

立法會
Legislative Council

LC Paper No. CB(1) 1492/02-03
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

**Minutes of meeting held on
Tuesday, 18 March 2003, at 10:45 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, JP (Chairman)
Hon Albert HO Chun-yan (Deputy Chairman)
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Hon SZETO Wah
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok
Hon Frederick FUNG Kin-kee
Hon LAU Ping-cheung
- Members absent** : Dr Hon David CHU Yu-lin, JP
Hon NG Leung-sing, JP
Hon CHAN Yuen-han, JP
Dr Hon YEUNG Sum
Hon WONG Sing-chi
Hon IP Kwok-him, JP

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Attendance by invitation : For item IV

Housing Department

Ms Elaine CHUNG, JP
Deputy Director (Strategy)

Mr Carlson CHAN
Assistant Director (Strategic Planning)

Mr Francis CHENG
Senior Administrative Officer (Strategic Planning)1

Mr Hammus CHUI
Strategic Manager / Policy

For item V

Housing, Planning and Lands Bureau

Mr Michael M Y SUEN, GBS, JP
Secretary

Housing Department

Ms Elaine CHUNG, JP
Deputy Director (Strategy)

Mr Vincent TONG, JP
Deputy Director (Business Development)

Mr Albert LEE
Assistant Director (Business Development)

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

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

Miss Mandy POON
Legislative Assistant 4

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I. Confirmation of minutes

(LC Paper No. CB(1) 941/02-03 — Minutes of the special meeting held on 14 January 2003

LC Paper No. CB(1) 1128/02-03 — Minutes of the meeting held on 14 February 2003)

The minutes of the meetings held on 14 January on 14 February 2003 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no information paper had been issued since last meeting.

III. Items for discussion at the next meeting

(LC Paper No. CB(1) 1129/02-03(01) — List of follow-up actions

LC Paper No. CB(1) 1129/02-03(02) — List of outstanding items for discussion)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 7 April 2003, at 2:30 pm -

(a) estate management and maintenance of facilities in public housing estates; and

(b) security of tenure.

IV. Review of the Waiting List Income and Asset Limits for 2003/04

(LC Paper No. CB(1) 1129/02-03(03) — Paper provided by the Administration)

4. At the invitation of the Chairman, the Assistant Director (Strategic Planning) (AD(SP)) gave a power-point presentation on the review of the Waiting List (WL) income and asset limits for 2003/04. He said that consequent upon a comprehensive review last year of the mechanism and formula for adjusting the WL income and asset limits and having regard to views of the Panel and various quarters of the community, the Housing Authority (HA) decided to adopt a series of measures to relax and rationalize the formula for calculating the income and asset limits for public housing. These included the use of higher differential unit rents where applicable to assess the housing expenditure, the exclusion of the expenditure pattern of the elderly and non-working households when deriving the non-housing expenditure and the provision of a 5% contingency allowance in calculating the WL income limits. Based on the latest statistics of the Consumer Price Index (CPI) and the prevailing rental levels in the private market, it was proposed that the WL income and asset limits for 2003/04 be

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reduced by an average of 3.8 % and 5.1 % respectively.

(Post-meeting note: The power-point presentation materials were subsequently circulated to members vide LC Paper No. CB(1) 1160/02-03(01).)

Mechanism and formula for adjusting the WL income and asset limits

5. Mr LEE Cheuk-yan however remarked that HA had not taken into account all the recommendations put forward by the Panel in reviewing the mechanism for adjusting the WL income and asset limits. By way of illustration, HA included only a 5% and not a 10% contingency allowance in calculating the WL income limits and did not use the average of the second lowest quarter expenditure group i.e. the 26% to 50% of the expenditure group in deriving the non-housing expenditure. He cautioned that the implementation of the Hospital Authority's accident and emergency charge had already undermined social stability. He considered that the proposed reduction of WL income and asset limits would further aggravate the situation as many people would be forced outside the safety net of public rental housing (PRH). Expressing similar concern, Mr Albert CHAN said that he was opposed to the proposed reduction. He questioned how a four-person family with a monthly household income of \$14,800 could cope with the high rental of private flats. He was skeptical that the suspension of sale of Home Ownership Scheme (HOS) flats coupled with the reduction of WL income and asset limits were meant to force low-income families to buy flats in the private sector, thereby enabling large developers to dispose of their housing stock.

6. AD(SP) explained that the WL income limits were derived from a "household expenditure" approach which consisted of housing and non-housing costs. Housing costs referred to the rent payment, rates and management fees required for a household to rent a private flat of comparable size to the flats allocated by HA. In reality, however, very few low-income households would rent accommodations in the private market that were as large as PRH units. Hence, the WL income limits so worked out were about 20% higher than the actual household expenditure. While acknowledging that some 3 100 tenant households in the private sector might become ineligible for PRH as a result of the reduction of WL income and asset limits, DD(S) stressed the need to strictly follow the outcome of the review of income and asset limits based on the agreed formula in order to safeguard the rational allocation of the scarce public housing resources. Mr Howard YOUNG noted that the economic slump had not only affected the low income group but also the middle class which had suffered from pay cut and tax increase. Given that housing subsidies were from public purse, it was necessary to ensure the prudent use of resources. As such, Members of the Liberal Party supported that the WL income and asset limits be adjusted according to the prevailing CPI. Mr Abraham SHEK echoed that a balance should be struck between rational allocation of the scarce housing resources and provision of PRH to those in genuine need. In view of the huge deficit of HA, he agreed that the formula for adjusting the WL income and asset limits should be adhered to. Notwithstanding, measures had to be put in place to meet the housing need of the 3 100 households.

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7. Mr Albert HO opined that HA should proceed with the annual domestic rent review if it was to strictly adhere to the established mechanisms. He also considered it inappropriate to use the average household expenditure of the lower half expenditure group among tenant households in the private sector in deriving the non-housing costs. Given that the transportation cost and utility fees remained high over the past years, the proposed reduction of WL income and asset limits would inevitably affect the livelihood of the low-income group. He therefore urged the Administration to adopt a holistic approach in reviewing the income and asset limits, taking into account impact of the possible increase in government fees and charges pertaining to the budget 2003/04. DD(S) pointed out that the Government had not decided on an increase of public fees and charges. In any case, if there were such increases, these would be reflected in the non-housing costs to be taken into account in the next review. To minimize the adverse impact on the existing WL applicants, those who had gone through the vetting stage before 31 March 2003 would be exempted from the application of the reduced WL income and asset limits. Besides, WL applicants who failed the income/asset test but subsequently became qualified under the prevailing eligibility rules as a result of revisions of income/asset revisions or changes in family circumstances could reinstate their original WL applications within two years. Mr HO however pointed out that exempted WL applicants would still have to be mean tested before flat allocation. AD(SP) explained that their eligibility would be vetted according to the income and asset limits applicable before 31 March 2003.

8. Mr Frederick FUNG said that the revised mechanism for setting the WL income and asset limits was at variance with the previous proposal put forward by Members of the Hong Kong Association for Democracy and People's Livelihood, who advocated the use of the lowest one-third expenditure group as the basis for calculation. He held the view that instead of reducing the WL income and asset limits, consideration should be given to relaxing these limits to include the Sandwich Class amid the economic downturn. DD(S) advised that at present, over one-third of the total number of tenant households in the private sector were eligible for PRH while another 23.8% eligible for the Home Assistance Loan Scheme operated by HA. The remaining 41.4% took care of their own housing needs. Given that PRH was a scarce public resource, HA had to ensure that the scarce resources were only offered to those in greater need. For those who marginally failed the reduced income and asset limits, they might apply for Housing Society (HS) flats which had in place higher income and asset limits ranging from \$7,500 to \$32,000. They might also apply for the Home Assistance Loan Scheme to purchase their own flats.

9. As only 3 100 households would become ineligible for PRH after the proposed reduction of WL income and asset limits, Mr FUNG queried if the reduction was justified having regard to its adverse impact on social stability. He opined that HA should maintain status quo for the time being and effect adjustment in the next review only in the event of inflation. AD(SP) explained that modest annual adjustments were more acceptable to the public than drastic accumulative changes. The Chairman asked if the Administration would consider setting a margin below which the reduced income limits would not take effect. AD(SP) advised that the income

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limits would be calculated to the nearest one hundred dollars. Any change below that would not take effect.

10. Noting that the income and asset limits of families of larger household size would be subject to greater reduction, Mr Howard YOUNG enquired about the household size of the 3 100 families referred to in the preceding paragraph. AD(SP) replied that the different reduction rates applicable to different household sizes reflected the rents of the respective “reference” accommodations in the private sector and the non-housing expenditure of different households provided by the Census and Statistics Department. Of the 3 100 households, 1 200 were three-person households while the remaining were largely singletons or two-person households.

11. Mr Fred LI noted that consequent upon the moratorium on HOS production and sale, some HOS flats had been transferred to PRH. He enquired about the effect of the transfer on the average waiting time for PRH and the flat allocation rates for 2002/03 and 2003/04. In response, AD(SP) said that the number of PRH flats to be allocated for 2003/04 had yet to be decided by the Rental Housing Committee of HA. Nonetheless, HA had decided over the past few years to transfer over 40 000 HOS units to rental use, which helped bring down the average waiting time. It was expected that some 7 800, 6 400, 1 800 and 910 such HOS flats would be completed in 2003/04, 2004/05, 2005/06 and 2006/07 respectively for allocation to WL applicants and for overcrowding relief transfer. Given that the rents of converted HOS flats were about 10% higher than that of ordinary PRH flats, Mr LI expressed concern that this would not only raise the median rent to income ratio but also affect the standard of living of tenants concerned. DD(S) replied that PRH rents ranged from \$241 to \$3,800 per month and were inclusive of rates and management fees. While the average rent was about \$1,300 per month, rents for about two-thirds of the PRH tenants were below \$1,500. As to whether HA would consider lowering the PRH rents to alleviate the financial hardship of tenants amid the economic downturn, DD(S) reiterated that PRH was heavily subsidized by the Government, and HA should ensure the prudent use of public resources.

12. Given that the total eligible WL applicants would be decreased consequent upon the proposed reduction of WL income and asset limits, Mr LI asked whether the average waiting time for PRH could be shortened accordingly. DD(S) advised that the Government was committed to maintaining the average waiting time for PRH at three years. Applicants who did not have strong preference for particular districts or locations might be offered PRH within a short time upon completion of the vetting procedures.

13. Mr Albert HO remained of the view that it was inappropriate for HA to reduce the WL income and asset limits amid the economic downturn. In this connection, Mr HO proposed and Mr Frederick FUNG and Mr Fred LI seconded the following motion -

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“That this Panel requests the Housing Authority not to adjust the Waiting List income and asset limits this year given that the Government is going to put forward a series of proposals to increase public fees and charges this year which will aggravate the burden of the general public.”

The motion was put to vote. Of the members present at the meeting, nine vote for the motion and four voted against it. The motion was carried. The Chairman instructed that the motion be conveyed to the Administration.

(*Post-meeting note* : A letter on the motion was issued to the Administration on 18 March 2003.)

V. Disposal of overhung Home Ownership Scheme flats

(LC Paper No. CB(1) 1129/02-03(04) — Paper provided by the Administration)

14. Referring to the statement on housing policy announced by the Secretary for Housing, Planning and Lands (SHPL) in November 2002, Mr Fred LI expressed grave concern that the Administration had failed to take into account the dire consequences arising from the decision to cease HOS production and sale. By way of illustration, the immediate suspension of HOS sale had seriously affected the business of retailers at partially occupied HOS courts. Mr LEUNG Yiu-chung echoed that the moratorium on HOS production and sale had not only failed to prop up the property market but also caused severe financial loss to the Government. He also queried the basis upon which the disposal arrangements for the overhung HOS flats were arrived at. SHPL responded that the objective of the statement was to let all stakeholders and the general public have a clear understanding on the general direction of the housing policy. As regards the disposal arrangements, these had been worked out by the task force after discussion with relevant government bureaux/departments and other interested parties and taking in account legal considerations and views of those owners of the sold flats in the same development.

Disposal arrangements

15. On *individual unsold/returned flats in HOS blocks and unsold blocks in partially occupied/sold HOS courts*, Mr Fred LI and Mr LEE Cheuk-yan supported the sale of these flats Green Form (GF) applicants. Mr LEE added that if there were insufficient GF applicants, consideration should be given to selling these flats to White Form applicants. Mr Abraham SHEK was however opposed to the sale of these flats as this was at variance with the Government’s pledge to withdraw from the property market in order to redress the balance in the market. He opined that the Administration might consider using these flats as Government departmental quarters or PRH. SHPL explained that under existing land grants, these flats could only be used for HOS purposes only. Any changes to other uses were difficult, if not possible, as such changes would involve modification of the land grants which would require

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unanimous agreement of individual owners of the sold flats in the same development. As such, it would not be realistic to dispose of these flats other than under HOS to GF applicants in small batches. Not convinced of the Administration's explanation, Mr SHEK remained opposed to this option.

16. On *unsold HOS/Private Sector Participation Scheme (PSPS) developments completed or under construction*, Mr Frederick FUNG considered it unreasonable and inappropriate for the Administration to modify the leases for the two PSPS projects, viz. Hunghom Peninsula and Kingsford Terrace in Ngau Chi Wan, to enable the developers concerned to sell the flats in the open market as a sudden surge in flat supply would run contrary to the Administration's pledge to stabilize the market. In this connection, Mr FUNG opined that HA should continue nominating eligible purchasers to buy these flats. This would not upset the private property market while meeting the housing needs of the low-income group. In reply, SHPL reiterated that under the current moratorium, no subsidized ownership flats would be sold under HOS nor PSPS. As the lands on which the PSPS projects were built had already been granted to the developers who also owned the commercial facilities and carpark spaces serving the developments, negotiations with the developers concerned were underway to modify the leases to enable them to sell the flats in the open market. To facilitate members' understanding, the Administration was requested to provide the detailed financial arrangements arising from negotiation between the Government and the developers on lease modifications.

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17. As regards the proposed sale of overhung HOS flats to HS for rehousing purposes, Mr Abraham SHEK and Mr Tommy CHEUNG expressed concern that HS might use the HOS flats to rehouse its residents concerned in order to redevelop their own flats for sale. DD(S) considered that would not be the case as HS had also been asked to halt the sale of their subsidized home ownership flats. The Housing Department was discussing with HS regarding the exact terms of the proposed sale of Tung Tao Court in Aldrich Bay to HS. Mr LEE Cheuk-yan opined that the Administration should provide for members' reference the financial arrangements reached between the Government and HS. He also asked if consideration would be given to using the overhung HOS flats for rehousing residents affected by urban renewal. DD(S) advised that the option of using surplus HOS flats for urban renewal purposes had been discussed with the Urban Renewal Authority (URA) which indicated that as the number of units required for urban renewal projects was small and the locations of the HOS flats might not meet the specific requirements of affected tenants, this option was unlikely to be attractive to families affected by URA projects. She nevertheless assured members that the Administration would revisit this option should URA show any interest in future.

18. Mr Abraham SHEK supported the use of overhung HOS flats to re-provision some of the existing Government departmental quarters (DQs) of disciplined services. Mr Fred LI sought elaboration on the detailed arrangements, including the basis upon which HOS flats would be selected as DQs for different disciplined forces. Mr LEE Cheuk-yan also enquired about the financial arrangements between the

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Government and HA. SHPL responded that the proposal would be a one-off exercise for re-provisioning purpose. HA was still discussing with the Financial Services and the Treasury Bureau, the Government Property Agency and other relevant bureaux/departments on the proposal with a view to reaching an agreement and finalizing the details of the arrangement.

19. While welcoming the proposal of using overhung HOS flats as guesthouse for Mainland tours or groups as this would provide an alternative choice of accommodation to meet the demand which was expected to increase after the opening of the Hong Kong Disneyland, Mr Howard YOUNG opined that consideration should be given to using the whole HOS blocks/projects for that purpose to avoid management problems. He also stressed the need for the Administration to take into account the sentiment of the hotel trade, which might not welcome the proposal lest this would affect their business, before reaching a final decision. Mr Abraham SHEK however found the option not acceptable as this might give the public an impression that the Government was competing unfairly with the private sector given that the converted HOS flats might not be subject to land premium. Besides, the proposal was also at variance with the “big market, small government” principle. Expressing similar concern, Mr LEE Cheuk-yan considered it inappropriate to use public housing resources for commercial purposes. Moreover, the proposal would reduce the need for new hotels which would in turn affect the employment opportunities.

20. In reply, SHPL clarified that the guesthouses were not to be operated by the Government. It was just that a number of interested parties had expressed interests in using some of the overhung HOS blocks/projects as guesthouses for Mainland tours or groups. The Administration was now considering the viability of this option taking into account factors such as legal matters concerned and no firm commitment had been made. However, should the Administration decide to try out this option, an open exercise to invite expression of interest from all interested parties would be conducted to ensure impartiality. Efforts would also be made to minimize the impact of the proposal on the hotel industry.

21. Mr Abraham SHEK considered the proposed use of HOS flats as guesthouses to be an Government intervention which was not conducive to the development of hotels and service apartments. He strongly supported the proposal on conversion of overhung HOS flats to PRH use to meet the demand of those in genuine need of housing on the one hand and to reduce the average waiting time for PRH on the other. Mr LEE Cheuk-yan echoed that the proposed conversion was the most preferred option for the disposal of overhung HOS stock. Apart from Hui Lam Court in Sau Mau Ping, he asked if other projects such as Yau Mei Court, Ko Cheung Court or Kwai Chung Phase 7 would be converted to PRH. Mr Fred LI also opined that more HOS flats should be converted to PRH for overcrowding relief with a view to improving the living conditions of these families.

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22. While agreeing that the proposed conversion was the most straight forward and simplest way to dispose of the overhung HOS flats, SHPL pointed out that as the layout and design of HOS were different from that of PRH, the rentals for the converted HOS flats would be higher than that of the average PRH units. Notwithstanding, consideration was being given to offering these converted flats for overcrowding relief purpose. Mr Tommy CHEUNG opined that these converted flats could be offered to better-off tenants who could afford higher rents. This could also enable the vacation of some smaller PRH units for reallocation to WL applicants, thereby further reducing the average waiting time. Given the pending court case against the domestic rent policy of HA, SHPL advised that issues relating to PRH rents could only be considered after the conclusion of the court case.

23. Mr Howard YOUNG said that the Administration should revisit the proposal of using overhung HOS flats as small houses for eligible indigenous villagers. As it would take time to resolve many fundamental issues regarding the small house policy, SHPL advised that the proposal was not a timely disposal option for the overhung HOS flats.

24. The Chairman remarked that Members of the Democratic Alliance for Betterment of Hong Kong supported in principle the various disposal options for the overhung HOS flats. These options should be implemented as soon as possible since further delay would incur greater loss of public money. SHPL noted members' views.

VI. Any other business

25. There being no other business, the meeting ended at 12:50 pm.

Council Business Division 1
Legislative Council Secretariat
23 April 2003