

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2447/03-04

(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Minutes of meeting**  
**held on Monday, 7 June 2004 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)  
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 Andrew WONG Wang-fat, JP  
Hon Howard YOUNG, SBS, JP  
Dr Hon YEUNG Sum  
Hon YEUNG Yiu-chung, BBS  
Hon Abraham SHEK Lai-him, JP  
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 LI Fung-ying, JP

**Members absent** : Dr Hon David CHU Yu-lin, JP  
Hon James TO Kun-sun  
Hon SZETO Wah

**Public officers attending : Agenda item IV**

Mr TAM Wing-pong, JP  
Deputy Director of Housing (Strategy)

Mr Raymond SUEN  
Acting Chief Architect (Procurement)  
Housing Department

Mr HOOI Wing-kee, David  
Principal Management Services Officer (Security)  
Security Bureau

Mr MOK Kam-kwan  
Deputy Government Property Administrator

Mr CHAN Siu-ming  
Senior Property Manager  
Government Property Agency

Mr Peter YUEN  
Project Director  
Architectural Services Department

Mr W H CHENG  
Senior Project Manager  
Architectural Services Department

**Agenda item V**

Mr TAM Wing-pong, JP  
Deputy Director of Housing (Strategy)

Mrs Doris MA  
Assistant Director of Housing (Housing Subsidies)

**Agenda item VI**

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

Mr LEUNG Sai-chi  
Chief Manager (Management)  
Housing Department

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

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

Ms Christina SHIU  
Legislative Assistant

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Action

**I. Confirmation of minutes and endorsement of the report of the Panel for submission to the Legislative Council**

- (LC Paper No. CB(1)2029/03-04 -- Minutes of special meeting on 25 March 2004  
LC Paper No. CB(1)2030/03-04 -- Minutes of meeting on 3 May 2004  
LC Paper No. CB(1)2031/03-04 -- Draft report of the Panel for submission to the Legislative Council)

1. The minutes of the two meetings held on 25 March 2004 and 3 May 2004 were confirmed.
2. Members endorsed the draft report of the Panel for the current legislative session for presentation to the Council on 30 June 2004.

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

3. Members noted that no information paper had been issued since the last monthly regular meeting of the Panel on 3 May 2004.

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

- (LC Paper No. CB(1)2028/03-04(01) -- List of outstanding items for discussion  
LC Paper No. CB(1)2028/03-04(02) -- List of follow-up actions)

4. The next regular meeting was scheduled for Monday, 5 July 2004, at 2:30 pm. Members agreed to discuss the following items -

- (a) Disposal of Kingsford Terrace Private Sector Participation Scheme flats; and

(b) Divestment of Housing Authority's retail and car-parking facilities.

Clerk

5. Members also agreed to invite interested organizations to attend the meeting to give views on item 4(b).

*(Post-meeting note: A circular was issued on 8 June 2004 to invite suggestions by members on organizations to be invited.)*

6. Members further concurred that a special meeting would be held to discuss median rent-to-income ratio for public rental housing (PRH) after the Court of Appeal delivered judgment on the related case.

**IV. Proposed use of surplus Home Ownership Scheme flats for reprovisioning departmental quarters for disciplinary services**

(LC Paper No. CB(1)2028/03-04(03) -- Information paper provided by the Administration)

7. The Deputy Director of Housing (Strategy) (DD of H(S)) briefed members on the Administration's information paper on the latest position of the proposal to use some of the surplus Home Ownership Scheme (HOS) flats for reprovisioning old or substandard departmental quarters for the disciplined services. Members noted that the Administration intended to submit the proposal to the Public Works Subcommittee of the Legislative Council (LegCo) on 23 June 2004 and the Finance Committee (FC) on 2 July 2004 for funding approval.

Financial arrangements and implications

8. Mr Howard YOUNG stated that members of the Liberal Party supported the disposal of surplus HOS flats for reprovisioning departmental quarters and for conversion to PRH. Noting that the Government had agreed to pay the purchase price of \$2,750 million in ten annual instalments (\$150 million per year in the first five years from 2004 to 2008 and then \$400 million per year in the following five years from 2009 to 2013), he enquired about the financial implications. DD of H(S) explained that there would be a loss of interests of around \$400 million to the Housing Authority (HA). The way in which the payment was structured was aimed to minimize the financial impact on the Government, which had pledged to restore its fiscal balance by 2008-09, after taking into account the cashflow and financial position of the HA from now to 2007-08.

9. Mr IP Kwok-him said members of the Democratic Alliance for Betterment of Hong Kong (DAB) supported the proposal and considered it a win-win proposal because the departmental quarters to be so reprovisioned were already very old, and there was also a need to gainfully dispose of the surplus HOS flats. DAB had been following up the option closely for nearly two years, and understood that the Administration had consulted the relevant staff associations. The departments and

staff concerned welcomed the proposal because the HOS flats identified for reprovisioning the departmental quarters were conveniently located and better provisioned. Following up on Mr Howard YOUNG's question, he enquired about the rationale for the payment arrangement. In reply, DD of H(S) reiterated that the payment arrangement was made at the request of the Financial Services and the Treasury Bureau for the purpose of facilitating restoration of the Government's fiscal balance by 2008-09.

10. Referring to paragraph 11 of the Administration's paper. Mr LAU Ping-cheung doubted whether the recurrent cost of \$42.6 million per annum for managing and maintaining the 4 304 HOS flats concerned could be offset fully by the cost savings of \$43.2 million in managing and maintaining the 15 existing departmental quarters sites, as claimed. He also pointed out that the proposed purchase price, at roughly \$600,000 per unit, had not taken the land premium into account. He asked how the HA could recover the land premium for the HOS flats to be converted to department quarters. In reply, DD of H(S) explained that payment of land premium was required only when the HOS flats were sold in the private market. As the HOS flats concerned would be sold to the Government, land premium payment was hence exempted and the HA had not taken the land premium into account when working out the purchase price. As to whether land premium would be charged for disposing of the relevant departmental quarters sites in the private market, it was outside the HA's purview.

11. Mr Frederick FUNG Kin-kee pointed out that HOS flats were normally sold at 70 to 80% of the market price but the proposed purchase price of \$2,750 million represented only 60% of the market price and was too low. As HOS sale was a major source of income for the HA, he considered the price not conducive to improving HA's financial condition to enable it to maintain the PRH production programme. He further opined that the HA should not compromise too much on the price because it was an independent body. Should it run into financial difficulty, the Government might not necessarily come to its rescue. In response, DD of H(S) elaborated that in sale of HOS flats to eligible applicants, the HA would factor in a profit margin for the purpose of sustaining the PRH production programme. In the present case, however, the HA only recovered the costs of the HOS flats concerned with no intention to make any profits. It was because the money to be paid by the Government was public money.

12. Mr Frederick FUNG said that unless the Government had made an undertaking to assist the HA financially to continue with its PRH production programme, the HA should not sell the HOS flats to the Government at below the normal discounted price. In response, DD of H(S) said he could not see how the Government would refuse to provide resource, should HA run into financial difficulties, to the HA to sustain the PRH production programme.

13. Mr IP Kwok-him noted a funding requirement of about \$250 million for the demolition of the departmental quarters concerned so as to vacate the sites for

alternative uses, and for fitting-out and basic provision expenses. He enquired whether the staff could do the fitting-out and furnishing by themselves to cater for individual needs.

14. In response, the Principal Management Services Officer (Security), Security Bureau (PMSO(S)) clarified that only basic fitting-out works, such as timber flooring and associated skirting, window grille, curtain rail and exhaust fans, would be carried out for the HOS-converted quarters to bring the accommodation in line with the normal standards for departmental quarters. Staff were allowed to decorate their quarters at individual choices. However, they would need to reinstate their quarters to their original condition when they moved out. Since the basic facilities in the HOS-converted quarters varied, for example some had water heaters while others had not, the Administration would only bring them consistent with one another. If the HOS-converted quarters were designated as of a higher grade for senior staff, additional domestic appliances such as refrigerators and cooking stoves would be provided. DD of H(S) supplemented that the cost for making good the HOS flats concerned before effecting the purchase would be borne by the HA and was not included in the fitting-out expenses. This was because the flats had been left idle for two years. Whether they would be put up for sale in the market or disposed of as departmental quarters, the HA would have the responsibility for making good of them to ensure that ancillary facilities were in operational order before disposal.

#### Departmental quarters identified for reprovisioning

15. Regarding Mr Howard YOUNG's question on whether all surplus HOS flats suitable for conversion to departmental quarters had been covered under the proposal, DD of H(S) answered in the affirmative. He also responded in reply to Mr YEUNG Yiu-chung that the sizes of the HOS flats for conversion into departmental quarters were comparable to those of the quarters to be reprovisioned.

16. Mr CHAN Kam-lam noted with concern that some of the departmental quarters identified for reprovisioning were not very old. For example, some were built in the late seventies and one even in 1989. He asked for the reasons for selecting them for reprovisioning. In reply, the Deputy Government Property Administrator explained that while age and facilities were the major considerations in identifying departmental quarters for reprovisioning, other factors such as the plot ratio of departmental quarters sites were also considered. Some of the quarters were identified for reprovisioning because the relevant site plot ratios were under-utilized. It was expected that the sites so released could be put to better uses. As to Mr CHAN's question on whether departmental quarters of similar age had all been selected for reprovisioning, he pointed out that there were limitations in selection because the HOS flats concerned could not be used for reprovisioning senior staff quarters, which were larger in size.

17. In response to the Chairman on the plan for disposal of the departmental quarters identified for reprovisioning, DD of H(S) advised that they would be demolished and the sites so released would be returned to the Government for alternative uses and, where appropriate, for sale for private residential development.

18. Mr CHAN Kam-lam opined that instead of demolishing the quarters, the Administration should consider allocating them to staff on the waiting list for departmental quarters. This would increase the supply of departmental quarters to reduce the waiting time. In reply, PMSO(S) stressed the need to maintain a balance in resource allocation. The principle adopted in working out the proposal was that reprovisioning should be done on a one-to-one basis. Moreover, at present the waiting time for departmental quarters in some departments was only two to three years. He further pointed out that some of the quarters to be reprovisioned had been left vacant for a long time because they were substandard and unwanted.

#### Staff consultation and relocation arrangements

19. Ms LI Fung-ying supported the proposal in principle as it could relieve the HA from the burden of managing and maintaining the HOS flats concerned. She was however keen to ensure that the affected staff had been thoroughly consulted. In response, PMSO(S) reported that when the option of converting some surplus HOS flats for reprovisioning existing departmental quarters for the disciplined services was first explored, the Security Bureau had carried out consultation with the disciplined services staff associations with favourable feedback. When formal negotiation with the HA was started, the two relevant consultative councils were also consulted and they supported the proposal.

20. Miss CHAN Yuen-han said that although as a matter of principle she was opposed to the cessation of HOS sale, The Hong Kong Federation of Trade Unions (HKFTU) supported the proposal because it could make beneficial use of the otherwise idling surplus HOS flats. She enquired whether the consultation had been made with the affected staff, or only with relevant staff associations as a general exercise. She noted that the to-be-reprovisioned departmental quarters were located in more convenient districts but the HOS flats concerned were situated in less central locations. She recalled that the LegCo Secretariat had received complaints on relocation arrangements in the past, and expressed concern that the affected staff might not be willing to move away from their current locality. At her request for details of the consultation, PMSO(S) responded that the Police Force Council and the Disciplined Services Consultative Council had been consulted. It was believed that they would consult their respective members.

21. Ms LI Fung-ying also recalled that there were complaints lodged with the LegCo Secretariat from disciplined services staff on relocation of quarters in the past, and enquired about the availability of contingency plans in the event that the affected staff refused to move into the converted quarters. In reply, DD of H(S)

stressed that the affected staff would welcome the proposal, since the HOS flats concerned, though less centrally located, were well provisioned and conveniently linked to other parts of Hong Kong with good transportation facilities. Moreover, many of the departmental quarters identified for reprovisioning were old and substandard. PMSO(S) supplemented that due to the need to facilitate staff deployment, the disciplined services had always sought to ensure that their departmental quarters were conveniently and evenly situated in different districts. The selected HOS flats from four developments, which were all conveniently located, could meet this criterion.

22. In reply to Ms LI Fung-ying on whether staff would be forced to move out from their quarters, PMSO(S) assured members that there was established mechanism regarding relocation of staff to different quarters, such as granting of removal allowance to the staff concerned. Removal exercises in the past had also been conducted smoothly. The Administration did not envisage much difficulty with the present proposal because staff would be willing to move into quarters of a higher standard. Moreover, there would be a full year's time for making the relocation arrangements. He further pointed out that apart from moving into the HOS flats concerned, the affected staff could also opt to move into other departmental quarters vacated by staff who applied for transfer to the converted quarters.

23. Miss CHAN Yuen-han remained concerned about the staff response, and called upon the Administration to ensure that the affected staff would be kept well informed of the developments of the proposal to avoid any possible conflicts that might arise from the reprovisioning exercise. In response, PMSO(S) reiterated that the affected staff could opt to move into quarters in other districts vacated by staff who applied to move into the converted quarters. It was expected that about a quarter of the converted quarters would be allocated to staff who were not occupying the identified departmental quarters for reprovisioning. DD of H(S) said that the Administration would take necessary follow-up action if there was any complaint in this respect.

24. Mr Fred LI Wah-ming stated that members of the Democratic Party supported the proposal, which was long overdue. He urged for expeditious implementation of the proposal as commercial tenants of the HOS courts concerned were looking forward to occupation of the HOS flats for a long time to boost up the pedestrian flow and hence businesses. Early implementation of the proposal would also relieve the HA of the financial burden of having to manage and maintain the HOS flats concerned. In reply to him on the intake timetable, PMSO(S) advised that the initial plan was to start moving into the converted quarters in the second quarter of 2005 because of the need to tender out the fitting out works required and to work out the implementation details, such as the method of allocation of the new departmental quarters.

#### Other concerns



25. Mr Howard YOUNG sought information on the progress of the option to convert surplus HOS blocks to guesthouses. He pointed out that the option was controversial. While hotel operators objected to it, tourist agency operators welcomed it. In consideration of such diverse views, he urged the Administration to conduct thorough consultation on the option so as to reach a win-win situation. In particular, he urged the Administration to draw the attention of the operators of large hotels, who were also property developers, to the fact that if the remaining HOS flats were put up for sale, the property market would be adversely affected. DD of H(S) thanked and noted his views.

26. Mr Fred LI saw a need to dispose of those unsold and returned flats in partially sold/occupied HOS courts to minimize adverse impact on the management and development of these HOS courts. In reply, DD of H(S) pointed out that when the Government announced its decision to withdraw from the property market, the undertaking was that HOS sale would be suspended until end of 2006, after which the cessation would be reviewed. As such, the HA did not have any plan on how to dispose of those flats until the end of 2006.

Admin

27. In reply to Mr Fred LI on whether the HOS flats in partially sold/occupied HOS courts could be sold to green form applicants, DD of H(S) confirmed that there were at present no such plans. He however undertook to relay Mr LI's views to the HA for consideration.

28. Mr LAU Ping-cheung asked whether the maintenance services of the converted quarters would be provided by the Architectural Services Department (ASD) to make full use of ASD staff's expertise and experience, to provide staff with job security as well as to ensure a consistently high service standard. In reply, the Project Director, ASD confirmed that in the foreseeable future, ASD would still be responsible for providing the relevant maintenance services. However, ASD was reviewing the relevant policy and departments might take up their minor maintenance themselves in future.

29. Noting the above reply, Mr LAU Ping-cheung quoted an unsuccessful example of the School Improvement Programme under which the department concerned took up the maintenance responsibility. He emphasized the merits of entrusting ASD with the maintenance service to ensure quality and cost-effectiveness.

30. Miss CHAN Yuen-han highlighted the shortage of commercial facilities in the public housing estates close to the HOS blocks identified for conversion, and enquired whether the commercial premises on the ground floors of these HOS blocks would be let to commercial tenants to address the shortage problem. In response, DD of H(S) undertook to ascertain the relevant details and report back.

**V. Review of Home Assistance Loan Scheme**

(LC Paper No. CB(1)2028/03-04(04) -- Information paper provided by the Administration)

31. The Assistant Director of Housing (Housing Subsidies) (AD of H(HS)) briefed members on the Administration's paper on the proposed termination of the Home Assistance Loan Scheme (HALS), which was endorsed by HA's Subsidized Housing Committee (SHC) on 2 June 2004.

Stance of members on the termination of HALS

32. Miss CHAN Yuen-han stated HKFTU's objection to the termination of HALS. This was because with the cessation of HOS sale, the HALS had become the major channel through which PRH tenants could improve their living conditions. Termination of HALS would affect the mobility of PRH tenants.

33. Mr Albert CHAN Wai-yip opined that the decision to terminate HALS signified undue influence of developers on Government policies, making it impossible for low-income families to acquire home ownership. He recalled the policy objective announced by the Chief Executive in 1997 of achieving 70% home ownership rate by 2007, and questioned if such objective had already been abandoned in secret, so that the HALS could be terminated. He expressed grave concern about the tilt towards developers' interests at the expense of low-income families. He also expressed regret that the Secretary for Housing, Planning and Lands (SHPL) had not attended the meeting to account for such policy changes. He considered that SHPL should be invited to explain the policy changes to the Panel and that a letter be written to the Chief Executive to clarify whether the policy objective on home ownership had been abandoned.

34. Mr IP Kwok-him said that members of DAB expressed regrets about the termination because HALS had succeeded in facilitating recovery of thousands of PRH flats annually. To remedy the impact of the termination, PRH production had to be increased accordingly.

35. Mr Howard YOUNG said members of the Liberal Party supported the HALS for its role in helping people who were otherwise unable to purchase flats. Pointing out that the HALS would benefit the property market by enabling more people to buy flats, he did not consider it an undue intervention in the property market. He found it undesirable to terminate the HALS and hoped that home purchase assistance could continue.

36. The Chairman stated that members of the Democratic Party were not totally opposed to the termination recognizing that the times and circumstances that gave rise to the need for the HALS had changed. However, they considered that certain flexibility should be preserved and the HALS should be suspended instead of terminated so that where justified, it could be resumed. The same also applied to

the cessation of HOS sale because the impact of HOS sale on the property market was minimal if the number of flats concerned was small.

37. Mr Abraham SHEK Lai-him called for the continued operation of the HALS as it would help increase property transactions in the secondary market to the benefit of the whole community. He also opined that other methods should be explored to overcome the financial difficulty of the HA instead of terminating the HALS. Public resources should be used to produce more PRH flats to help those in need, so that all could share the fruits of prosperity in Hong Kong. In this regard, surplus HOS flats should be converted to PRH flats to shorten the waiting time for PRH.

38. Mr CHAN Kam-lam stated opposition to total termination of the HALS as it had assisted recovery of PRH flats from sitting tenants who were able to purchase private flats because of the HALS. In his view, this function of the HALS had become more important because the HA might produce fewer PRH flats because of financial constraint. If the HALS was terminated, the waiting list for PRH might be lengthened. He urged the HA to suspend the HALS instead and when appropriate, resume it to help those genuinely in need. He did not consider the HALS would interfere in the private market or benefit only developers. It was also not a means used by the Government to boost the property market.

39. While also opposing to total termination of the HALS, Mr Andrew WONG Wang-fat disagreed with Mr CHAN Kam-lam that the purpose of the HALS was to supplement the supply of PRH. Rather, its purpose was to contain supply of HOS flats and later, with the cessation of HOS sale, to boost the property market. Now that HOS sale had been ceased, the Government should not terminate the HALS or else people would be left with no home purchase assistance.

#### Reasons for the termination of HALS

40. In response to members' views, DD of H(S) and AD of H(HS) made the following points -

- (a) The HA's role should be to meet the basic housing needs of those in need and not promoting home ownership. The decision to terminate the HALS was welcomed by many people as it demonstrated a further withdrawal from the property market after withdrawing from the direct provision of subsidized sale flats and enabled the HA to reaffirm a clear and coherent re-positioned policy, namely, to focus on the provision of PRH flats to those most in need, to minimize market intervention, and to maintain a fair and stable operating environment;
- (b) It was believed that sitting tenants who really had the need and ability to improve their living conditions would not be affected by the

termination. This was because they could purchase flats in the HOS secondary market, which could provide over 260 000 HOS flats and 70 000 Tenants Purchase Scheme (TPS) flats for which no payment of premium was required. Moreover, very attractive and competitive loan packages were offered by banks to home buyers and most potential HALS applicants should have no practical difficulty in seeking affordable mortgage loans to finance their home purchase even without the HALS;

- (c) Recovery of PRH flats could be increased by preventing abuse of public housing resources instead of providing subsidies to sitting tenants to encourage them to purchase private flats. This was because the latter approach would interfere with the normal operation of the property market;
- (d) The HALS had not only represented inappropriate intervention in the property market but under which the HA had also performed the role of commercial banks and interfered in the private market for mortgage financing with the use of public funds. This was undesirable because, although the HA had done its best to vet HALS applications and assess the relevant default risks, it did not have the necessary expertise. Moreover, the HA was also not financially strong enough to sustain the HALS. This was because for each loan/subsidy case under the HALS, it would involve a subsidy of around \$170,000 at net present value provided by the HA. In addition, there were administrative costs and default risk over the term of the loans. The proposed termination of the HALS was therefore necessary to relieve the HA from such heavy financial burden; and
- (e) As early as when the HALS was promulgated, the Administration already recognized that the provision of home purchase assistance under the HALS was a form of market intervention, and that promoting home ownership was no longer one of HA's policy objectives. It was however considered necessary at the time as an alternative arrangement for low-income families when the HA moved away from the role of a direct provider of homes under the HOS. Now that as revealed by the interim performance review of the HALS, the circumstances had changed, the HALS should be terminated.

41. Miss CHAN Yuen-han was unconvinced of the reasons put forward by the Administration for terminating the HALS, and questioned whether the Administration considered the introduction of the HALS in 2002 a mistake in the first place. In her view, the HALS was necessary to help those who could not afford to buy a flat in the private market. She also opined that notwithstanding

HA's repositioned policy, some flexibility should be exercised. After cessation of the HOS sale, the Administration should not terminate the HALS as well because there was still need for home purchase assistance.

42. Mr IP Kwok-him recalled that the HALS was introduced to help the HA to recover PRH flats for re-allocation to needy families. He found it disappointing that the Administration should have negated the function of the HALS altogether in order to justify its decision to terminate it.

43. Noting the reasons for terminating the HALS, Mr Howard YOUNG urged the Administration to at least approve all qualifying applications which had been filed irrespective of whether the quota of 10 000 loans/subsidies had been exhausted. In response, DD of H(S) reported that this proposal had been discussed by the SHC. However, in consideration of the various points in paragraph 40 above, the proposal had been turned down. He further advised that there might be a "moral hazard" in encouraging people to purchase flats with the provision of generous financial assistance. As experience in the past few years had shown, home purchase assistance from the Government had affected people's decision as to whether they could afford to buy a flat, which was a long-term financial commitment. The Government considered that the decision of home ownership should be left to the market, and should not be influenced by government in the form of provision of an assistance loan scheme.

44. Mr Howard YOUNG was however concerned that, with forecast in interest rate increase and hence likely increases in the mortgage rates, the present might not be the best timing for the termination of the HALS.

45. Mr Frederick FUNG pointed out that the HALS was in fact the replacement of the Home Purchase Loan Scheme and the Home Starter Loan Scheme, both of which had been in operation for over ten years. If the HALS might constitute a moral hazard in encouraging people to purchase flats as claimed by the Administration, then the Administration had been doing harm for over a decade and should make up for such a mistake. He also recalled that it was a conscious policy of the HA to help low-income families acquire home ownership by providing assistance in the form of PRH, then TPS, then HOS so that step by step a person with lesser means could eventually purchase flats in the private market to improve his living conditions. He accepted that policies might need to be adjusted according to changing circumstances, and the HALS might no longer be necessary. However, he could not accept that the Administration negated the merits of the HALS altogether. He was also dissatisfied that there had been no consultation on the termination, and was concerned that after termination of the HALS, there would no longer be any home purchase assistance for low-income families.

46. The Chairman likewise commented that while it was understandable that because of financial constraints, the HA terminated the HALS but the merits of the HALS should not be negated. He also suspected that the termination might signify

a change in the relevant policy considerations other than financial considerations and hence warranted further examination.

47. In response, DD of H(S) explained that HALS had served its purpose. In deciding to terminate HALS, the HA had taken into account improving market sentiments and a highly competitive mortgage finance market coupled with very low interest rates. The Administration considered it advisable that the HA should take this good opportunity to terminate the HALS to minimize impact on low-income families.

**VI. Procurement of cleansing services for public rental housing estates**  
(LC Paper No. CB(1)2028/03-04(05) -- Information paper provided by the Administration)

Demerit Point System

48. Mr LEE Cheuk-yan referred to paragraph 6(a) of the Administration's paper on the item, and enquired how many contractors were involved in the 143 cases on wages lower than the committed wages found through checking of payrolls and salary slips. He also asked whether after issuing warning letters to the contractors concerned, the Housing Department (HD) would ensure that they would pay up for the shortfalls of payment to the cleansing workers concerned. He considered the mere issue of warning letters inadequate. In his view, these cases amounted to cheating and the contractors concerned should be severely penalized by disqualification for submission of tenders. It was too lenient to apply the Demerit Point System (DPS) under which contractors who were found not complying with contract requirements and with records of offences would only be disqualified for tendering after being allotted six or more demerit points.

49. In reply, the Assistant Director of Housing (Estate Management) (AD of H(EM)) confirmed that the 143 cases involved around a dozen contractors working for 27 estates. Apart from issuing warning letters to them, HD would also reflect their performance in their appraisal reports, which would be an important factor to take into account in the tender award system. Moreover, HD would also add new clauses into new service contracts to provide for the deduction of payment to contractors in the event that shortfalls of payment to workers were revealed by the samples taken in a particular month. In that case the total payment for that month to be paid to the contractor would be deducted by the same percentage of the shortfall of payment. However, payment deduction could not be made in the 143 cases which all involved old contracts. AD of H(EM) further said that whether the contractors concerned would be required to make up the shortfalls of payment to their cleansing workers would hinge on the circumstances of individual cases.

50. Mr LEE Cheuk-yan was not convinced, and maintained that contractors paying their workers lower wages than the committed wages should be severely

penalized. Instead of just giving them lower grades in their appraisal reports and allotting demerit points to them, they should be immediately blacklisted. In response, AD of H(EM) explained that apart from not considering tenders submitted by contractors who had six or more demerit points allotted under the DPS, cases with criminal elements would also be referred to the Police for follow-up. In addition, cases involving contravention of the Employment Ordinance would be further referred to the Labour Department (LD).

51. The Chairman and Mr Albert CHAN pointed out that the penalties for the submission of false information in relation to application for PRH were immediate termination of tenancy and even prosecution. Compared with these penalties, the DPS was too lenient and should be reviewed. In reply, AD of H(EM) explained that the DPS was a central system applied to all Government departments and a contractor could be allotted demerit points by not only HD but also other departments he worked for. Once he was blacklisted, he would not be able to tender for any Government contracts.

52. Mr Albert CHAN was unconvinced, and opined that it was unfair to adopt double standards in treating PRH tenants and contractors. The Chairman also enquired whether more demerit points would be allotted for more serious cases of breach of contract such as payment of wages lower than the committed wages. Miss CHAN Yuen-han echoed their views, and asked whether the Administration would review how effective the DPS was in preventing malpractices by contractors.

53. In response, the Chief Manager (Management), HD (CM(M)/HD) advised that contractors would be allotted demerit points not only when the wages paid to workers were below the committed wages but also when the actual working hours of their cleansing workers had exceeded the committed maximum working hours. As such, a contractor would easily be allotted six or more demerit points and banned from tendering all Government contracts if he regularly breached contract requirements. Moreover, the Administration would also take the initiative to check workers' wage statements on a sampling basis and interview workers to check whether they had been paid lower wages or forced to work longer hours. Where new contracts were concerned, deductions would be made from the payment to the contractors if they paid wages lower than the committed wages. Taking all the measures together, the penalty for breach of contract requirements was not too light.

#### Wage determination and protection

54. Mr Albert CHAN proposed that in awarding new cleansing services contracts, the contractors should be required to state the wages per flat they paid to their workers. This could prevent the contractors from seemingly offering reasonable wages but requiring workers to take up the cleansing work of more flats. In response, AD of H(EM) assured members that to ensure sufficient

resources would be devoted to the service, the contractors had to specify the "committed total man-hour input" in the tender. This should help ensure workers' wages were reasonable. Moreover, the tenderers also had to provide in the tenders the committed maximum working hours for their cleansing workers.

55. Mr LEUNG Yiu-chung pointed out that while the designations of certain occupations might be similar, they called for different skill levels. He therefore urged the Administration to exercise care in identifying the relevant industries/occupations published in the latest Census and Statistics Department (C&SD)'s Quarterly Report of Wage and Payroll Statistics for wage comparison to ensure the monthly wages offered by the tenderers to their workers were reasonable. For example, there were different types of security guards requiring different qualifications and their remunerations were different. Mr Tommy CHEUNG Yu-yan shared his views.

56. In reply, AD of H(EM) and CM(M)/HD said that HD would analyze the job nature and requirements of the relevant industries/occupations in C&SD's statistics and, if necessary, discussed with C&SD the details concerned to ensure only comparable industries/occupations would be used for reference. In this regard, Mr Tommy CHEUNG said that the details of these analyses and the classification of the relevant industries/occupations should be made public. In reply, CM(M)/HD reported that the classification of industries/occupations was readily available from C&SD. He also confirmed in response to Mr CHEUNG that the minimum wages for the workers required in a service contract would be specified in the tender documents.

57. Miss CHAN Yuen-han opined that unless the minimum wage would be legislated, problems like the issues under discussion would continue to emerge. Mr Tommy CHEUNG however did not support the legislation of minimum wages. Miss CHAN also saw room for improvement in the enhancement measures highlighted in the Administration's paper on procurement of cleansing services to protect cleansing workers. For example, the adoption of auto-pay or cheque payment for wages payment to facilitate payroll checking was not mandatory. Moreover, while workers would be interviewed to verify the amount of wages actually received by them, there were no measures to protect their identities to ensure they would not be jeopardized or lose their jobs as a result of telling the truth.

58. In reply, AD of H(EM) clarified that the adoption of auto-pay or cheque payment for wages payment would be made mandatory in new contracts. As for measures to ensure workers could report on exploitation safely, he elaborated that relevant guidelines would be issued to frontline staff responsible for monitoring compliance of contract requirements. In particular, after exchanging experience with LD, HD would interview workers to verify the amount of wages actually received by them before approaching the relevant contractors for the wage statements for checking. In addition, posters on the committed wages would also



be posted in the common rooms of workers. A hotline had also been established to encourage workers to lodge their complaints with HD on any exploitation.

59. Mr Fred LI pointed out that workers might be unwilling to report on exploitation for fear of the consequence of job discrimination in the trade. He called upon the Administration to encourage reports by arranging jobs for workers who came forward to report on exploitation. He also proposed that HD staff disguised as workers to expose non-complying contractors, especially those who demanded rebates from workers instead of paying them lower wages. In reply, AD of H(EM) explained that the proposed job arrangement had already been made to workers who reported on exploitation. However, workers were still reluctant to come forward to testify against contractors. On the suggestion to arrange undercover workers, AD of H(EM) said that the cleansing trade admitted new members only through recommendation. There was thus difficulty in arranging undercover workers. At present the Administration geared up publicity and inspections by conducting raids and random checks of wage statements.

#### Other views

60. Mr LEUNG Yiu-chung considered it undesirable that the HA had not actively monitored its contractors but only investigated into the exploitation of cleansing workers after a survey conducted by the Oxfam had revealed that some of HA's services contractors were alleged to have adopted malpractices in circumventing the contractual restrictions in order to minimize their operating costs at the expense of workers. In Mr LEUNG's view, the HD should also investigate into other service contracts to ensure there were no malpractices. The Administration noted his views.

61. In reply to Miss CHAN Yuen-han on the reason for capping the number of part-time workers at no more than three-eighth of the total work force, CM(M)/HD explained that this was worked out with the relevant workers' unions and considered to be the optimal ratio for ensuring service quality.

#### **VII. Any other business**

62. There being no other business, the meeting ended at 4:50 pm.