

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 577/02-03  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing and  
Panel on Planning, Lands and Works**

**Minutes of joint meeting held on  
Friday, 15 November 2002, at 4:00 pm  
in the Chamber of the Legislative Council Building**

**Members present** : Members of the Panel on Housing

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 CHAN Yuen-han, JP  
Hon LEUNG Yiu-chung  
Hon SIN Chung-kai  
Hon Howard YOUNG, JP  
Dr Hon YEUNG Sum  
Hon SZETO Wah  
\*Hon Abraham SHEK Lai-him, JP  
Hon Tommy CHEUNG Yu-yan, JP  
\*Hon Albert CHAN Wai-yip  
Hon Frederick FUNG Kin-kee  
\*Hon IP Kwok-him, JP

Members of the Panel on Planning, Lands and Works

Dr Hon TANG Siu-tong, JP (Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Ir Dr Hon Raymond HO Chung-tai, JP  
Hon WONG Yung-kan  
Hon Timothy FOK Tsun-ting, SBS, JP

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**Non-Panel Members attending** : Hon Mrs Selina CHOW LIANG Shuk-ye, JP  
Hon Emily LAU Wai-hing, JP

**Members absent** : Members of the Panel on Housing

\*Hon James TO Kun-sun  
Hon Andrew WONG Wang-fat, JP  
Dr Hon LO Wing-lok  
\*Hon WONG Sing-chi

Members of the Panel on Planning, Lands and Works

Hon LAU Ping-cheung (Deputy Chairman)  
Hon LAU Wong-fat, GBS, JP  
Hon CHOY So-yuk  
Hon TAM Yiu-chung, GBS, JP

(\* Also members of the Panel on Planning, Lands and Works)

**Public officers attending** : Housing, Planning and Lands Bureau

Hon Michael SUEN, GBS, JP  
Secretary

Mr C M LEUNG, JP  
Permanent Secretary (Housing)

Mr John TSANG, JP  
Permanent Secretary (Planning & Lands)

Ms Elaine CHUNG, JP  
Deputy Secretary (Housing)1

Mr Marco WU, JP  
Deputy Secretary (Housing)2

Mr Gary YEUNG  
Principal Assistant Secretary (Planning & Lands)

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

**Staff in attendance** : Ms Pauline NG  
Assistant Secretary General 1

Mrs Mary TANG  
Senior Assistant Secretary (1)2

Miss Mandy POON  
Legislative Assistant 4

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## **I. Election of Chairman**

Nominated by Dr TANG Siu-tong and seconded by Mr Fred LI, Mr CHAN Kam-lam was elected Chairman of the joint meeting.

## **II. A statement on housing policy**

(LC Paper No. CB(1) 301/02-03(01) — A statement on housing policy by Secretary for Housing, Planning and Lands)

2. Ms Emily LAU commended the Secretary for Housing, Planning and Lands (SHPL) for informing the Legislative Council (LegCo) of important housing policy decisions prior to announcement to the public. She hoped that the Administration would continue with this practice in future. Mr NG Leung-sing also expressed appreciation that SHPL had notified the Housing Authority (HA) before announcing his statement to LegCo.

3. Noting that there had been a lot of speculation over the measures to be introduced to stabilize the property market, and that some of them had turned out to be quite true, Ms Emily LAU questioned if this was a result of leakage of information or a deliberate attempt of the Administration to test public response. SHPL clarified that this was not the case. As he had consulted widely on various options, some of the discussions might have been picked up by the media.

4. Mr David CHU regretted that the Administration had declined to admit the shortcomings of its past housing policies. The measures were indeed a clear indication of the need for rectification. On the Administration's decision to maintain the mortgage ceiling of 70%, Mr CHU asked if such a decision was made on the assumption that there would be a further downward adjustment of property prices by 30%. SHPL said that the Secretary for Financial Services and the Treasury had earlier explained in detail the need for maintaining the ceiling at 70%. The Administration had to look at the matter from a macro-economic point of view, particularly on the impact on the banking sector.

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5. Mr YEUNG Sum opined that the instability of the property market stemmed from the wavering housing policy as illustrated by the various changes in the Home Ownership Scheme (HOS) from suspension to cessation of production and sales of HOS flats. To regain public confidence in the property market, a more consistent housing policy was required. SHPL said that the objectives of the statement he made on 13 November 2002 were to rationalize the various housing targets, strategies as well as measures, and to let all stakeholders have a clear understanding on the role of the Government in respect of housing. Opportunity was also taken to review the overall housing policy with a view to adjusting measures to meet the present day demand and dispensing with those which were targeted to meet specific needs in the past but were no longer appropriate to the current situation.

Land supply

6. Ms Emily LAU expressed concern that the measures which aimed to stabilize the property market would do more harm than good as surge in property prices would reduce the competitiveness of Hong Kong, thereby affecting the economy as a whole. She added that the public would not have confidence in the property market unless there was a consistent policy on land supply. Given that the property sector was a major pillar of the economy, SHPL pointed out that the drop of over 65% in property prices from the peak in 1997 had serious adverse impacts on the economy of Hong Kong. To restore confidence in the property market, it was necessary to address problems associating with negative equity. Ms LAU however cautioned that the high property prices before 1997 had adversely affected many people. She then enquired about the rise in property prices which the Government would expect through the introduction of the said measures. Mr Fred LI also asked whether property prices would be used as a yardstick to assess the efficacy of these measures. SHPL said that he would not comment on property prices which should be determined by market forces. The important point was to make it clear that Government would not intervene in the property market.

7. While the Government had decided to stop scheduled land auctions and suspend the Application List until 2003, Dr TANG Siu-tong noted that private developers could still make use of their land reserves for flat production through lease modification and land exchange. Mr Albert CHAN echoed that during the suspension of land sales from June 1998 to March 1999 and moratorium on HOS sales from September 2001 to June 2002, about 65 and 100 hectares of land had been approved for residential use through land exchange respectively, which were far more than the limit of 50 hectares of new land that were allowed to be granted for development each year. The lack of control on lease modification and land exchange had enabled major developers who had large land reserves to monopolize the property market, leading to unfair competition. It had also resulted in over supply of private flats as a result of decreasing demand.

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8. In response, SHPL pointed out that applications for land exchange would have to be approved by the Town Planning Board (TPB) in accordance with an established statutory mechanism which included a public objection process. Upon approval by TPB and payment of land premium, developers concerned would have to proceed with the development according to the approved plans and the timeframe provided in the building covenant. They were not allowed to postpone their development indefinitely without reasons. As such, the alleged monopolization of the property market by major developers through lease modification and land exchange should not arise. Statistics showed that the completed lease modification and land exchange cases in 2001/02 and during the period from April to June 2002 involved about 9,000 and 800 flats respectively. This showed a slow down in lease modification/land exchange activities in the current year reflecting the general market sentiment. As regards Dr TANG's question on the number of private flats to be produced through lease modification and land exchange during the current suspension of land sales, SHPL said that such information was not available as private flat production was a commercial decision to be taken by individual developers.

9. Mr Albert CHAN held the view that the suspension of land sales was aimed at helping large developers to dispose of their excessive flat stock rather than assisting home owners with negative equities. He opined that if it was the Administration's intention to contain flat production with a view to stabilizing the property market, consideration should be given to limiting the number of flats produced through lease modification and land exchange to a level not exceeding the previous year. Mr Frederick FUNG echoed that the measures were meant to help dispose of the 60 000 private flats produced over the past years. Given that the over-supply of flats was a misjudgement on the part of private developers, there was no reason why the Government and the public should bear the consequences. He cautioned that the moratorium on land sales would not only cause a loss of revenue of \$20 billion, which would in turn aggravate the fiscal deficit, lead to tax increases and further reduce welfare expenditure, but also affect those small developers who did not have land reserves. SHPL said that the estimated loss of \$20 billion was based on the assumption that all the land available for sale were sold. This was not the case in reality as a lot of land available for sale had remained unsold. Mr Abraham SHEK agreed that as the moratorium was on the sale of Government land, this should not have any effect on lease modification and land exchange applicable to private land. Not being given the chance to put forward his further arguments on the subject, Mr CHAN requested to put down his dissatisfaction in the record.

10. Mr Tommy CHEUNG said that Members of the Liberal Party welcomed the measures adopted by the Administration in stabilizing the property market. While supporting the measures which served as a clear indication of the Government's non-interventionist policy in the residential property market, Mr Abraham SHEK questioned the Government's role in the commercial property market as illustrated in the development of Cyberport and Science Park. In reply, SHPL considered it more appropriate to follow up the issue at another forum as this fell outside the scope of the subject under discussion.

### Railway land

11. Given the autonomy of the two railway corporations, particularly the Mass Transit Railway Corporation (MTRC) which was a listed company, Mr Albert HO queried how the Administration could possibly exercise control on the development rights of railway related properties. Mr Tommy CHEUNG also asked if it was the Administration's policy to rescind the rights of the two railway corporations in developing railway-related properties in future. SHPL explained that Government had already granted to the railway corporations concerned the development rights of those railway-related properties under construction. While respecting the autonomy of the two railway corporations, the Administration would step up liaison with them so as to better co-ordinate the tendering of the development projects concerned. This would facilitate an orderly disposal of flats in the market. Meanwhile, with the agreement of the railway corporations, no railway-related property projects would be put up for tender in the coming year.

12. Responding to Mr Abraham SHEK on the latest development of housing projects relating to the West Rail, SHPL said that some 24 000 units would be produced by the Kowloon and Canton Railway Corporation (KCRC) along the West Rail. In response to Mr Abraham SHEK's enquiry, the Principal Assistant Secretary (Planning & Lands) said that the West Rail was a joint venture project between KCRC and the Government. The sale proceeds, after deducting the relevant costs, would be returned to the Government. The development rights of the West Rail project had been granted to KCRC and the tendering process would normally commence after agreement on the land premium was reached between KCRC and the Lands Department. As regards future funding arrangements for the timely delivery of railway projects, SHPL said that this had yet to be decided by the relevant bureaux. Injection of Government capital to finance railway projects would be one of the options to be considered.

### Public rental housing (PRH) construction programme

13. Mr YEUNG Sum asked if consideration could be given to increasing the supply of PRH from 25 000 to 35 000 per year to further reduce the average waiting time for PRH on the one hand and to provide early relief for overcrowded families on the other. SHPL advised that as there was an overhang of about 20 000 HOS flats, a working group had been set up to explore how this could be done without affecting the private property market. One of the possible ways was to allocate these HOS flats to overcrowded families. The Administration would also review the PRH production programme annually to ensure that the average waiting time for PRH was maintained at an average of three years as pledged. As such, there was no need to increase the supply to 35 000 per year. In response to Mr Tommy CHEUNG's enquiry about the timetable of the working group, SHPL said that the working group would endeavour to complete its work as soon as practicable, preferably by mid-2003. While agreeing to the need to stabilize the property market, Dr YEUNG opined that the Government

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should not overlook the needs of low-income families living in overcrowded conditions.

14. Mr Albert HO held the view that the supply of 25 000 PRH flats was insufficient to meet demand arising from squatter clearances and overcrowding relief. He opined that the decrease in PRH supply, coupled with the reduction of income and asset limits and halting of sale of PRH under the Tenants Purchase Scheme (TPS), would force more low-income families to buy properties in the private sector and would, in the end, sacrifice their interests. Expressing similar concern, Miss CHAN Yuen-han queried whether the proposed supply of PRH would be able to meet the increasing demand arising from redevelopment, rooftop and cottage clearances and those who could no longer afford private housing amid the economic downturn. SHPL said that the Administration was committed to providing subsidized rental housing to families with genuine need. At present, about one-third of the population in Hong Kong were living in 670 000 PRH flats. The annual production of about 25 000 PRH flats together with those vacated by better-off tenants would be sufficient to meet the anticipated demand. To assist low-income families to achieve home ownership, a Home Assistance Loan Scheme would be introduced and the quota of which would be regularly adjusted to take account of actual demand and HA's resources. In future, public housing programmes would be geared towards meeting the needs of low-income families according to demand. As such, a pre-determined flat production target was not required.

15. Responding to Mr NG Leung-sing's question on the need for a mechanism to determine the overall share of public housing in the property market, SHPL advised that a housing demand model would be used to project flat requirement in the coming years so that sufficient land could be reserved. A rolling housing programme would be put in place to adjust flat production according to changing circumstances. Mr NG asked if consideration would be given to imposing a fixed-term tenure for PRH, renewal of which would be subject to eligibility test. SHPL said that the subject had been under discussion by HA and no consensus had been reached. As the proposed fixed-term tenure would represent a major change to the PRH policy which had been in existence for 50 years, this had to be carefully examined in the light of present situation.

16. Given that the sale proceeds of HOS constituted the major income of HA, Mr LEUNG Yiu-chung was concerned that HA would increase PRH rent to make up the shortfall as a result of cessation of HOS production. SHPL said that under the Housing Ordinance (Cap. 283), any determination of variation of rent by HA should not exceed the prescribed limit of overall median rent-to-income ratio of all PRH of 10%. He added that he was not able to further comment on the subject given an impending court case against HA's rent policy. The Administration would decide on the need for review of the rent policy taking into account the outcome of the court case.

### Home Ownership Scheme

17. Miss CHAN Yuen-han did not agree that there was an overlap between HOS and private residential market. She pointed out that HOS flats were sold at discounted prices and owners would have to pay a premium before sale of their HOS flats in the open market. Private flats however were beyond the affordability of low-income families even with the provision of Home Assistance Loan Scheme. Besides, there was an immediate surge in property prices consequent upon the announcement of the measures to stabilize the property market. Mr LEE Cheuk-yan echoed that the cessation of HOS production would force those families with income between \$17,000 and \$18,000 to buy flats in the private sector. This would inevitably affect their living standards as they would have to spend more on housing and less on other daily needs. Given that flat supply had been decreasing, he failed to see the need for a total cessation in HOS production.

18. In response, SHPL reiterated the Government's intention to rescind from its involvement as property developer and radically reduce its share in the overall property market. The cessation of HOS production was to avoid unfair competition between HOS and private residential market where there was an abundant supply of flats ranging from below \$1 million to \$2 million. Apart from the Home Assistance Loan Scheme, the Administration would also provide rental allowance to enable families to rent flats in locations of their choice. He stressed that home ownership should be a matter of personal choice and affordability.

19. Mr SIN Chung-kai cautioned that without the sale proceeds of HOS, HA would have to subsidize PRH production using its capital reserve of \$30 billion, which would be depleted in three or four years' time. He asked how the Administration could ensure the continuous operation of HA. SHPL said that the Government had all along been subsidizing HA through the provision of concessionary land grants for production of HOS for sale to eligible buyers. The sale proceeds of HOS were ploughed back to finance the operation of HA. Consequent upon the cessation of HOS, the Government would discuss with HA on both short and long-term financial arrangements as set out in the Review of the Institutional Framework for Public Housing published in June 2002. As to whether the Administration would inject funds to HA to finance PRH production, SHPL said that he could not disclose further details as discussion on the financial arrangements was still underway.

20. Mr LEE Cheuk-yan expressed concern about the effect of cessation of HOS production on the employment of construction workers. SHPL advised that flat production would continue despite the cessation of HOS production. With the withdrawal of Government from the property market, private developers would take up the responsibility of flat production and would employ construction workers in their production process.



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Mixed development schemes

21. Mr NG Leung-sing enquired about the difference in development value for projects developed solely by private developers and jointly by the Housing Society (HS) and HA in collaboration with private developers under the mixed development schemes. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) said that while the values of the two existing mixed development projects had yet to be assessed, it was expected that more economic gains could be realized if private developers were accorded with sole development rights. By way of illustration, it was estimated the value of the redevelopment project of North Point Estate could rise from \$4.6 to \$6 billion, representing an increase of 30%.

Tenants Purchase Scheme

22. Mr IP Kwok-him asked if TPS flats unsold from the previous phases would be put up for sale despite the suspension of TPS. PSH advised that except for PRH estates that were already sold and in Phase 6, which was to be launched next year, the sale of PRH flats under TPS would be halted. As regards the remaining 35% unsold PRH flats under the previous phases of TPS, PSH said that they would continue to be put up for sale although the chances of them being sold were slim given that eligible tenants concerned were mostly elderly or those on welfare.

**III. Any other business**

23. There being no other business, the meeting ended at 5:47 pm