

立法會
Legislative Council

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Panel on Housing

**Minutes of special meeting
held on Friday, 21 January 2005, at 12:15 pm
in the Chamber of the Legislative Council Building**

Members present : Hon CHAN Kam-lam, JP (Chairman)
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon WONG Kwok-hing, MH
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG

Members absent : Hon LEE Wing-tat (Deputy Chairman)
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Hon Alan LEONG Kah-kit, SC

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

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 2005
(LC Paper No. CB(1)708/04-05(01) — Policy Initiatives of Housing, Planning and Lands Bureau)

The Secretary for Housing, Planning and Lands (SHPL) briefed members on the policy initiatives involving the Housing, Planning and Lands Bureau (HPLB) in the 2005 Policy Agenda and the position reached on initiatives in the 2004 Policy Agenda.

Urban decay

2. Mr Frederick FUNG Kin-kee urged the Administration to accelerate the progress of urban renewal to arrest urban decay. In response, SHPL said that as a result of the Public Consultation on Building Management and Maintenance (the Consultation), various measures to tackle the long-standing problems of building neglect and urban decay had been identified for further consultation. These included mandatory building inspection, mandatory engagement of property management companies and mandatory formation of Owners' Corporations. All these measures however required legislation and careful examination of the relevant implementation details. As such, in the meantime, the assistance of the Hong Kong Housing Society (HKHS) had been enlisted to roll out a ten-year building management and maintenance scheme. On the strength of HKHS's experience and expertise, owners would be provided with technical

advice and incentives as well as interest-free loans to improve their living environment. Noting the above, Mr FUNG pointed out that solutions to the problem of building neglect were long overdue. He urged the Administration to press ahead with the contemplated mandatory measures without further ado.

3. In response, SHPL pointed out that the question of who should bear the cost of building maintenance had yet to be decided. Notwithstanding, a significant step in this regard was made as public consensus had been reached on the owners' responsibility to properly maintain and manage their buildings, and the sectors of the community that required assistance in discharging their maintenance responsibility had been identified. He stressed the need for a second stage public consultation because the introduction of any mandatory measure would need to be fully justified and should have the support of the community. The Administration would therefore need to carefully consider the implications and fully engage the public in discussion before finalizing the implementation details. Mr Frederick FUNG however said that since the community had already clearly expressed their views on the broad future directions in building management and maintenance through the Consultation, the Administration should examine the views, and then decide on the options to pursue. In response, SHPL confirmed that the scope of options to be further examined had already been narrowed down having regard to the views of the community.

4. The Chairman opined that the problem with building maintenance was reluctance of owners to borrow money to carry out building maintenance works and not lack of financial assistance. Two financial assistance schemes had been put in place in this regard. They were the Building Safety Loan Scheme under the Buildings Department (BD) and the Building Rehabilitation Loan Scheme under the Urban Renewal Authority. With HKHS joining in to provide loans for building maintenance, there would be three similar loan schemes. He called upon the Administration to clearly differentiate the targets of the three loan schemes to minimize duplication of resources and abuse, and to publicize and promote the schemes to ensure they could serve their respective purposes.

5. In response, SHPL explained that BD's loan scheme offered larger loans to a wider scope of buildings. Owners of various types of buildings, including commercial and industrial buildings and even private slopes, could apply for loans under the BD's scheme. HKHS's loan scheme would however target at owners of lesser means, and interest-free loans (maximum \$5,000 per unit) would be provided to owners of flats aged over 20 years at a rateable value of \$60,000 and \$45,000 per annum for urban area and New Territories area respectively to undertake flat interior repair and maintenance works relating to safety and hygiene of the premises. He further assured members that a common register of recipients of all three loan schemes would be set up to guard against duplication of applications.

Disposal of surplus Home Ownership Scheme flats

6. Mr WONG Kwok-hing enquired whether the Administration would consider selling the 3 040 surplus Home Ownership Scheme (HOS) flats originally considered for use as guesthouse. In his view, sale of these HOS flats would not affect the property market because it had been recovered and the target buyers of HOS flats were different from those of private flats. Miss CHAN Yuen-han expressed similar views. In response, SHPL said that the timing for resuming the sale of surplus HOS flats had yet to be decided. The Government had stated that the surplus HOS flats would not be sold before the end of 2006. However, if necessary, the timing of resuming HOS sale could be reviewed. At Mr WONG's request for more specific details, SHPL explained that great care had to be exercised when deciding whether to resume HOS sale because if individual unsold or returned flats in HOS blocks were also taken into account, there were more than 10 000 surplus HOS flats. The Administration would take into consideration members' views and any impacts arising from the Government's decision on the sale of surplus HOS flats.

7. Mr Fred LI Wah-ming called upon the Housing Authority (HA) to convert the remaining 3 040 surplus HOS flats into PRH flats and allocate them to PRH households which had been staying in PRH for over ten years and were willing to pay higher rents to improve their living conditions. In response, SHPL said that these households could buy HOS flats in the secondary market. He also reiterated the points made in paragraph 6 above.

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

8. In response to Mr LEUNG Kwok-hung, SHPL emphasized that throughout the motion debate on the planned divestment of HA's retail and car-parking facilities (RC facilities) through an initial public offering (IPO) of The Link Real Estate Investment Trust (The Link REIT) at the Council meeting on 1 December 2004, it had not been mentioned that there would be an eleventh hour legal challenge against HA's statutory power to divest the RC facilities. While Mr Albert CHAN Wai-yip had indicated the wish to prevent The Link REIT from being listed through legal proceedings, he had not questioned HA's power in this regard. The present developments of the listing of The Link REIT were totally unexpected.

9. As to Mr LEUNG Kwok-hung's request to comment on the remark made by the Administration that legal proceedings had been abused to prevent the listing of The Link REIT, SHPL opined that the meeting had been scheduled for discussion on the policy commitments of the housing portfolio in the 2005 Policy Agenda and not clarification of remarks.

10. Mr Tommy CHEUNG Yu-yan enquired how HA could sustain its PRH development programme given the delay in listing of The Link REIT to improve its financial position. In reply, SHPL pointed out that the HA was already examining various options for increasing income. He further pointed out that the HA's financial situation would also be affected by the outcome of the pending proceedings in relation to rent review. Should the HA lose the case, the HA would face immediate financial difficulties, and would need to explore different solutions including requesting the Government to inject funds into the HA.

11. Mr LEUNG Yiu-chung pointed out that listing of The Link REIT could not help solve HA's financial problem for good. He urged the HA to explore more long-term solutions to its financial problem, such as by asking the Government to inject funds into the HA. In response, SHPL explained that apart from improving HA's financial situation, the divestment also aimed at increasing the economic efficiency of the commercial facilities concerned, which would in turn benefit shopping tenants and shoppers. The Administration was making efforts to bring about the listing of The Link REIT. He further pointed out that given the present budget deficits and competing claims, the Government might not be able to inject funds into the HA.

12. Mr LEUNG Yiu-chung opined that listing of The Link REIT had been challenged and delayed because of insufficient public consultation. In reply to him on whether the Administration would conduct consultation again should it survive the legal challenge, SHPL emphasized that communications with stakeholders had never stopped and during the past month, the HA continued its dialogue with the tenants of its commercial facilities and relevant organizations to explain the divestment exercise to them.

13. Noting SHPL's saying, Mr LEUNG Yiu-chung cast doubt on whether the Administration was genuinely consulting the stakeholders on whether the RC facilities should be divested because, as he understood, the personnel conducting the divestment consultation were introducing themselves as staff of The Link Management Limited (The Link Management). While HA's commercial tenants might benefit from the divestment, PRH tenants might be adversely affected because the prices of goods and services provided at the divested RC facilities might go up. He therefore opined that to act responsibly, the HA should explore other better and more long-term solutions to its financial problem to sustain the PRH development programme.

14. In response to Mr LEUNG Yiu-chung's query of the divestment consultation, SHPL explained that since The Link Management had already been set up, it was only reasonable that it deployed its staff to liaise with shopping tenants and maintain dialogue with them. Shopping tenants who objected to the divestment were free to express such views. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) supplemented that the dialogue with stakeholders was comprehensive. Apart from District Councils, HA staff would attend meetings of all Estate Management Advisory Committees to brief

them on the divestment project and to listen to their views. At Mr LEUNG's request, the Administration agreed to report to the Panel in due course outcomes of such meetings.

15. As to Mr LEUNG Yiu-chung's views on how the HA should tackle its financial problem, SHPL explained that there was difficulty in working out solutions in this regard before the uncertainties arising from the pending legal proceedings in relation to rent review were cleared. At present, the HA was making efforts to cut costs and increase incomes as far as practicable. He however assured members that, even though the PRH programme might need to be adjusted, the HA could still meet the pledge of an average waiting time of three years through implementing various measures, including expediting the allocation of vacant PRH flats. In this regard, the Chairman urged the Administration to talk to Mr LEUNG to address his concern about the sustainability of the PRH programme.

The waiting time for public rental housing

16. Mr Albert CHAN questioned how, with the cessation of the sale of HOS flats to provide an outlet for PRH tenants and the decrease in the annual production of PRH flats, the HA could maintain the pledge of average waiting time at around three years. In response, SHPL explained that the pledge could be kept because in the coming five years, around 88 000 PRH flats would be produced. In addition, around 3 000 HOS flats and 8 700 interim housing flats would be converted into public rental housing. A certain number of PRH flats would also be recovered for reallocation every year.

17. Mr Albert CHAN pointed out that when spread over five years, only 15 000 PRH flats would be produced a year but there were 93 000 applicants on the Waiting List (WL). He further warned that with the HOS and various housing loan schemes terminated as a result of Government's re-positioned housing policy, the mobility of PRH tenants and hence the annual figure of PRH flats recovered for reallocation had decreased. In response, SHPL explained that not all WL applicants would eventually qualify for PRH. Moreover, efforts were being made to expedite the allocation of vacant PRH flats to WL applicants.

18. Following up the above point made by SHPL, Mr Frederick FUNG pointed out that the percentage of WL applicants who could not go through the vetting stage would be lower than before because of the shortened waiting time. The reason being that, with the time gap between the application and the vetting stage shortened, the possibility of the applicants getting a pay rise or a promotion and hence exceeding the income limits during the period concerned would be smaller. According to his estimates, to keep the pledge of average waiting time of three years, the HA would need to allocate PRH to around 30 000 WL applicants every year. He therefore cast doubt on how the Administration could keep the above pledge. In response, PSH explained that apart from PRH production, PRH flats would also be made available from refurbished flats and flats recovered for

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reallocation. At the Chairman's request, the Administration agreed to provide in writing after the meeting further information on the recovery of flats.

19. In reply to Mr Tommy CHEUNG on whether the three-year waiting time would be compromised if The Link REIT could not be listed, SHPL confirmed that, barring unforeseen circumstances, the Government would endeavour to maintain the average waiting time at about three years for the remaining two and a half years of his tenure.

Other views and comments

20. Mrs Selina CHOW LIANG Shuk-yee opined that as the largest housing provider, the HA should play a role in ensuring a high standard of architectural design. She pointed out that, notwithstanding the adoption of the two-envelope system which claimed to give greater consideration to tenderers' technical performance, HA's present procurement system still failed to facilitate modern and innovative building design. She also opined that to encourage creativity, the HA should not adopt standard design for PRH.

21. In response to Mrs Selina CHOW's views on HA's procurement method, PSH stressed that tenders for HA projects were vetted carefully with the objective of striking a balance between tender prices and tenderers' technical performance. As a result, HA contracts were not necessarily awarded to the lowest bidder. He assured members that the Administration recognized the importance of a balanced approach, and the best mechanism for achieving such was being explored. Relevant information would be provided in due course.

22. As to Mrs Selina CHOW's comments on PRH design, PSH stressed the need to strike a balance between standardization to facilitate quality control and ensure cost-effectiveness, and flexibility to encourage creativity. He then clarified that the design of PRH was conducted in-house and hence would not be affected by HA's procurement method. In fact, great improvements had been made in PRH design. For example, the ratio of the kitchen and bathroom area to the living area had been improved. The ventilation of PRH flats and disposition of PRH blocks had also been optimized as a result of micro-climate studies for some of HA's building projects. Moreover, PRH design had won many international awards.

23. Noting the above, Mrs Selina CHOW opined that the design of PRH should be outsourced to encourage creativity. In response, PSH explained that there were sufficient high-calibre architects in the Housing Department (HD) to conduct PRH design in-house. The use of in-house manpower resources for all stages of PRH production could also ensure smooth work-flow. Mrs CHOW was unsatisfied with the response. Highlighting the high unemployment rate in the construction industry, she opined that the HA should be more open-minded and should outsource its projects progressively. In response, PSH emphasized that HD had already been making efforts to downsize its establishment. However, since there was no forced redundancy of civil servants in HD, downsizing of HD would

need to be achieved through natural wastage. He further pointed out that the HA had already been closely liaising with the Hong Kong Institute of Architects to encourage creative design. The Chairman shared his views and pointed out that PRH design had already improved greatly.

II Any other business

24. There being no other business, the meeting ended at 1:25 pm.

Council Business Division 1
Legislative Council Secretariat
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