apart from the centralized, territory-wide OR exercises, Mr Albert CHAN opined that OR should also be provided on individual estates to cater for the needs of eligible households. BD/A advised that since 2001, three OR exercises were launched where 9 170 PRH flats were set aside for applications by overcrowded families. A total of 7 480 applications from 15 615 overcrowded families had been received and 3 310 of them had been transferred to bigger flats of their choice. Mr LEUNG Yiu-chung asked if the high refusal rate was attributed to the remote locations of the OR flats. BD/A advised that of the 9 170 PRH flats, 72% were new flats and 67% were located in urban and extended urban areas. Many of the eligible households had chosen to stay put because of other plans or specific preferences. Nonetheless, the Administration would continue to set aside large flats for OR as far as supply permitted. Mr Albert CHAN opined that priority should be given to those eligible households which had repeatedly applied for OR but could not find a suitable flat for transfer. The Chairman added that the Administration should adopt a scoring system taking into account both the living density and waiting time of eligible

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households in determining their priority for OR. His view was shared by Mr IP Kwok-him. Dr YEUNG Sum also asked if consideration would be given to converting overhang HOS flats to PRH to expedite the pace of OR. In reply, DS for H confirmed that these were some of the options being considered by the Administration.

21. On *branch family members*, Miss CHAN Yuen-han asked how the Administration would deal with the problem of overcrowding resulting from additional family members coming from the Mainland for family reunion. She urged the Administration to take into account their plight when considering OR for these families. In view of the increase in PRH supply over the past few years, Mr LEE Cheuk-yan considered that the Administration to adopt a more flexible approach to arrange for compassionate transfers for branch family members. In response, BD/A said that special transfers would be arranged on a need basis upon the recommendation of the Social Welfare Department. Since 1999, 4 055 special transfers were made. Branch family members of PRH households could apply for allocation of a separate flat through WL. Over the past three years, some 15 000 branch families of PRH households had been rehoused.

22. Given the anticipated completion of the OR exercise in 2003/04, the Chairman remarked that it would be an opportune time for the Administration to review the space standard for OR.

**VI. Any other business**

23. There being no other business, the meeting ended at 4:25 pm.