

# 立法會

## *Legislative Council*

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### **Report of the Panel on Housing for submission to the Legislative Council**

#### **Purpose**

This report gives an account of the work of the Panel on Housing during the Legislative Council session 2002-03. It will be tabled at the meeting of the Council on 25 June 2003 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

#### **The Panel**

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to private and public housing matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 22 members, with Hon CHAN Kam-lam and Hon Albert HO Chun-yan elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is at **Appendix II**.

#### **Major Work**

##### Institutional framework for public housing

4. Following the implementation of the new Accountability System of Principal Officials in the Government, a re-organization of the former Housing Bureau and Housing Department (HD) into a single organization took place. The new organization would respond through the Permanent Secretary for Housing, Planning and Lands to the Secretary for Housing, Planning and Lands (SHPL) and continue to serve as the executive arm of the Housing Authority (HA). The re-organization would result in a net saving of four directorate posts and staff cost of \$25.98 million. When the Panel was briefed on the proposal on 4 November 2002, members generally

welcomed the re-organization but pointed out that there was room for further streamlining in the directorate establishment. Consideration should also be given to clarifying the role of the new housing organization after HA became an advisory body.

### Public housing policy

5. The unclear and wavering housing policy had all along been the major concern of the Panel. Members therefore welcomed the statement delivered by SHPL on 13 November 2002 which aimed to rationalize the various housing targets, strategies as well as measures, and to let all stakeholders to have a clear understanding on the role of the Government in respect of housing. However, there were divergent views on the measures adopted by the Administration, particularly in respect of the suspension of all scheduled land auctions for the financial year 2002-03 and cessation of the Home Ownership Scheme (HOS). Some members considered that these measures would serve as a clear indication of the Government's non-interventionist policy in the residential property market, which in turn would help stabilize the property market. Others cautioned that such measures 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. The cessation of HOS production would force the low-income families to buy flats in the private sector, which would inevitably affect their living standards as they would have to spend more on housing. Moreover, without the sale proceeds of HOS, HA would have to subsidize the production of public rental housing (PRH) using its capital reserve of \$30 billion, which would be depleted in three or four years' time. Concern had also been raised that the supply of 25 000 PRH units was insufficient to meet the demand arising from redevelopment, rooftop squatter clearances and overcrowding relief.

### Subsidized home ownership schemes

6. The disposal arrangements for the overhung HOS flats as a result of the suspension of HOS production and sales was discussed at the Panel meeting on 18 March 2003. On individual unsold/returned flats in HOS blocks and unsold blocks in partially occupied/sold HOS courts, some members supported the proposed sale of these flats to Green Form applicants while others considered it at variance with the Government's pledge to withdraw from the property market. On HOS/Private Sector Participation Scheme (PSPS) developments completed or under construction, members held the view that it was unreasonable and inappropriate for the Administration to modify the lease of PSPS projects to enable the developers concerned to sell the flats in open market as a sudden surge in flat supply would run contrary to the Administration's pledge to stabilize the property market. While supporting the proposed sale of overhung HOS flats to the Housing Society (HS) for rehousing purposes, efforts should be made to ensure that HS would not use the redeveloped site for profiteering. There were also divergent views on the use of overhung HOS blocks/projects as guesthouses. Some members welcomed the proposal 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. Others considered it a Government intervention which was not conducive to the development of hotels and service apartments. The proposal might reduce the need for new hotels which would in turn affect employment opportunities. Members however unanimously agreed to the proposed conversion to PRH which was the most straight forward and simplest way to dispose of overhung HOS flats.

7. Members supported in principle the introduction of the new Home Assistance Loan Scheme (HALS) to replace the Home Purchase Loan Scheme and the Home Starter Loan Scheme since the co-existence of these schemes with different repayment terms and eligibility criteria had given rise to confusion. According to the Administration, 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. While agreeing that loan finance was more flexible, some members pointed out that it could not completely replace HOS which had enabled the Administration to make timely adjustments to market fluctuations, particularly in the event of a booming 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. Given the stringent financial situation of HA, question had been raised on whether HA could provide the interest-free HALS on a continuous basis. To this end, consideration should be given to providing interest-bearing loans to HALS recipients so that the interest generated could be used to assist more eligible applicants.

#### Public rental housing

8. Having regard to the plight of overcrowded families, particularly those which had become overcrowded after their children grew up, the Panel urged the Administration to seriously consider relaxing the space standard for overcrowding relief (OR). Members were of the view that the existing policy on OR was too rigid and unjustified given the discrepancy in space allocation standard between PRH and OR. Such a discrepancy might give rise to social disharmony. In this connection, a scoring system should be adopted taking into account the living density and waiting time of eligible households in determining their priority for OR. Apart from the centralized, territory-wide OR exercises, consideration should be given to providing OR in individual estates to cater for the needs of eligible households. It was also suggested that overhung HOS flats be converted to PRH in order to expedite the pace of OR.

9. The incidents involving falling parts from three security doors at block entrances of public housing estates had aroused public concern on the effectiveness of estate maintenance and management, particularly for estates managed by Property Services Companies (PSCs). As existing service contracts for PSCs were inclusive of maintenance cost, PSCs might deliberately procrastinate the maintenance work or

lower the service standards in order to make the most profit out of the contracts. The Panel considered it necessary for HD to monitor and supervise the performance of its contractors, including PSCs, particularly after the recent outbreak of Severe Acute Respiratory Syndrome (SARS) when additional cleansing work was required. Non-performing PSCs should be subject to disciplinary actions. Consideration should also be given to involving residents to monitor the performance of PSCs.

10. Consequent upon the outbreak of SARS, a Team Clean under the chairmanship of by the Chief Secretary for Administration was set up in early May 2003 to establish and promote a sustainable and cross-sectoral approach to improve environmental hygiene in Hong Kong. The Panel was briefed in June 2003 on the cleanliness initiatives to improve personal, home and community hygiene in public housing estates. These initiatives included the introduction of a marking scheme under which tenants with penalty points up to a prescribed level would face tenancy termination. Members however pointed out that it might not be fair to hold tenants liable for hygiene offences committed by individual family members and those committed as a result of inadequate facilities provided by HD. They also cautioned that PCSs would have difficulty in controlling illegal hawking activities in public housing estates as they were not empowered with the statutory power to take enforcement actions.

#### Review of income and asset limits for public housing applicants

11. In March 2003, the Panel was briefed by the Administration on a proposal to reduce the income and asset limits for applicants on the Waiting List (WL) for PRH. Based on the movements of the Consumer Price Index and rental levels in the private market, the Administration proposed to reduce the WL income and asset limits by 3.8% and 5.1% respectively. In this connection, members cast doubt on the mechanism for adjusting the limits which failed to take into account all the recommendations put forward by the Panel last year. By way of illustration, HA had only included a 5% instead of a 10% contingency allowance in calculating the WL income and asset limits. As the implementation of the Hospital Authority's accident and emergency charge had already undermined social stability, the proposed reduction of the WL income and asset limits would further aggravate the situation as many people would be forced outside the safety net of PRH. Members however also noted that the low income group was not the only sector which suffered from the economic slump, and that there was a need to ensure prudent use of public money for purposes such as housing subsidies. In view of the huge deficit of HA, members agreed to adhere to the formula for adjusting the WL income and asset limits. Notwithstanding, the Panel passed a motion urging HA not to adjust the WL income and asset limits for 2003-04 given that the Government was going to put forward a series of proposals to increase public fees and charges this year which would aggravate the burden of the general public.

### Measures to relieve the financial hardship of owners under the Sandwich Class Housing Scheme

12. Concern had been raised on the sale of top-up loans under the Sandwich Class Housing Scheme (SCHS) to the Hong Kong Mortgage Corporation (HKMC) by HS. While acknowledging that HKMC was prepared to offer a full range of relief measures such as extension of loan tenor, allowing repayment of interest only or reduction in repayment amount for an agreed period of time, some members held the view that the proposed debt restructuring only served as a short-term solution, and that long-term measures such as an across-the-board reduction of the interest rate for the top-up loans would be required to alleviate the financial burden of loan recipients. For those loan recipients who had rescinded their mortgage contracts, consideration should be given by HS to rehousing them to rental housing flats so that they would not be rendered homeless.

### Security of tenure

13. In the light of the sufficient supply of flats, falling rentals for private housing and adequate and affordable public housing, the Administration put forward proposals to remove security of tenure provisions in the Landlord and Tenant (Consolidation) Ordinance (Cap. 7) (LTO) to reduce Government intervention where appropriate. Concern had been raised that the proposed relaxation might drive up rents in the private sector, thereby unduly affecting the underprivileged groups, particularly elderly singletons, dwellers living in cubicles and bedspace apartments and those with chronic illness, who might have difficulties in finding suitable alternative accommodation. There were also divergent views on the different options for relaxing the security of tenure provisions. In this connection, consideration should be given to amalgamating the essential features of various options. In view of the far-reaching implications of the proposed relaxation, members urged the Administration to take into full account the views received before reaching a decision on the option to be adopted.

### Policy on single-operator markets

14. Question had been raised on the efficacy of single-operator markets given the many complaints against Single Operators from stall-holders. These complaints included high stall rents and unreasonable tenancy conditions such as prohibition of the setting up of stall-holder unions etc. It was also noted that Single Operators failed to pass on rent concessions granted by HA to stall-holders in entirety. While acknowledging that efforts were being made by HD to rationalize the commercial relationship between Single Operators and stall-holders, members urged HA to conduct an overhaul of the policy on single-operator markets. Instead of letting an entire market to a single tenant, consideration should be given for HD to outsource the management of the market while maintaining its role as landlord in the letting of market stalls. This would ensure that stall-holders in all HA's markets would be treated equally.

Law Reform Commission's report on local completed residential properties

15. The report covered completed residential properties offered for sale not only by developers in the first-hand market but also those offered for sale by private vendors in the second-hand market. On the general approach to the second-hand market, members generally welcomed the introduction of a Vendor's Information Form. However, concern had been raised that vendors, particularly those of vendors of very old flats, might have difficulties in providing accurate details of their properties as there was no requirement for developers to disclose such information then. Some members also considered the proposed cooling-off period of three working days for both the vendor and the purchaser in the sale of second-hand completed flats too short. On the general approach to the first-hand market, members held the view that developers should be required to specify the defect liability period for individual items in the sales brochures. Preliminary agreement should contain standard provisions in relation to Deed of Mutual Covenant. Consideration should also be given to standardizing the definitions for saleable and usable area for reference of both the construction industry and the public to avoid confusion.

Others

16. The Panel was briefed on the Housing (Amendment) Bill on 4 November 2002. Together with the Panel on Planning, Lands and Works, members received briefings on clearance of illegal rooftop structures and rehousing policy for affected occupants, design of sewerage system of residential buildings in Hong Kong and system for pre-sale of uncompleted residential properties.

17. From October 2002 to June 2003, the Panel held a total of 14 meetings, including four joint meetings with the Panel on Planning, Lands and Works.

Council Business Division 1  
Legislative Council Secretariat  
13 June 2003

**Legislative Council  
Panel on Housing**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to private and public housing matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council  
Panel on Housing**

**Membership list**

**Chairman** Hon CHAN Kam-lam, JP

**Deputy Chairman** Hon Albert HO Chun-yan

**Members** 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 Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Dr Hon LO Wing-lok  
Hon WONG Sing-chi  
Hon Frederick FUNG Kin-kee  
Hon IP Kwok-him, JP  
Hon LAU Ping-cheung

(Total : 22 members)

**Clerk** Miss Becky YU

**Legal Adviser** Mr KAU Kin-wah

**Date** 10 October 2002