

立法會

Legislative Council

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

Purpose

1. This paper gives an account of the work of the Panel on Housing during the Legislative Council session 2003-04. It will be tabled at the meeting of the Council on 30 June 2004 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

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

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

Major work

Housing policy

4. As in the past few years, the Panel monitored closely the formulation and implementation of housing policy to deal with the serious imbalance of supply and demand in the property market with the objective of restoring confidence of the public and investors. Following a statement delivered by the Secretary for Housing, Planning and Lands at the Council meeting on 15 October 2003, the Panel called a special meeting immediately to consider the measures proposed by the Administration to consolidate the housing policy. With the anticipated decrease in supply of new flats in the coming years, the Panel noted the resumption of the Application List System to dispose of land

from January 2004 and called for enhanced transparency of the Application List System. Recognizing that application for change of land use held by developers for residential purpose could be another major source of flat supply, some members of the Panel urged the Administration to exercise regulation in this regard.

Disposal of surplus Home Ownership Scheme flats

5. How the surplus Home Ownership Scheme (HOS) flats including Private Sector Participation Scheme (PSPS) flats should be disposed of consequent to Government's policy decision to cease these schemes was high on the agenda of the Panel throughout this legislative session. The Panel held several meetings to deliberate the disposal of some 10,000 surplus HOS and PSPS flats. Members welcomed the conversion of some 5,000 HOS flats into public rental housing units for allocation to applicants on the Waiting List since 2002. They also supported the conversion of 4,304 HOS flats into departmental quarters for the disciplined services. However, the disposal of Hunghom Peninsula PSPS flats aroused grave concern of the Panel. Through mediation, Government reached an agreement with the developer concerned to modify the Conditions of Sale to allow the 2,470 flats to be sold in the open market by the developer. The developer gave up its right to receive payment of a guaranteed purchase price of \$1,914 million from the Hong Kong Housing Authority (HA) and paid a premium of \$864 million to Government for the lease modifications. The amount of premium was severely criticized by many sectors of the community for being too low. To enable the Panel to have a full picture of why Government went for the negotiation option and how the premium was determined, the Administration provided to members for perusal on a confidential basis the legal opinion on the disposal options and the valuation report on Hunghom Peninsula PSPS project.

Divestment of Housing Authority's facilities

6. Without the income generated from sale of HOS flats, the HA incurred an annual cash flow deficit. For the purpose of tiding over budget deficit, the Panel noted the HA's decision to divest its retail and car-parking facilities through setting up a Real Estate Investment Trust (REIT). A series of meetings were held by the Panel to discuss the divestment strategy and impact of divestment on Housing Department (HD) staff. Members were particularly concerned about HA's intention of not retaining any equity in the REIT or in the company set up to manage the REIT. Without any control over the new company, there would be no way for HA to affect its policy-making and operation. The new company might strive to maximize its profits, leading to increase of rental for retail and car-parking facilities, resultant rise in the prices of commodities sold in retail facilities and a lack of tenure security. The Administration was urged to review whether it would be in the public interest for HA to retain certain percentage of equity in the new company.

7. The Panel also noted that the divestment of HA's retail and car-parking facilities would affect some 650 civil servants currently managing or maintaining these facilities. The Panel examined the staffing arrangement proposed by the Administration. Under the proposed voluntary exit scheme, any civil servants working in HD who are in the same ranks as those of the 646 departmental grade posts which would become surplus after the divestment will be eligible to apply. Successful applicants will be eligible for immediate payment of pension benefits and an ex-gratia lump sum payment calculated in accordance with a formula. Although the Administration assured that there would not be redundancy of the affected civil servants, some members remained concerned about the job security of HD or HA staff who were employed on a contract basis. Members urged the Administration to consider other alternatives, such as redeploying the surplus staff to other Government departments which were in need of manpower with the relevant expertise.

Median rent-to-income for public rental housing

8. The Panel followed closely on the issue about median rent-to-income ratio (MRIR) for public rental housing (PRH). In mid-2003, the Court of First Instance ruled in favour of the applicants in the judicial review of the HA's decision to defer rent review in 2000 and 2001. The Government lodged an appeal against the judgment. The Panel called a special meeting to discuss the implications of the judgment on rent policy. Members called upon HA to conduct a rent review and adjust rent to comply with the statutory 10% MRIR ceiling. For the purpose of bringing down the MRIR, the Administration proposed five rent adjustment options in March 2004. These options ranged from a 38% rent reduction across the board to varying percentage of rent reduction for targeted tenants. Divergent views were expressed by members on the various options. HA decided, subject to the outcome of the appeal, to adopt the option which would incur the least financial outlay, i.e. waiving the rent of Comprehensive Social Security Assistance households plus an across the board rent reduction of 10% for other households.

Review of income and asset limits for public rental housing

9. Before putting forward its proposal to adjust the income and asset limits for PRH to HA for consideration, the Administration briefed the Panel on the background and justifications for the proposal. Based on the movement of the Consumer Price Index (CPI) and the rental levels in the private market, the Administration proposed to reduce the income and asset limits by 4.3% and 8.9% respectively.

10. Noting the implications of the proposal, the Panel called an urgent special meeting to hear public views. Six resident organizations and an academic attended the meeting to exchange views with members on the proposed adjustment. All the resident organizations objected the proposal.

The majority of members of the Panel considered it undesirable to further adjust the income and asset limits downwards which was not conducive to social stability. Moreover, members noted that the CPI was beginning to pick up in the first quarter of 2004. It was not opportune time to reduce the income and asset limits which would drive 6,200 households out of the eligibility net for PRH. The Administration stressed that the adjustment was in line with the established practice and that after the adjustment, 35.2% of the non-owner occupied households living in the private flats would still be eligible for PRH. Notwithstanding, the Panel passed a motion to reiterate its disagreement with the formula for calculating the income and asset limits and oppose the proposed downward adjustment of the income limits for PRH.

Housing for the elderly

11. The Panel complimented the Hong Kong Housing Society (HS) for successful launch of the Senior Citizen Residence Scheme which aimed to provide an additional housing option for elderly in the middle-income group who were healthy and had the means to live in purpose-built accommodation with integrated care and supportive services. The first project at Tseung Kwan O, named Jolly Place, was well received. Of 243 units, about 200 units had already been taken up and some applications were being processed. The Panel noted that another project at Jordan Valley which would provide 333 units would be launched in 2004.

12. Similarly, the Panel was concerned about those elderly who did not have the means to live in purpose-built accommodation with modern facilities. According to a survey conducted by Society for Community Organization (SoCO), many elderly persons lived in dilapidated buildings of over 30 years without lifts. Since these elderly persons were property owners, they were not eligible for PRH. The Panel exchanged views with SoCO and elderly owners on how the latter could be assisted. The Panel considered it a good start of the Administration to propose granting temporary residence of one year to elderly property owners in the Housing for Senior Citizens of HA or HS on the recommendations of the Social Welfare Department under compassionate rehousing. However, in the view of members, the proposal could not solve the problem at root. The one-year temporary stay was too short and it was unlikely that in the not-yet-fully recovered property market, elderly owners could dispose of their old property within one year and then become eligible for applying for PRH. The Panel called upon the Administration to map out a comprehensive policy to resolve the problems faced by elderly owners living in dilapidated buildings and review critically the "no property ownership" restriction for PRH, which should be relaxed in certain special circumstances.

Facilities and hygiene in public rental housing

13. Following up on the concern about the need to improve the overall living environment of PRH estates after the outbreak of Severe Acute Respiratory Syndrome, the Panel discussed the initiatives embarked by HA to promote environmental sustainability and enhance management of existing estates. Amongst the various initiatives, members supported in particular the intention to lower the development intensity of public housing sites, improved drainage and re-entrant design and the trial scheme of installing dehumidification and deodourisation systems in HA's wet markets and refuse collection points to enhance air quality. However, members found that there was much room to improve waste management in PRH estates where refuse chutes were often left unused.

14. The Panel also identified another area which required improvement, namely the Marking Scheme for Tenancy Enforcement in connection with hygiene-related offences. While supporting the Scheme which was recommended by Team Clean to boost cleanliness, many members found it unreasonable that the entire household should be held liable for offences committed by individual household members. Moreover, the lack of adequate and proper facilities in PRH was often the cause for commission of the scheduled offences under the Scheme such as littering and drying of clothes in public areas. The Panel urged the Administration to improve facilities in PRH and ensure fairness and consistency in allotting penalty points.

15. The Panel raised strong objection to the proposal not to provide metal gates to domestic PRH flats. Members did not accept the Administration's explanation that metal gates were not essential for security purpose. Contrary to the Administration's view, members considered that metal gates were needed to enable tenants to keep their flat doors open for better ventilation and fostering neighbourliness. The Panel passed a motion urging HA to continue to install metal gates for all public housing flats. Taking into account the Panel's view, HA decided that metal gates would continue to be provided to new reception estates.

Sale of uncompleted properties

16. After the review of the Consent Scheme for sale of uncompleted properties, the Administration briefed members of the Panel and the Panel on Planning, Lands and Works on the outcome. Members supported the recommendations of the Working Group formed for the purpose. These included, amongst others, improved measures to safeguard purchasers' legal ownership, stricter requirements on disclosure of personal and financial relationship between the concerned parties and better management of the stakeholders' account by the solicitor. Some members found the measures concerning disclosure of conflict of interest insufficient. They considered that

instead of simply requiring disclosure of personal and financial relationship amongst the developer, the Authorized Person and the solicitor firm representing the developer, professionals should be prohibited from acting in a certain capacity where apparent conflict of interest existed. The Administration noted members' view.

Arbitration relating to a short-piling case

17. Concern was raised by the Panel on the way HA had handled its contract dispute with Zen Pacific (Zen) relating to the Yuen Chau Kok short-piling case. HA rejected the offer by Zen of \$100 million to settle the case but paid almost \$39 million legal fees to take the course of arbitration. The arbitrator subsequently determined that Zen breached the contract and awarded to HA \$199 million. However, HA reached an agreement with Zen under which the latter paid \$80 million as full and final settlement of the arbitrator's award. The Panel expressed dissatisfaction that public money was forsaken. The Panel also questioned the appropriateness of appointing as HA's legal adviser for the case the ex-Chairman of the Building Committee of HA who had apparent conflict of interest. Members called for a review of the HA's Standing Orders concerning appointment of HA's members in a professional capacity.

Prepared by
Council Business Division 1
Legislative Council Secretariat
21 June 2004

Panel on Housing

Terms of Reference

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

Panel on Housing

Membership list for 2003-2004 session

Chairman	Hon Albert HO Chun-yan
Deputy Chairman	Hon CHAN Kam-lam, JP
Members	Dr Hon David CHU Yu-lin, JP Hon LEE Cheuk-yan Hon Fred LI Wah-ming, JP Hon NG Leung-sing, JP Hon James TO Kun-sun Hon CHAN Yuen-han, JP Hon LEUNG Yiu-chung Hon Andrew WONG Wang-fat, JP Hon Howard YOUNG, SBS, JP Dr Hon YEUNG Sum Hon YEUNG Yiu-chung, BBS Hon SZETO Wah Hon Abraham SHEK Lai-him, JP Hon Tommy CHEUNG Yu-yan, JP Hon Albert CHAN Wai-yip Dr Hon LO Wing-lok, JP Hon WONG Sing-chi Hon Frederick FUNG Kin-kee Hon IP Kwok-him, JP Hon LAU Ping-cheung (Total : 22 members)
Clerk	Miss Odelia LEUNG
Legal Adviser	Mr KAU Kin-wah
Date	9 October 2003