

**立法會**  
**Legislative Council**

LC Paper No. CB(1)668/03-04  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Minutes of meeting**  
**held on Monday, 1 December 2003, at 2:30 pm**  
**in the Chamber of the Legislative Council Building**

- Members present** : Hon Albert HO Chun-yan (Chairman)  
Hon CHAN Kam-lam, JP (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 Andrew WONG Wang-fat, JP  
Hon Howard YOUNG, SBS, JP  
Dr Hon YEUNG Sum  
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  
Hon IP Kwok-him, JP  
Hon LAU Ping-cheung
- Member attending** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
- Members absent** : Hon CHAN Yuen-han, JP  
Hon LEUNG Yiu-chung  
Hon Abraham SHEK Lai-him, JP

**Public officers attending : Agenda Item IV**

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

Mr Kenneth MAK, JP  
Deputy Director (Corporate Services)  
Housing Department

Ms L K LAM  
Assistant Director (Divestment)  
Housing Department

**Agenda Item V**

Mr Vincent TONG, JP  
Deputy Director (Construction)  
Housing Department

Mr Daniel LEE  
Assistant Director (Development)  
Housing Department

Mr LAI Ip-cheung  
Assistant Director (Estate Management)  
Housing Department

Mr John NG  
Chief Architect  
Housing Department

Mr Ian LUK  
Senior Maintenance Surveyor (Strategy Development)  
Housing Department

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

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

Ms Vicky LEE  
Research Officer 3

Ms Christina SHIU  
Legislative Assistant

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Action

**I. Confirmation of minutes**

(LC Paper No. CB(1)439/03-04 -- Minutes of meeting on 3 November 2003)

The minutes of the meeting held on 3 November 2003 were confirmed.

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

2. Members noted the following information papers issued since the last regular meeting of the Panel on 3 November 2003 -

(LC Paper No. CB(1)317/03-04 -- Confidential information paper on "Arbitration between Housing Authority and Zen Pacific relating to Yuen Chau Kok Short-Piling Case"

LC Paper No. CB(1)332/03-04 -- Booklet on General Housing Policies

LC Paper No. CB(1)333/03-04 -- Administration's response to the issue raised by Eastern District Council members on access for past beneficiaries of subsidized Home Ownership Schemes to public rental housing

LC Paper No. CB(1)366/03-04 -- Administration's response to the issue raised by Hon Andrew WONG Wang-fat on burning of incense for worshipping in the public areas of public housing estates)

3. The Chairman was concerned about the classification of LC Paper No. CB(1)317/03-04 as confidential document by the Administration. He said that as the Yuen Chau Kok short-piling case had aroused grave public concern, the public should be informed of the details of the arbitration and the subsequent agreement between Housing Authority and Zen Pacific. He informed members that Ms Audrey EU Yuet-mee was seeking clarification from the Secretary for Housing, Planning and Lands (SHPL) concerning the arbitration and the agreement and the relevant correspondence had been copied to him as Chairman of the Panel. After discussion, members agreed to request the Administration for

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public disclosure of the confidential paper including the information provided by SHPL to Ms EU. Members also agreed that subject to the consent of Ms EU, her correspondence with SHPL would be circulated to members of the Panel and made available to the public for information.

*(Post-meeting note: After securing the consent of Ms Audrey EU on 5 December 2003, a letter relaying the Panel's request was sent to the Administration on the same date.)*

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

- (LC Paper No. CB(1)438/03-04(01) -- List of outstanding items for discussion
- LC Paper No. CB(1)438/03-04(02) -- List of follow-up actions)

4. A letter of 29 November 2003 from Miss CHAN Yuen-han was tabled at the meeting. Miss CHAN proposed to discuss the standard of provisions for new public rental housing units approved by HA's Building Committee in June 2003. After discussion, members agreed to discuss the proposed subject as well as the progress of the Hong Kong Housing Society's Senior Citizen Residence Scheme at the next regular meeting scheduled for Monday, 5 January 2004, at 2:30 pm.

*(Post-meeting note: Miss CHAN Yuen-han's letter was circulated to members vide LC Paper No. CB(1)493/03-04 on 2 December 2003.)*

**IV. Divestment of Housing Authority's retail and car-parking facilities**

- (LC Paper No. CB(1)438/03-04(03) -- Information paper provided by the Administration
- Ref: HD(CR)/(CS) Div/DV/3 -- Legislative Council Brief on Divestment of Housing Authority's Retail and Car-parking Facilities
- LC Paper No. CB(1)190/03-04(04) -- Information paper provided by the Administration
- LC Paper No. CB(1)190/03-04(05) -- Fact sheet on Real Estate Investment Trusts prepared by the Research and Library Services Division)

5. Reporting on the progress of the divestment of HA's retail and car-parking (RC) facilities, the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) informed members that the Global Coordinators and the Financial Adviser for the divestment had already been appointed. A dedicated Supervisory Group on Divestment to monitor progress and provide advice and

guidance on the implementation of the divestment project had also been set up and met once.

Reasons and timing for divestment

6. In consideration of the current slack property market, Mr Tommy CHEUNG Yu-yan questioned if it was the right time to go ahead with the divestment. He also highlighted the concern of the public rental housing (PRH) tenants about the impact of divestment on HA's financial position which would in turn affect the quality and production programme of PRH.

7. In response, PSH pointed out that proceeds from the divestment could temporarily address the present acute cash-flow problem faced by HA, allowing it to pursue other cost-saving initiatives to maintain its PRH production programme in the long run. It was important that the divestment should take advantage of the present low-interest-rate environment which would be conducive to generating good investor demand and therefore greater proceeds for a 'yield' stock as in the present case. According to the general market assessment, the interest rates would likely go up by the end of 2004 and hence the initial public offering should take place before then.

8. Mr Tommy CHEUNG however opined that since HA had many assets, it should be able to borrow money to meet its cash flow deficit. Dr YEUNG Sum attributed HA's financial difficulty to the loss of income resulting from the cessation of sale of Home Ownership Scheme (HOS) flats, and said that HA's financial problem could be improved by lifting the ban.

9. Mr Albert CHAN Wai-yip opined that instead of divesting the RC facilities, HA should improve the occupancy rate and operational efficiency of its car-parking facilities. This could be achieved by amending the relevant lease conditions to permit the hire of car-parking spaces by people who were not tenants of the relevant estates. In his view, this would help enhance the income from HA's facilities as well as relieve the shortage of car-parking facilities in the vicinity of the estates. In response, the Assistant Director (Divestment), Housing Department explained that HA had noted the problem and was working with the relevant departments including the Transport Department, the Planning Department (Plan D) and the Lands Department to address it.

Impact of divestment

*Rental of facilities and prices of goods*

10. Members were in general concerned about the increase in rents of the divested facilities and their resultant effect on prices of goods sold thereat. Mr Howard YOUNG pointed out that during the outbreak of the severe acute respiratory syndrome, HA was more ready than the private developers to cut rents

of its retail facilities. Once the facilities were divested, they would be operated fully on a commercial basis and tenants might not be given sympathetic consideration. He enquired whether HA would build in some conditions in the divestment in this regard. Similar concerns were expressed by the Chairman and Dr YEUNG Sum. They opined that unlike HA which would take into account public concerns and social factors, the new company might be more ready to increase rents of the divested RC facilities, the burden of which would be passed onto consumers in terms of higher prices of goods and services.

11. In response, PSH and Deputy Director (Corporate Services), Housing Department (DD(CS)) made the following points –

- (a) The RC facilities were essentially commercial premises leased to tenants on a commercial basis. It was inappropriate to use public money to subsidize commercial operation (either explicit or hidden subsidy). HA, as a public body, had to have regard to social factors. This made it difficult for HA to achieve the best commercial results. Divesting the RC facilities would minimize government intervention in commercial activities.
- (b) Presently the operating cost of HA's RC facilities constituted about 60% of their income vis-a-vis 25% to 30% in the private sector. The situation was unsatisfactory. Divestment would benefit the tenants of the RC facilities in terms of improvements in operational efficiency and market responsiveness and increase in pedestrian flow, turnover and profits.
- (c) One of the characteristics of a "Real Estate Investment Trust" was the adoption of a conservative investment strategy. To attract investment, steady income from the divested facilities was important. This would to a great extent hinge on a high occupancy rate of RC facilities. The new company would therefore be very careful in considering whether to increase rents which might drive out tenants. Rent would to a large extent be determined by market forces. It was also unlikely that the new company could totally ignore the view of tenants. To the contrary, the new company would aim to form partnership with tenants and provide certainty of its rental policy in order to retain existing tenants and attract new tenants.

12. Referring to para 11 (a) above, Mr Tommy CHEUNG did not agree that public money was being used to subsidize the operation of the RC facilities. He pointed out that the RC facilities had been generating an annual income of over \$1 billion to HA.

13. As regards para 11 (c) above, Dr YEUNG Sum pointed out that after the divestment, HA would not be in a position to intervene in the rental policy of the

new company. As such, it might not be sufficient to just rely on self-regulation of the new company to maintain rents of the RC facilities at a reasonably low level. In response, PSH said that one of the features of REIT was corporate governance with a high degree of transparency and independent board members. The composition of the board would ensure that the concerns of all relevant parties would be taken into account. DD(CS) supplemented that according to objective analysis and expert advice, there should be great room for the new company to enhance operational efficiency of the RC facilities and maximize their potential value through cost saving, rationalization of trade mix, and better marketing to increase pedestrian flow. This would reduce the need for rent increase. Moreover, competition from other private sector facilities would help to keep the rents of the RC facilities at a reasonable level.

*Monopoly and oligarchy*

14. Mr Albert CHAN was not convinced that market forces could solve all problems. He quoted the example of the contracting out of HA's markets to a single operator, which had resulted in higher rents and hence higher prices. For this reason, he expressed objection to the divestment. He asked for figures to substantiate the envisaged benefits of the divestment, and cautioned that an oligarchy might be formed through buying all the RC facilities and then selling or renting them at very high prices. Mr Tommy CHEUNG and Mrs Selina CHOW LIANG Shuk-ye were likewise concerned about the possibility of monopoly of the RC facilities by a corporation which had sufficient financial strength to purchase all the shares of the new company. In reply to Mr CHEUNG on the possibility of imposing a cap on the percentage of shares owned by any single shareholder to prevent monopoly, PSH said that as the value of the RC facilities was estimated to be over \$20 billion, it was not likely that a single corporation could buy up all the shares. Moreover, if the REIT approach was adopted, under the current REIT code it would be extremely difficult for a single corporation to secure the required 75% of shares to remove the manager of the REIT to gain control of it.

15. Mr Albert CHAN remained concerned about the possibility of oligarchy. In response, PSH assured members that in the formulation of the divestment structure, HA would take into account their concerns.

16. The Chairman pointed out that even without the risk of an oligarchy, the normal commercial rules might not apply because some of HA's RC facilities were segmented markets because of their locations. Market forces might not operate fully to maintain the rentals and prices of goods at these RC facilities at competitive levels. In response, PSH explained that unlike the past when estates in the new towns were self-reliant on facilities and services, with the urbanization of the New Territories, most PRH estates were provided with a wide choice of facilities. This helped to keep prices of goods and services at reasonable levels.

17. Sharing the Chairman's views on the effect of a segmented market on rentals and prices, Mr Albert CHAN highlighted the case of Tin Shui Wai where the rentals of certain shop premises and car-park charges were as high as those in Central because of monopoly. In response to his call for a mechanism to guard against unreasonable rental and price increases in the RC facilities after the divestment, PSH assured members that HA would endeavour to minimize adverse impact of the divestment, if any. He maintained that market forces would be able to regulate the situation.

*Tenancy policies*

18. Mrs Selina CHOW urged the Administration to ensure a smooth transition to the divestment by providing a longer transitional period and maintaining a more lenient attitude to minor irregularities such as subletting. In reply to her on measures contemplated to safeguard the interests of the tenants of the retail facilities in this regard, PSH acknowledged her concerns and undertook to try to address them. He also reported that on the issue of subletting, HA would aim to work out a solution acceptable to all parties concerned.

19. Mr Tommy CHEUNG pointed out that apart from the concern about strict enforcement of tenancy terms, tenants of HA's retail facilities were also concerned about the security of tenancy after the divestment since they had invested heavily in setting up the trade including decorating the shops. He and Mrs Selina CHOW called upon the Administration to closely liaise with the tenants of the retail facilities to address their concerns.

20. In response, PSH assured members that the Administration had been closely liaising with the tenants affected and was well aware of their concerns. In recognition of the concerns of tenants, the Supervisory Group had already decided to meet with them early. The Administration would also strive to set up the new company as soon as practicable to ensure that tenants' concerns could be addressed through direct communication between tenants and the new company. While HA considered it inappropriate to interfere in the operation of the RC facilities after divestment, HA, where necessary, would assist in establishing communication channel between the tenants and the new company.

21. Mr Andrew WONG Wang-fat said that after divestment, tenants of the estates concerned should still enjoy priority in the use of the car-parking facilities.

22. Concluding the discussion, the Chairman urged the Administration to address members' concerns when reporting the progress of the divestment to the Panel later. PSH undertook to report the progress of the divestment in the first quarter of 2004, when the new company should have been set up and its management formed.



**V. Design for healthy living and enhancement of environmental sustainability**

(LC Paper No. CB(1)438/03-04(04) -- Information paper provided by the Administration)

23. The Deputy Director (Construction), Housing Department (DD of H(C)) briefed members on the Administration's paper on the initiatives being pursued by HA in improving residents' living environment and promoting environmental sustainability in public housing estates.

Design of new public housing estates

*Optimization of development intensity and plot ratio*

24. In response to Mr YEUNG Yiu-chung on how HA would optimize development intensity instead of maximizing it, DD of H(C) explained by referring to an example when the maximum development intensity of a public housing site was 7.5. Instead of just considering the maximum development potential, all factors would be taken into account to optimize the design of HA estates so that their design could suit the physical conditions of the sites concerned to provide a pleasant environment cost-effectively. As to details of the factors to be considered, DD of H(C) advised that different factors would be taken into consideration according to individual sites.

25. Mr YEUNG Yiu-chung enquired whether in line with the Hong Kong 2030 Vision and Strategy, the plot ratios of public housing estates would also be reduced from 8 to 5. In reply, DD of H(C) reported that efforts had already been made with Plan D to examine whether the plot ratios of sites already allocated to HA could be suitably adjusted in the same vein. However, the development intensity of individual sites would vary.

26. Mr Fred LI Wah-ming enquired about ways to address the problem of high vacancy rates of car-parking spaces in some HA estates. In reply, DD of H(C) said that in designing new estates, HA would take into account neighbouring community facilities to avoid over-provision of facilities such as car-parks, and encourage sharing of community facilities with the same neighbourhood. The problem of low occupancy rate should exist only in some old estates and PRH estates converted from HOS estates where the ratio of car-parking spaces to flats was relatively higher.

27. In response to Mr Fred LI on short-term and mid-term solutions to under-utilization of car-parking facilities in some old estates, DD of H(C) elaborated that in planning facilities for new estates, similar facilities in nearby old estates would be taken into account. Consideration would also be given to converting the facilities to other uses, such as converting parking spaces for cars to those for

motorbikes and bicycles as proposed by Mr LI. Commenting on Mr Andrew WONG's proposal to convert under-utilized HA car-parking facilities to bird and flower markets and the like, he explained that the proposal would necessitate change of land use. In this regard, the Assistant Director (Estate Management), Housing Department (AD of H (EM)) supplemented that where necessary, monthly rental car-parking spaces could be changed to hourly rental spaces.

28. Mr Fred LI highlighted the inadequacy of outdoor benches in HA estates, especially in old estates where many tenants were old people, and criticized the impractical design of the benches which, though apparently costly, could not cater for the needs of the old people. He stressed the importance of seeking the views of tenants in designing the facilities of HA estates. In response, DD of H(C) said that HA was aware of the said problems in old and reception estates where many tenants were old people. The project teams of HA had been organizing meeting sessions with prospective users to obtain their views on facilities. For illustration, the Chief Architect, Housing Department (CA/HD) then briefed members on how this was being done for the redevelopment of Upper Ngau Tau Kok Estate Phases 2 & 3. He said that through consultation, the needs of tenants could be identified. Their needs as well as the population distribution in the old estates would be taken into account in planning for the provisions of the reception estates.

#### Management of existing public housing estates

##### *Dehumidification and deodourization systems*

29. Mr CHAN Kam-lam enquired about the time-table for the installation of dehumidification and deodourization systems in markets and shopping centres, and asked how this would affect the cost of the RC facilities to be divested. In response, DD of H(C) clarified that HA only launched a trial scheme of using gas desiccant dehumidification system in certain wet market(s) to maintain an appropriate humidity level so as to curtail bacteria growth. Ultraviolet radiation lightings and biotechnology equipment were also installed in some wet markets and at the refuse collection point of shopping centres respectively for deodourization and disinfection purposes. There would be cost for the installations but it would not be substantial. The Assistant Director (Development), Housing Department supplemented that to improve the environment of markets, there was a need to maintain an appropriate humidity level. In the past, this was achieved by the provision of air-conditioning facilities. The trial scheme aimed at identifying other more cost-effective alternatives. It was originally intended to further expand the scheme in stages if found satisfactory. In consideration of the divestment, the outcome of the trial scheme would be provided to the new company to decide whether to expand the scheme. In response to members, he agreed to provide after the meeting information on the names of markets covered by the trial scheme and the cost involved.

(*Post-meeting note:* The requested information was circulated to members vide LC Paper No. CB(1)588/03-04 on 15 December 2003.)

*Excavation-free rehabilitation of pipelines*

30. In reply to the Chairman on details of the excavation-free rehabilitation of pipelines, DD of H(C) explained that this was a new process applicable to large sewerage pipelines only. Instead of excavating the ground to expose underground aging pipes for repair works, a "no-dig" polymer coating method would be used for rehabilitation of pipelines. Alternatively, a PVC pipe could also be laid within the old pipes to achieve the same effect. Compared with the traditional "road-digging" process, although the cost of the excavation-free methods would be higher, it would minimize disturbance to the residents and disruption to traffic and pedestrian flows. These methods had proved to be very cost-effective and time saving for pipes laid deep underground, compacted with different utilities or in congested site conditions. Members noted that whether the excavation-free method would be used would depend on the circumstances of individual cases. They further noted that this method was also adopted by the Water Supplies Department.

*Waste management and recycling*

31. In response to Dr YEUNG Sum on waste management and recycling initiatives in public housing estates, DD of H(C) reported that at present recycling bins for aluminium cans, paper and plastic bottles respectively were placed in the lift lobby of each PRH block. Recently a pilot scheme had been launched to expand the provision of recycling bins to every floor in certain estates. Efforts had also been made to examine segregation of dry and wet waste. AD of H (EM) supplemented that there were also public education initiatives such as the Green Estate Exchange Square Scheme, which had been introduced in certain estates in co-operation with green groups, and participation of HA estates in the Environmental Protection Department's waste reduction campaigns.

32. Dr YEUNG Sum enquired whether recycle items collected by the offices of District Council (DC) members could be placed in the refuse chambers of public housing estates for subsequent collection by recyclers. In response, DD of H(C) advised that refuse collection in HA estates had been outsourced. At present, the contractors were required to sort waste which was then stored in refuse chambers for collection by recyclers. He believed that there should be no great difficulties with temporarily storing the recycle items collected by DC members' offices in refuse chambers in HA estates.

33. Mr Albert CHAN pointed out that despite the provision of refuse chutes in certain HA estates, the chutes were often left unused due to management problems. Large refuse bins were placed in the lobbies of housing blocks, creating nuisances

such as spills and smell. He highlighted the great discrepancy between the designed purpose of facilities and their actual use and urged the Administration to ensure that the various initiatives for improving the environment in public housing estates would be properly implemented to achieve the desired effect. Mr Tommy CHEUNG shared his views and pointed out that the refuse bins provided in PRH estates should have sufficient capacity, otherwise it would be unfair to penalize tenants under the Marking Scheme for Hygiene-related Misdeeds for littering.

34. In reply to the Chairman on measures taken to address the problem of refuse chutes and chambers left unused, AD of H(EM) reported that efforts had already been made to ensure utilization of such facilities. To cater for the needs of late home-comers for late refuse disposal, refuse bins with lids were placed in lift lobbies/corridor ends. The refuse chambers of certain HA estates were also kept open so that late home-comers could take their refuse to the chambers themselves. He assured members that to minimize impact on the environment, the refuse collection contractors had already been reminded to clear the refuse bins everyday.

35. In response to Mr Andrew WONG's proposal on use of the namo technology for the treatment of refuse in HA estates, DD of H(C) undertook to examine the proposal.

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## **VI. Any other business**

36. There being no other business, the meeting ended at 4:30 pm.