

立法會
Legislative Council

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by the Administration)

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Panel on Housing

**Minutes of special meeting
held on Thursday, 23 October 2003, at 8:30 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Albert HO Chun-yan (Chairman)
Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Howard YOUNG, SBS, JP
Hon YEUNG Yiu-chung, BBS
Hon SZETO Wah
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee

Members absent : Dr Hon David CHU Yu-lin, JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon Andrew WONG Wang-fat, JP
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Hon IP Kwok-him, JP
Hon LAU Ping-cheung

Public officers attending : Mr Michael M Y SUEN, GBS, JP
Secretary for Housing, Planning and Lands

Mr C M LEUNG, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr Gilbert KO
Assistant Director (Private Housing)
Housing Department

Mr Gary YEUNG
Principal Assistant Secretary for Housing, Planning and
Lands (Planning and Lands)

Mr Patrick LAU, JP
Director of Lands

Clerk in attendance : Miss Odelia LEUNG
Chief Assistant Secretary (1)4

Staff in attendance : Ms Sarah YUEN
Senior Assistant Secretary (1)6

Ms Christina SHIU
Legislative Assistant

Action

- I. Implementation and consolidation of housing policy**
(LC Paper No. CB(1)101/03-04 -- Fact sheet prepared by the
Research & Library Services
Division of the Legislative
Council Secretariat on measures
proposed by the Government and
different sectors of the
community to stabilize the
housing market
- (Tabled at the Council meeting on -- Statement by the Secretary for
15 October 2003) Housing, Planning and Lands at
the Legislative Council on
15 October 2003 on the
Implementation and

Consolidation of Housing Policy)

The Chairman advised that this special meeting had been called to discuss with the Administration on matters relating to the statement made by the Secretary for Housing, Planning and Lands (SHPL) on the implementation and consolidation of housing policy (the Statement).

General comments

2. Mr CHAN Kam-lam commented that the measures highlighted in the Statement largely focused on tackling the imbalance of supply and demand of private property. In reply to him on measures to restore confidence of the public and investors in the property market, SHPL said that confidence in the property market was affected by many factors, including economy, which as recently reported by the Financial Secretary was gradually recovering. It had been the stated Government housing policy to minimize its intervention in the property market by withdrawing from the role of property developer. In the longer term, the Home Assistance Loan Scheme, which was also a form of market intervention and constituted a financial burden on HA, would also be phased out. The effect of the various measures to stabilize the property market would take time to be seen. The Administration believed that a clear and consistent housing policy on the part of Government would help restore confidence in the property market in the long run.

3. In response to Mr CHAN Kam-lam's enquiry on any intention to reduce the stamp duty on property transactions, SHPL advised that stamp duty was a major source of income for the Government. Moreover, the Administration considered that the impact of reducing stamp duty on the property market would be minimal. Under the present law, the stamp duty for properties valued between \$1 million and \$2 million was charged at a rate of 0.75% of the transaction price, and should not pose a heavy burden on the purchasers concerned. As for luxury properties, purchasers should have no problem shouldering a higher rate of stamp duty.

4. In response to the Chairman on the production of residential flats by private developers, SHPL said that based on the existing available information on projects under construction, it was anticipated that the supply of new flats would be over 20 000 in both 2004 and 2005 and decreased to around 10 000 in 2006 and only about 4 000 in 2007. The actual number to be supplied, however, would be decided by the market as developers would assess for themselves when and how many flats should be offered for sale.

Railway land

5. Mr CHAN Kam-lam was concerned that the rescheduling of the property development projects of the two railway corporations, especially those along the West Rail, would affect the passenger flow of the railways concerned and hence the incomes of the two railway corporations. He urged the Government to consider

arranging exchange of land owned by property developers with railway land so that the property developments along the railway lines could go ahead as originally scheduled to the benefit of all parties concerned. The Chairman also expressed concern that the fares for journeys along the West Rail might also need to be pitched at a higher level because of a lower number of passengers.

6. In response, SHPL clarified that it was the two railway corporations' own decision to orderly dispose of their property developments according to market conditions, taking into account their railway commissioning programme as appropriate.

Government land supply

The Application List

7. Mr NG Leung-sing sought to confirm if land auctions would continue to be stopped and the supply of new land would only be triggered from the Application List. In his view, if this was the case, there would not be sufficient flexibility to respond to changes in the property market. He was also concerned about the certainty and transparency of the Application List System.

8. In response, SHPL confirmed that land would only be made available in future through the Application List System. He elaborated that under the System, any developer interested in any of the sites on the List might submit an application to the Government offering a minimum price that it pledged to pay for the site. If the Government considered the minimum price offered by the applicant reasonable and acceptable, the site would be put up for sale, through notice in the Gazette, by open tender or public auction, taking the offered price as the upset price and following the principle of selling the site to the highest bidder. In the event that the site could not be sold at that upset price or above in the public auction, the site would be withdrawn. The applicant's deposit would be forfeited. In response to Mr James TO Kun-sun, the Director of Lands (D of Lands) confirmed that the Government would not normally withdraw the site from sale prior to the sale date even though it subsequently considered the upset price to be on the low side. There was thus certainty and transparency in the System.

9. Mr NG Leung-sing considered it important to adopt a fair and reasonable set of criteria in deciding whether to accede to a developer's request to add a site onto the List so that all developers, big or small, could bid for the sites of their choice from the List. In response, SHPL explained that the List would be drawn up at the beginning of each year and, once announced, would not be changed. Developers could only apply for the sites on the List but could not propose other sites to be included thereon.

10. Mr James TO opined that to enhance the transparency of the System, the upset price should be disclosed before the open tender or public auction took place.

In response, D of Lands confirmed that once the minimum price was agreed and the site concerned was put up for sale under the System, a press release announcing the triggering of the site and the agreed minimum price would be issued. A notice about the sale of the site by open tender or public auction would be gazetted in three consecutive issues. As such, all those interested in the site would receive sufficient notice of the timing of sale and the upset price at the public auction.

Change of land use

11. Mr Albert CHAN was dissatisfied that in order to redress the over-supply of residential flats, the Government, on the one hand, suspended the sale of Home Ownership Scheme (HOS) flats. Private developers, on the other hand, had never stopped making application for changing land uses for residential purpose. He opined that the developers themselves were to blame for the over-supply of residential flats and urged the Government to stop approving the change of land use. The Chairman shared Mr CHAN's concern and said that while the Democratic Party supported stabilization of the property market by regulating land supply and sale of HOS flats, it considered it necessary to adopt a fair and consistent approach in this regard. He pointed out that it was unfair to small developers who, unlike large developers, did not have large land banks for conversion. He supported Mr Albert CHAN's call to stop approving applications for change of land use.

12. In response, SHPL clarified that sites held in the land banks of developers were mainly in the rural areas. Developments on those sites had to tie in with the planning intention for the area. The process involved in changing land uses took time. This included seeking approval from the Town Planning Board and Lands Department regarding the change of land use, negotiating the payment of a premium, and providing the necessary infrastructure for the developments. It would take six to seven years before construction of flats on those sites could be completed. As such, the supply of these flats would have little bearing on the present market situation.

13. The Chairman was unconvinced that the process regarding change of land use took many years to complete and sites in the land banks of developers were in remote areas. He was concerned that the continued supply of flats from conversion of land use would abort efforts to stabilize the market. In response, SHPL said that applications for change of land use generally reflected the market conditions. Such applications had slowed down in recent years. The Administration had taken all known sources of flat supply into account in estimating that flat supply would drop to only a few thousand a few years later. This was why the Application List System would be resumed from January 2004 to regulate the demand for land through market forces so as to foster a healthy and normal development of the property market. In response to members, he agreed to provide a breakdown of the number of cases approved for the change of land use to residential purposes and the number of flats involved over the past five years.

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Disposal of surplus Home Ownership Scheme flats

14. Mr Frederick FUNG Kin-kee pointed out that HOS had been generating an income of \$25 billion a year for the Housing Authority (HA) to support its public rental housing (PRH) production programme at a cost of around \$10 billion a year. He was concerned that with the cessation of the production and sale of HOS flats but without effective measures to make up for the loss of income to maintain HA's reserve, which presently stood at only slightly over \$20 billion, in one to two years' time, HA might have difficulty in maintaining its PRH production programme unless Government would inject funds into it. He considered it unfair to the Waiting List applicants if the PRH production programme was adversely affected.

15. In response, SHPL reaffirmed that the Administration would adhere to the pledge of maintaining the average waiting time for PRH at three years. He also clarified that sale of surplus HOS flats was only temporarily suspended. Sale of unsold and returned flats in partially sold/occupied HOS courts would be reviewed after 2006 and these flats could be sold as subsidized housing eventually. For completed HOS flats in unsold HOS courts or HOS flats under construction, they might be put to other suitable uses. Presently options such as use as Government departmental quarters or as guesthouses were being explored. As such, HA would eventually be able to derive income from its HOS stock. HA had been discussing with Government on its financial arrangement and any agreement reached would be reported to members in due course.

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16. Mr Frederick FUNG remained concerned that the moratorium on HOS sale would affect funding for PRH production, pointing out that the proceeds from the eventual sale of the surplus HOS flats would only generate funds for the production of about 30 000 PRH flats. He suspected that due to fund considerations, many HA projects had already been slowed down, and the redevelopment of many old estates had even been shelved. In the circumstances, there were only two options available to HA. The first option was to increase rents for both HA's residential and commercial units if HA was to continue to shoulder the responsibility for the production of PRH flats. Alternatively, the Government would take over from HA the responsibility for the production of PRH flats, leaving management of PRH flats solely to HA. However, there still remained the question of funds irrespective of which option to take.

17. In response, SHPL stressed that a lot of measures had been made to increase income and save costs of HA. Moreover, with a declining birth rate, the demand for PRH might decrease and there was a need to review the PRH production programme accordingly. In particular, the need to redevelop old estates would have to be reconsidered. In fact, some residents of old estates did not prefer redevelopment because they wanted to stay in their old flats the rents of which were low and to remain in the familiar neighbourhood. It might therefore be more appropriate to refurbish old estates instead of redeveloping them. The Government would review the PRH production programme taking into account changing

circumstances, financial considerations and views and expectations of the public. Pending the finalization of the policy, efforts were being made to better utilize resources by improving the allocation policy, including speeding up the allocation of vacated PRH units and encouraging well-off PRH tenants to move out under the double net rent or market rent policy. SHPL stressed that there were different options to increase income and save costs.

18. Miss CHAN Yuen-han opined that the moratorium on the sale of HOS flats would deprive the opportunities of low-income families to improve their living conditions. In response to her on the mechanism for evaluating when the moratorium could be lifted, SHPL stressed that unlike the past, there was now abundant supply of private flats of a small size below 600 square feet and in more remote areas. Many choices of small homes in the private market were available to low-income families. To avoid increasing overlap between the HOS and private residential market, the Government considered it appropriate to withdraw from the private property market.

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19. Mr Albert CHAN Wai-yip was dissatisfied with the suspension of sale of HOS flats, which in his view was a deliberate move to help developers rather than flat purchasers in the property slump. Highlighting that the Government had to bear the management cost and the depreciation cost of the surplus HOS flats, he considered it unfair that assistance should be given to the developers at the expense of public money. He asked for the cost incurred since 1998 for withholding the returned or unsold HOS flats from sale until the end of 2006 and not offering for sale the HOS flats which were completed or under construction. In response, SHPL undertook to provide the information, including the items of cost in the calculation.

20. The Chairman shared Mr Albert CHAN's concern about the need to bear the management cost for the surplus HOS flats, and highlighted the management problems in partially sold HOS courts. He opined that the returned or unsold HOS flats should be sold to Green Form applicants by phases before 2006, which would unlikely upset the private market. In response, SHPL emphasized that the impact of the sale of HOS flats on the private market had already been carefully examined before the Government decided to follow through the policy to cease sale of HOS flats including suspension of sale of returned or unsold HOS flats until the end of 2006.

21. Mr Albert CHAN also found it unsatisfactory that while public money was used to assist developers, little help was rendered to negative equity homeowners. According to him, on the excuse that it was not appropriate for the Government to intervene in commercial dealings, no Government agency was willing to assist the negative equity homeowners to negotiate more favourable mortgage loan repayment terms with banks to alleviate their burdens. In response, SHPL stressed that through introducing measures to stabilize the property market and hopefully to bring about a rebound, the Government was indirectly assisting negative equity

homeowners because a flourishing property market would have a positive impact in addressing the problems of negative equity. In response to Mr CHAN on the need for more direct assistance to negative equity homeowners, SHPL said that loan interest rate had dropped significantly over the past few years, alleviating the financial burdens on negative equity homeowners. Moreover, depending on the circumstances of individual cases, loan restructuring could be arranged by banks.

22. Mr Howard YOUNG said that he was open on the proposed conversion of the surplus HOS flats to guesthouses or a similar use. He was aware of overseas time-share schemes in this respect and enquired about the feasibility of introducing such schemes in Hong Kong. SHPL advised that any proposal could be considered, subject to compliance with the relevant legislation and lease conditions. HA had just invited Expression of Interest (EOI) for converting two HOS blocks to guesthouses. Any proposals submitted would be assessed with reference to the relevant laws and lease conditions.

The Tenants Purchase Scheme

23. Mr WONG Sing-chi sought to ascertain if the Government planned to suspend the sale of PRH flats under the Tenants Purchase Scheme (TPS) which had been announced for sale. He considered that since the names of the estates had been announced, the Government should honour its pledge to make available those flats for sale. Moreover, once tenants purchased the rental flats, they would not be subject to the asset limit and could freely buy private properties. The number of such residents might be small but this would nevertheless be beneficial to the property market.

24. In response, SHPL advised that sale of TPS 6A and 6B estates was delayed mainly because following the outbreak of Severe Acute Respiratory Syndrome (SARS), there was public concern about the design of sewage disposal systems. HA had to inspect and repair, if necessary, the systems in these estates before putting the estates up for sale. He reported that inspection work had been completed. It was estimated that the consequent repair work would be completed in early 2004. Mr WONG urged the Administration to expedite progress in this regard as the prices of the TPS flats which were linked to private properties might go up as a result of the recent announcement on housing policy. In response to the Chairman and Mr WONG, SHPL undertook to advise when the announced TPS estates would be made available for sale.

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Other matters

25. Mr YEUNG Yiu-chung enquired about the reasons for setting the capital requirement of the Capital Investment Entrant Scheme (CIES) at \$6.5 million, which had been criticized as being too high as compared with Hong Kong's neighbouring countries. In reply, SHPL pointed out that CIES was an integral part of the population policy. In deciding on its capital requirement, consideration was

given to a wide range of factors and not just the property market. He pointed out that although the effect of CIES had yet to be seen pending its formal implementation, it was expected that some of the funds brought into Hong Kong would go into the property market and help revitalize it.

26. As to Mr YEUNG Yiu-chung's enquiry on the possibility of extending CIES to cover residents of the Mainland, SHPL explained that this would touch on wider issues such as the fiscal policy of the Mainland and would need to be examined from a much wider perspective. The Administration would not make such a suggestion purely out of consideration of the local property market.

II. Any other business

27. There being no other business, the meeting ended at 10:10 am.