

立法會
Legislative Council

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Panel on Housing

**Minutes of special meeting
held on Thursday, 15 January 2004, at 10:45 am
in the Chamber of the Legislative Council Building**

Members present : Hon Albert HO Chun-yan (Chairman)
Dr Hon David CHU Yu-lin, JP
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, SBS, JP
Hon SZETO Wah
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok, JP
Hon IP Kwok-him, JP

Members absent : Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung, BBS
Hon Abraham SHEK Lai-him, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
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 Kenneth MAK, JP
Deputy Director of Housing (Corporate Services)

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

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Sarah YUEN
Senior Council Secretary (1)6

Ms Christina SHIU
Legislative Assistant

Action

I. Briefing by the Secretary for Housing, Planning and Lands on the Chief Executive's Policy Address 2004
(LC Paper No. CB(1)738/03-04(01) -- Paper on "Policy Initiatives of Housing, Planning and Lands Bureau")

1. The Secretary for Housing, Planning and Lands (SHPL) briefed members on his policy portfolio relating to housing in the Chief Executive's Policy Address 2004.

Land supply

2. Mr Albert CHAN Wai-yip pointed out that efforts made by Government to stabilize the property market through regulation of land supply was self-defeated by permitting private developers to make applications for change of land use for residential purpose. He considered that unrestricted supply of residential land through change of land use was unfair to small developers who did not have large land banks for conversion and were not provided with opportunities to bid land as land auctions were stopped. He claimed that residential flats produced through change of land use and redevelopment constituted more than two-thirds of the total

supply of private residential flats over the past 15 years. He considered that the Administration should take administrative measures to ensure the supply of residential flats through these two sources would not exceed the supply through sale of land.

3. In response, SHPL made the following points -

- (a) The supply of private residential flats through change of land use was not as substantial as claimed by Mr Albert CHAN. The sale and purchase of agricultural land was in a free market and developers could build up their own land banks. Government should not impose restrictions on private commercial initiatives such as change of land use to residential purpose. Moreover, application for change of land use was subject to statutory procedures;
- (b) 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 areas. 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 for lease modification, and providing the necessary infrastructure for the developments. It would take several years before flats on these sites could be constructed. As such, the supply of flats from this source would have limited impact on the present market situation; and
- (c) The Government had announced that land sale through the Application List would resume from January 2004. A total of 17 pieces of land were included in the Application List. As the main supplier of land, Government would ensure sufficient supply of land to meet market demand. In view of the current abundant supply of land, the Government had to be prudent in land supply. The Government would monitor the market situation and future demand carefully. There was no indication showing that developers, even if they had land on hand, would be able to complete the necessary planning and lease modification procedures to increase flat supply significantly in a short time.

4. Referring to para 3(a) above, Mr Albert CHAN maintained that the number of flats produced through changing land use and redevelopment constituted up to two-thirds of the total supply of residential units over the past fifteen years. He requested SHPL to provide the figure in writing.

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5. The Chairman and Mr Albert CHAN were unconvinced that Government should not interfere in the property market. They pointed out that the cessation of the production and sale of Home Ownership Scheme (HOS) flats and the

suspension of the Application List System were obvious Government interventions. In response, SHPL explained that these were one-off measures required at the time to stabilize the property market. Government had stated clearly its intention to minimize its intervention in the market and would stand by this commitment.

6. In response to Mr Albert CHAN's comment that large developers could profiteer by building up land banks at low costs in times of a slack property market, SHPL emphasized that land would be sold at full market value. Under the Application List System, any developer interested in any of the listed sites would need to submit an application to Government offering a minimum price that it pledged to pay for the site. The site would not be put up for sale if Government considered the minimum price offered unacceptable. The Administration would also ensure that premium at full market value would be charged for lease modification.

Review of rent for public rental housing

7. Highlighting the financial hardship of the low-income families living in public rental housing (PRH), Mr LEE Cheuk-yan enquired about the progress of PRH rent review pursuant to the judgment of the judicial review in respect of the Housing Authority (HA)'s decisions to defer PRH rent review in 2001 and 2002. In reply, SHPL advised that the Court had agreed that HA did not have to implement rent adjustment before conclusion of the relevant appeal. He reiterated that should HA lose the appeal case, any rent adjustment would take retrospective effect from December 2003.

8. On the progress of the rent review, SHPL and the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) reported that HA was conducting a rent level review as mandated by the Court. The process was very complex. For instance, as no rent review had been conducted since 1999, the batch of estates due for rent review this year would involve some 548,000 flats, while only some 54,000 units would be reviewed next year. Therefore, in deciding the extent of rent adjustment for this year's review, the scope of adjustment required for the coming year to bring the median rent to income ratio (MRIR) down to 10% or below had to be taken into account. Moreover, the timing for reviewing the rent of newly completed estates also required careful consideration to ensure compliance with the statutory restriction that rents should not be varied at an interval of less than three years. Notwithstanding, HA was actively conducting the review and a few practicable options had already been identified for further examination. Proposals would soon be submitted to the relevant committee of HA for discussion.

9. Mr LEE Cheuk-yan was concerned that, if the review exercise was delayed, PRH rents would further deviate from the MRIR ceiling. This was because of the continued drop in household incomes of PRH tenants and the commissioning of more new PRH estates the rents of which were higher due to

their enhanced standard. Miss CHAN Yuen-han expressed similar concern about the high rents for new estates and stressed that the present medium income of PRH households was less than \$10,000. In reply, SHPL advised that at present the MRIR was about 14.2%. Apart from the drop in household income and commissioning of new estates, other factors had also contributed to higher MRIR including improvement in living density of PRH, increase in the number of PRH households receiving Comprehensive Social Security Assistance, etc. PSH also pointed out that the rents for new estates were affordable to tenants.

10. Noting the MRIR at 14.2%, Messes LEE Cheuk-yan and LEUNG Yiu-chung stressed the importance of complying with the MRIR ceiling of 10% as soon as possible. They were concerned that the levels of PRH rents had already compromised the living standards of some poor families. In the present economic downturn, many PRH tenants were facing great financial hardship. In response, SHPL emphasized that HA was already doing its best to expedite the rent level review.

11. Mr LEUNG Yiu-chung remained concerned about the hardship faced by PRH households with limited means. He pointed out that since the MRIR was the median ratio, the rent burden for those poorest PRH households would be onerous. There was thus a pressing need to reduce PRH rents to relieve their heavy financial burden. He said that HA should not have filed an appeal against the judgment. In response, PSH highlighted the following points -

- (a) The MRIR was a statutory cap on rent level and not an accurate indicator of affordability;
- (b) As described in para 9 above, many factors had accounted for MRIR exceeding the permissible 10%; and
- (c) The Administration had already been providing rent relief to families beset with financial difficulties. At present, families paying rents exceeding 25% of their income could apply for the Rent Assistance Scheme, which provided for 50% rent reduction.

Waiting time for public rental housing

12. Mr LEUNG Yiu-chung pointed out that, although the Administration had pledged that the supply of PRH for needy applicants would be maintained with an average waiting time of around three years, due to mismatch, some 2-person and 3-person household applicants had to wait for four to five years before allocation of PRH flats. Moratorium on sale of HOS flats and the delayed decision on how these flats should be disposed of were not only a waste of resources but would also affect the waiting time for PRH. With the cessation of HOS production and sale, there would no longer be flats vacated from sitting tenants moving to HOS housing.

Mr LEUNG was concerned that Government might later resort to tightening the eligibility criteria for PRH in order to maintain the average three-year waiting time.

13. In response, SHPL stressed that the waiting time for PRH had greatly improved over the years. At present if applicants had no particular preference, they would normally be allocated PRH flats within three years. Moreover, to maintain the average waiting time at around three years, a rolling housing development programme had been developed and was adjusted from time to time where necessary. PSH supplemented that over 60% applicants did not accept the first offer of allocated flats. Notwithstanding, the current actual average waiting time was only 2.1 years. He encouraged members to refer to him any application waiting for more than three years without any allocation offer. The Deputy Director of Housing (Corporate Services) added that under the Express Flat Allocation Scheme, less popular flats were open for selection by needy applicants in advance of their turn for allocation on the waiting list. At Mr LEUNG's request, the Administration agreed to provide information on the average waiting time of 2-person and 3-person household applicants for PRH.

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Installation of flat entrance metal gates in public rental housing

14. Miss CHAN Yuen-han expressed dissatisfaction with HA's recently announced decision to uphold the policy of not providing flat entrance metal gates in new PRH units. In her view, metal gates were basic features of PRH. In response, PSH said that with enhanced security measures in PRH such as reduction in the number of block entrances and exits, and provision of ground floor security gates with digital lock, closed-circuit television and doorphone system, 24-hour security tower guards, flat entrance door with door viewer and security door guard, flat entrance gates, whilst desirable to some tenants, was not an essential security feature. HA had therefore decided not to provide metal gates in new PRH units with a view to ensuring the most cost-effective use of public resources in developing PRH blocks. Tenants could install metal gates of their own choice at their own cost should they wish to. However, having considered that comprehensive redevelopment of existing public housing estates was initiated by HA and most of the tenants of these estates were elderly with limited financial means, HA would install metal gates for reception estates under the Comprehensive Redevelopment Programme (CRP).

15. Whilst welcoming HA's decision to continue to install metal gates for reception estates, Miss CHAN Yuen-han commented that the arrangement was not fair as some tenants in reception estates were not tenants of redeveloped old estates. PSH admitted that this was a drawback and said that HA had assessed and concluded that it was not cost-effective to make different arrangements for different types of tenants of reception estates. With the adoption of the approach to provide metal gates for all tenants of reception estates, the cost savings from non-provision of gates over the next five years would be reduced by 10%.

16. Miss CHAN Yuen-han remained of the view that metal gates should be provided for all PRH because PRH tenants, in particular those who could not afford air-conditioning in summer, needed to open flat doors to improve ventilation. In response, PSH pointed out that the design and layout of PRH estates had improved in such a way that it was unnecessary to keep flat doors open for ventilation purpose. Miss CHAN however maintained that based on her own experience, there was a need to keep flat doors open to improve ventilation even in new estates.

17. In response to Mr Albert CHAN's call to expand the CRP to benefit more old estates, PSH confirmed that only three estates were scheduled for redevelopment under the CRP. However, estates which subsequently became uneconomical to maintain would be redeveloped. As for other old estates which were structurally sound, rehabilitation instead of redevelopment would be a viable option in view of the stringent financial situation of HA, and the need to minimize nuisance to tenants as well as to achieve sustainable and cost-effective development of PRH.

Home Purchase Loan Scheme

18. The Chairman referred to a recent reported case in which a couple were said to be unable to repay the mortgage loan under the Home Purchase Loan Scheme (the HPLS) and committed suicide. He urged HA to exercise flexibility in considering sympathetically cases of deferred repayment. It would be to every party's disadvantage if the mortgagors went bankrupt or resorted to tragic course of action. In response, PSH explained that the HPLS loan portfolio had been sold to the Hong Kong Mortgage Corporation Limited (HKMC). HA was examining with HKMC ways to provide assistance to mortgagors in genuine financial difficulties. Since public money would be involved in providing additional assistance, he could not make any undertaking in this regard on behalf of HA. However, he would try to work out a practicable solution as soon as possible.

19. Mr Albert CHAN shared the Chairman's views regarding mortgage repayment, and called for greater leniency in taking actions to demand payment of rent in arrears from PRH tenants, which according to him had been geared up recently. In response, PSH assured members that frontline staff had been instructed to give one-month allowance to households in rent arrears to seek assistance from the Social Welfare Department, if necessary.

Outsourcing of management and maintenance of PRH

20. Mr IP Kwok-him highlighted the findings of a survey conducted by Oxfam Hong Kong, according to which certain cleansing workers of PRH estates with outsourcing cleansing services were receiving salaries scarcely more than \$2,000. He enquired whether there were conditions in HA service contracts to guard against exploitation. In this regard, Miss CHAN Yuen-han pointed out that there should be a policy on minimum wage. She also opined that to tackle cases for non-payment of wages, HA should withhold payment to the contractors concerned as a penalty to help deter such misconduct.

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21. In reply, PSH said that clear instructions had already been promulgated to ensure that workers were fully aware of the committed levels of their wages. HA staff would also monitor and ensure that workers were duly paid in accordance with the contractual obligations undertaken by contractors with HA. He noted with thanks Oxfam's survey and was outraged at the findings. He had caused an investigation into the situation. He stressed that HA would not tolerate any exploitation of cleansing or frontline workers. At members' request, he agreed to report on the outcome of the investigations in due course. Commenting on Miss CHAN Yuen-han's point on minimum wage, he said that contractors bidding for HA contracts were already required to refer to the prevailing median wage in determining workers' wages. Unreasonably low bids would not be considered by HA. HA would further examine how this aspect could be further improved.

II. Any other business

22. There being no other business, the meeting ended at 11:50 am.