

立法會
Legislative Council

LC Paper No. CB(1)1406/05-06
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Friday, 17 March 2006, at 8:30 am
in the Chamber of the Legislative Council Building

Members present : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon LEE Wing-tat (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon WONG Kwok-hing, MH
Dr Hon Joseph LEE Kok-long
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG

Members attending : Hon LEE Cheuk-yan

Members absent : Hon Albert HO Chun-yan
Hon James TO Kun-sun
Dr Hon YEUNG Sum

Public officers attending : Agenda Item IV

Mr Michael M Y SUEN, GBS, JP
Secretary for Housing, Planning and Lands

Mr Thomas C Y CHAN, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr TAM Wing-pong, JP
Deputy Secretary for Housing, Planning and Lands (Housing)

Mr Carlson CHAN
Assistant Director (Strategic Planning)
Housing Department

Agenda Item V

Mr Thomas C Y CHAN, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr TAM Wing-pong, JP
Deputy Secretary for Housing, Planning and Lands (Housing)

Mr Carlson CHAN
Assistant Director (Strategic Planning)
Housing Department

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)6

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

Mr WONG Siu-yee
Senior Council Secretary (1)7

Ms Michelle NIEN
Legislative Assistant (1)9

I. Confirmation of minutes and matters arising

(LC Paper No. CB(1)1030/05-06 — Minutes of meeting on
6 February 2006)

The minutes of the meeting held on 6 February 2006 were confirmed.

2. The Chairman reported that, pursuant to the decision made at the meeting on 5 January 2006, the Panel had conducted a visit on 21 February 2006 to surplus Home Ownership Scheme flats of Tin Fu Court and Private Sector Participation Scheme flats of Kingsford Terrace to ascertain the quality of the flats. He advised that members joining the visit had found that the conditions of the flats were satisfactory in general. It was agreed that no follow-up action was necessary.

II. Information paper issued since last meeting

3. Members noted that a submission from a member of the public on outsourcing of management of public rental housing (PRH) estates (LC Paper No. CB(1)865/05-06) had been issued since last meeting.

III. Items for discussion at the next meeting

(LC Paper No. CB(1)1060/05-06(01) — List of outstanding items for
discussion

LC Paper No. CB(1)1060/05-06(02) — List of follow-up actions)

4. Members agreed to discuss the following items at the next regular meeting of the Panel to be held on Monday, 3 April 2006 at 2:30 pm -

- (a) Provision of district open space adjoining Kwai Chung Estate; and
- (b) Project management and re-housing issues arising from the Housing Authority's re-entry upon three construction sites.

5. On item (a), members noted that it was proposed for discussion by the Administration. It planned to submit the relevant financial proposal for consideration of the Public Works Subcommittee in due course. Regarding item (b), members noted that it was proposed for discussion by Mr LEE Wing-tat who was concerned about the monitoring of Housing Authority (HA)'s works contractors arising from the HA's re-entry upon three construction sites in February 2006 (the incident). The Panel had also received a written submission from a resident organization of Wong Chuk Hang Estate expressing concern about re-housing issues arising from the incident. In this connection, members agreed to meet with resident representatives of

estates affected by the delay in completion of housing project arising from the incident under the agenda item.

IV. Public consultation on policy on public housing rent

(LC Paper No. CB(1)1045/05-06 — Consultation Paper on Review of Domestic Rent Policy and its Executive Summary

LC Paper No. CB(1)1060/05-06(03) — Information paper provided by the Administration

LC Paper No. CB(1)1060/05-06(04) — Background brief on “Review of rent policy of public rental housing” prepared by the Legislative Council Secretariat)

Arrangement for meetings with deputations and the Administration

6. The Chairman said that the HA had published the Consultation Paper on Review of Domestic Rent Policy (the Consultation Paper) on 9 March 2006 to seek public views on proposals for improving the policy and adjustment mechanism of domestic rents of PRH. The consultation period would last for three months until 9 June 2006. He added that the purpose of the present meeting was for the Administration to brief the Panel on the Consultation Paper. Given the wide public concern on the subject and the far-reaching implication of the proposals on the community, he suggested that the Panel should hold special meetings in April and May 2006 for meeting deputations and exchanging views with the Administration on the Consultation Paper, and for the Administration to respond to the views. The Chairman said that the Clerk to the Panel would issue a circular inviting members to indicate their availability for proposed dates for the special meetings. On the organizations or interested parties to be invited to the special meetings and/or to provide written submissions, the Chairman advised that the Secretariat would announce an invitation at the Legislative Council (LegCo) website and write to the 18 District Councils to invite submissions and oral presentations from interested parties on the Consultation Paper. Members who would like to propose relevant organizations to which invitation should be issued could also contact the Secretariat. Members agreed with the above arrangements for holding the special meetings.

(Post-meeting note: A circular (LC Paper No. CB(1)1115/05-06) was issued on 20 March 2006 inviting members to indicate their availability for proposed dates for the special meetings and to suggest relevant organizations to be invited. With the concurrence of the Chairman, the special meetings would be held on 19 April, 16 and 25 May 2006. Notice of the meetings were issued vide LC Paper No. CB(1)1182/05-06 on 28 March 2006.)

Briefing by the Administration

7. At the Chairman's invitation, the Secretary for Housing, Planning and Lands (SHPL) gave a brief introduction of the Consultation Paper. SHPL said that the Consultation Paper had set out the initial findings of the Ad Hoc Committee on Review of Domestic Rent Policy (CDRP) established by the HA and proposals for improving the policy and adjustment mechanism of domestic rent of PRH. The objective of the review was to recommend a rent policy that was affordable, more flexible, provided greater choice to tenants, and helped to promote the long-term sustainability of the PRH programme. He stressed that tenants' affordability and long-term sustainability of the PRH programme would remain the two guiding principles in the review. The proposals in the Consultation Paper represented only the initial findings of the review. The CDRP would keep an open mind and carefully consider the views received in the public consultation before drawing up recommendations to the HA. The Assistant Director of Housing (Strategic Planning) (AD of H (SP)) then briefed members on the Consultation Paper with the aid of power-point. He highlighted the key areas for consultation, as follows:

Alternative options for measuring affordability

- (a) The CDRP had considered a number of alternative options for measuring affordability apart from the median rent-to-income ratio (MRIR), including adopting different MRIRs for different groups of households or types of estates, setting rents based on a fixed rent-to-income ratio and the so-called "residual income approach";

Improvements to the assessment of MRIR

- (b) Should MRIR be retained as a measure of affordability in the absence of other better and operationally viable alternatives, the CDRP had identified possible measures to improve the methodology for its assessment, including collecting more reliable income data by way of a declaration system, excluding Comprehensive Social Security Assistance (CSSA) recipients and tenants paying additional rents from the calculation of MRIR; and compiling MRIR based on net rents, i.e. excluding rates and management expenses;

Proposed rent adjustment reference index

- (c) The statutory MRIR Cap of 10% confused an affordability indicator with a rent adjustment mechanism. The CDRP proposed to replace the present system with a more transparent and well-defined index-linked mechanism to guide rent adjustment, both upwards and downwards, based on movements in consumer price or tenants' household income;

Differential rents

- (d) To better reflect the rental values of different units and provide greater choice to tenants, the Consultation Paper set out two models of differential rents for public consultation, i.e. the "moderate model" taking

into account of internal factors (such as floor level, proximity to unwelcome facilities), and the “comprehensive model” taking into account of both internal and external factors (such as views and orientation) for rent adjustment;

Exclusive rents

- (e) The Consultation Paper proposed a more practical alternative to continue to charge all-inclusive rents but separately set out the amount of rates and management fees in a statement to be issued to individual tenants annually to enhance transparency;

Fixed-term tenancy

- (f) The CDRP was not in favour of replacing the current monthly tenancy by fixed-term tenancy and considered that the problem of tenants’ perpetual stay in PRH, which fixed-term tenancy was thought to be able to help resolve, should best be addressed through a proper review of the relevant policies such as the Housing Subsidy Policy and Policy on Safeguarding Rational Allocation of Public Housing Resources; and

Rent fixing and review cycles

- (g) The CDRP was of the view that the current arrangements of having two rent fixing exercises each year for newly completed estates should be maintained. It also favoured a biennial rent review cycle to provide for timely implementation of any rent adjustments. Instead of dividing PRH estates into batches for rent review, it would be more equitable to cover all PRH estates in any rent review exercise.

(*Post-meeting note: SHPL’s speech and the hard copy of the presentation materials were issued to members vide LC Paper Nos. CB(1)1108/05-06(01) and (02) respectively on 20 March 2006.*)

Discussion

Overall comments on the Consultation Paper

8. Mr LEUNG Kwok-hung stated his opposition to the Consultation Paper. He remarked that notwithstanding the Court of Final Appeal’s ruling that the HA was not under a statutory duty to review rents and revise them so as to ensure the 10% MRIR was not exceeded, the HA should still reduce PRH rents. He expressed dissatisfaction that the HA had used the Consultation Paper as an excuse to avoid reducing rents and that the proposals, such as excluding CSSA recipients and tenants paying additional rents from the calculation of the MRIR, put forth were only administrative measures to evade from complying with the statutory 10% MRIR cap. He considered that the approach was improper and unethical.

9. Mr Abraham SHEK considered that the Consultation Paper lacked clear objectives. It was unclear whether the proposals put forward were to address problems relating to the financial position of the HA or the broader issue of allocation of public resources for provision of PRH. He expressed concern about the negative impact of the proposals on PRH tenants and queried whether the Administration had given careful thoughts to the various concerns before launching the public consultation exercise. Given that the sitting PRH tenants and waiting list applicants would be most affected by the proposals, Mr SHEK considered that the Administration should consult this sector first. Otherwise, PRH tenants' views would be overshadowed by public views solicited through the current public consultation exercise.

10. Miss CHAN Yuen-han said that the Hong Kong Federation of Trade Unions was opposed to the Consultation Paper. She found it unacceptable that instead of reducing PRH rents to comply with the statutory MRIR cap, the HA was seeking to change the present rent adjustment mechanism to evade from doing so. She emphasized that PRH served an important social function, even more so with aggravation in the poverty problem.

11. Mr Patrick LAU highlighted Government's responsibility to improve the living conditions of the needy and the important contribution of PRH to the stability and prosperity of Hong Kong. He was of the view that the Consultation Paper only focused on issues relating to rent adjustment policy but had not touched upon more fundamental questions, such as the future direction of the subsidized housing policy and whether housing subsidies should be provided in place of PRH. He opined that the Administration should solicit views of the community on these important issues.

12. On the public consultation, Mrs Selina CHOW welcomed the launching of the consultation exercise to solicit public views as provision of PRH involved significant public resources and hence it was necessary to strike a proper balance between the interests of PRH tenants and those of other sectors of the community. She stressed the need to seek the views of different sectors of the community on the issue.

13. In response, the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) agreed that allocation of resources for provision of PRH and the level of subsidies were fundamental issues the HA needed to examine in the long term. He pointed out that many proposals in the Consultation Paper would have implications on these fundamental issues. The views collected in the current consultation would provide a useful source of reference for the Administration to improve and adjust its overall public housing policy in the long run. PSH stressed that the Administration was committed to conducting a comprehensive public consultation through multi-channels. Besides inviting the public and interested parties to give written views on the Consultation Paper, the HA would consult all 18 District Councils, organize four district public forums and two meeting-the-public sessions, and conduct a telephone opinion survey to solicit views from the community.

14. Mr Frederick FUNG, however, stressed the need for the Administration to review the whole public housing policy before consulting the public on the rent policy. He cautioned that some of the proposals in the Consultation Paper, if implemented, might change the social function of PRH, thus it was necessary to have consensus of the community on the issue first.

15. Mr Albert CHAN pointed out that the Administration had failed to set out in the Consultation Paper the impact of the various proposals to facilitate consideration by members and the public. For instance, the introduction of differential rents might change the social function of PRH and outweigh any intended economic benefits, such as increase in HA's rental income. Mr CHAN requested the Administration to conduct analyses of the economic and social impacts of the proposals on PRH tenants and the community at large, and report the results to the Panel.

(Post-meeting note: The requested information was issued to members vide LC Paper No. CB(1)1277/05-06 on 10 April 2006.)

16. In response, PSH said that the Administration would conduct analyses of the economic and social impacts of the proposals after the public consultation exercise and report the results to the Panel. On the concern about the motive for introducing differential rents, PSH clarified that the proposal aimed at providing more choices for tenants and developing a fairer rent structure taking account of factors such as location, floor level, and other internal features of properties. The HA had no intention to increase rental income through the proposal. Indeed it had been pointed out in the Consultation Paper that implementation of either the moderate model or more comprehensive model would have neutral impact on total rental income of a PRH block (paragraphs 8.7(c) and 8.9(b) of the Consultation Paper). Mr Albert CHAN was pleased to note the Administration's clarification. In this connection, the Chairman remarked that the Administration should clearly inform the public of the objective of the proposal to avoid misunderstanding.

Rent adjustment reference index

17. Mr LEE Wing-tat questioned the need to establish a new rent adjustment mechanism that would allow for both increases and reductions in PRH rents as the HA could adjust rents under the existing Housing Ordinance (HO) (Cap. 283). Mr LEE pointed out that the HA had in fact introduced rent waiver of one month tantamount to about 8% reduction in rent for PRH a few years before.

18. In response, PSH explained that the rent waivers for PRH introduced in the past few years were ad hoc and one-off measures. He added that the HO lacked a mechanism for determining PRH rents in a more rational and fairer manner. Hence, there was a need to introduce a well-defined and transparent index-linked mechanism to guide future rent adjustment.

19. While expressing support in principle for introducing a new mechanism allowing upwards and downwards rent adjustments, Mr Frederick FUNG said that the Hong Kong Association for Democracy and People's Livelihood (HKADPL) considered that rent adjustments should be guided with reference to tenants' household incomes instead of movements in consumer prices. In order to ensure that the new rent adjustment mechanism would commence in a fair manner, HKADPL was of the view that the HA should reduce rents by at least 15% to reflect the decline in tenants' household incomes since 1997 before implementing the new mechanism.

20. Mr LEE Wing-tat pointed out that the largest drawback of the Consultation Paper was the failure to address the concern about base rent, which in his view should be adjusted downward by more than 15% to keep in line with decline in household incomes since 1999. He urged that the HA should reduce the base rent to fairly reflect tenants' affordability before implementing measures to improve the rent policy. Otherwise PRH tenants would not accept the proposed measure.

21. Mr LEE Wing-tat stressed the need for the HA to comply with the HO in improving the policy of PRH rents. In this connection, he enquired whether it would be necessary to amend the HO for implementing the proposals in the Consultation Paper. In reply, PSH advised that some of the proposals in the Consultation Paper might require legislative amendments for implementation. He added that should there be public support for implementing these proposals, the Administration would then work out the details and pursue the legislative proposals accordingly. Mrs Selina CHOW supported the Administration for adopting a practical approach in this regard.

Improvements to the assessment of MRIR

22. On measures for improving the assessment of MRIR, Mr LEE Wing-tat considered it undesirable to compile MRIR based on net rents exclusive of rates and management expenses. He was concerned that the proposal would change the existing methodology for calculating MRIR, which had been in place for years, and would be used as an excuse to increase PRH rents. He cautioned that the proposal might spark off wide concern from PRH tenants.

23. The Chairman pointed out that MRIR had been adopted as a general indicator of tenants' affordability for years. It had, however, not been designed as a rent adjustment mechanism. The interplay of a host of factors, such as the redevelopment of old PRH estates, had led to a major increase in MRIR in recent years. As a result,

the current statutory MRIR provision of 10% following any rent increase had limited HA's flexibility in adjusting PRH rents in a more rational and fairer manner. He considered that there was room for improving the assessment of MRIR and there should be discussion on the appropriate MRIR benchmarks to be adopted.

Differential rents

24. Mrs Selina CHOW noted from media report that PRH tenants had expressed general support for introducing differential rents as it was a fairer framework for determining rents having due regard to tenants' affordability. She agreed that objective and reasonable criteria should be taken into account in determining different levels of PRH rents.

25. Mr Frederick FUNG said that HKADPL did not support introducing differential rents for PRH on concerns about the labelling effect on poor tenants who could not afford a higher quality flat, the operational difficulties and the high administrative costs involved. Moreover, there was concern that the proposal, being a market-oriented system, would alter the mission of PRH for providing affordable housing to the low-income households.

26. Mr LEUNG Kwok-hung expressed concern that instead of providing benefits to PRH tenants, the proposal on differential rents would cause disruption to tenants and unnecessarily categorize them into classes. The proposal would have negative social impact, making the society more divisive, and was contrary to achieving a harmonious society in Hong Kong. Implementation of the proposal would also entail high administrative costs. Mr LEUNG stressed that PRH was a form of social subsidy for the low-income people and the principles of the private market should not be applied in determining PRH rents.

27. Miss CHAN Yuen-han considered the proposal of introducing differential rents discriminatory on PRH tenants. Miss CHAN further queried the real motive of the proposal and expressed concern that the proposed system would be use as an excuse to increase PRH rents to an extent of changing the objective of the PRH policy of providing affordable housing to the low-income people. She added that charging differential rents would be unfair to some PRH tenants as they were forced to live in PRH as a result of Government's clearance operations.

28. Mr Abraham SHEK echoed the concern about applying differential rents to PRH. He opined that the proposal was not conducive to achieving a fairer rent structure. Instead of including the proximity to unwelcome facilities as a factor for rent consideration, the HA should devise measures to alleviate the nuisance caused by such facilities. Moreover, floor levels did not necessarily affect the desirability of a flat. Mr Patrick LAU shared Mr SHEK's views and added that in overseas countries, families with children would not favour flats on high levels.

29. While indicating support in principle to adopt tenants' affordability, long-term sustainability of the PRH programme and rational allocation of resources as the guiding principles for rent setting and adjustments, the Chairman expressed reservation about introducing differential rents. He was of the view that principles, including tenants' choices and comparable estate values, which were the bases of the proposal, should be further examined.

30. Mr CHEUNG Hok-ming noted that under the proposed system of differential rents, the unit rents of flats in the same block would be adjusted in accordance with a number of objective internal and external factors, such as view and orientation, floor levels, proximity to unwelcome facilities, etc. He enquired about the respective weights to be put on the factors in determining the rent levels and the variation in rents among units of similar size.

31. In response, PSH advised that the Consultation Paper had put forward two possible approaches, i.e. moderate model and the comprehensive model, for implementation of differential rents. Subject to a decision being taken to proceed with the proposed system, the HA would commission further work to develop the precise model for implementation. Views from the public on the implementation details were welcomed.

32. On the variation of rents among PRH units, PSH and AD of H (SP) explained that under the proposed system, the maximum rent differential of similar-sized units was expected to be around 15% under the moderate model and 30% under the comprehensive model.

33. Upon further enquiry by Mr CHEUNG Hok-ming, AD of H (SP) clarified that implementation of the proposed system of differential rents would not affect the income and asset limits for Waiting List applicants and hence applicants' eligibility for PRH.

34. Mr WONG Kwok-hing pointed out that the SHPL had indicated to the public earlier that proposals in the Consultation Paper, such as differential rents, if implemented, would not apply to existing PRH estates. He however noted from paragraph 8.11(b) of the Consultation Paper that consideration would be given to introducing the proposal of differential rents in existing estates in the longer term. In this connection, Mr WONG sought clarification from the Administration on whether the proposal on differential rents would apply to existing estates.

35. In respect of the proposal of differential rents, PSH explained that to ensure reasonableness and operational viability, as well as avoid disruption to existing tenants, the HA intended to introduce the proposed system to newly completed estates in the first instance. While consideration might be given to introducing the system in the existing estates in the longer term, whether and when this convergence would take place should be decided taking account of the impacts on the existing tenants. PSH advised that given the operational difficulties and likely inconvenience caused to

existing tenants, it would be difficult to apply the system to existing estates. He added that should there be strong public support for the application of the system to existing estates, the HA would consider the matter further. In this connection, Mr WONG Kwok-hing requested the Administration to clarify in writing whether the proposal on differential rents, if implemented, would apply to existing PRH estates. The Administration undertook to do so.

(Post-meeting note: The Administration's clarification was issued to members vide LC Paper No. CB(1)1277/05-06 on 10 April 2006.)

Fixed-term tenancy

36. Mr Frederick FUNG said that HKADPL was opposed to introducing fixed-term tenancy for PRH, which in its view was not conducive to social stability. Given that the HA had already put in place a number of policies, notably the Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources, to deal with the eligibility of sitting tenants to prohibit perpetual stay in PRH, there was no justification to replace the current system of monthly tenancy by fixed-term tenancy.

Consultation period

37. Mr WONG Kwok-hing highlighted the complexity of the proposals in the Consultation Paper and the far-reaching implications on PRH tenants and the community at large. He was of the view that tenants and the public should be provided with a fair opportunity and sufficient time to give views on the various proposals. He asked whether the Administration would consider extending the consultation period. PSH stressed that the Administration would listen to the views of the public. He assured members that should there be strong public request for extending the consultation period, the Administration would consider such a request. In this connection, Mr WONG Kwok-hing requested the Administration to consider his suggestion of extending the public consultation period to six months. PSH undertook to consider the request.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(1)1277/05-06 on 10 April 2006.)

V. Review of income and asset limits for Waiting List applicants

(LC Paper No. CB(1)1060/05-06(05) — Information paper provided by the Administration

LC Paper No. CB(1)1060/05-06(06) — Background brief on “Income and asset limits for Waiting List applicants for public rental housing” prepared by the Legislative Council Secretariat)

Consultation with the Panel

38. The Chairman explained that due to rescheduling of the Panel meeting from 6 March 2006 to 17 March 2006, the Administration was unable to consult members on the proposals for adjusting the Waiting List (WL) income and asset limits for 2006-07 before the Subsidized Housing Committee (SHC) of the HA endorsed the upward adjustments on the two limits by 2.7% and 1.7% respectively which would take effect on 1 April 2006, at its meeting on 13 March 2006.

39. Mr Frederick FUNG pointed out that the subject of WL income and asset limits was all along an issue of great concern of the Panel. As such, he stressed the need for the Panel to be consulted first before the HA made any adjustments to the limits. He expressed strong dissatisfaction that the Administration had not done so in respect of the review for 2006-07. Stressing the important role of LegCo in monitoring policies concerning PRH, Mr WONG Kwok-hing also expressed dissatisfaction that the decisions to adjust the WL income and asset limits were made without prior consultation of the Panel. Sharing the view that the review was of great public concern, Mr WONG considered that the arrangement was unreasonable. He further called on the Administration to ensure that, in future, the Panel would be consulted first before decisions on adjustments to the limits were made. Mr LEUNG Kwok-hung echoed the concern. Given that the HA had already made the decisions on the review for 2006-07, Mr FUNG and Mr WONG considered it futile to discuss the review at the meeting.

40. The Chairman urged the Administration to take note of members’ views and put in place arrangement to consult the Panel before the HA made decisions on the WL income and asset limits in future. In order to allow the Administration to take account of members’ views on the said review in future, the Deputy Secretary for Housing, Planning and Lands (DS/HPL(H)) invited members to forward their views on the matter at an early stage.

(Mr FUNG and Mr WONG left the meeting in protest against the lack of consultation of the Panel on the matter.)

Briefing by the Administration

41. At the Chairman's invitation, AD of H(SP) briefed members on the findings of the review of the WL income and asset limits for 2006-07 with the aid of power-point. He highlighted the following points:

- (a) It had been the established policy of the HA to review the WL income and asset limits annually using the up-to-date economic data in order to reflect closely the prevailing socio-economic circumstances;
- (b) The HA conducted a comprehensive review of the mechanism for setting the limits in 2002. A series of measures were then taken to rationalize and relax the methodology for assessing the limits, which resulted in a general lifting of the income limits by an average of 10%. In 2005, the HA re-visited the methodology for assessing the limits and decided to retain the methodology for setting income limits and relax the asset limits for elderly households by setting the limits at two times the limits for non-elderly applicants;
- (c) The methodology for setting the WL assets limits, which was introduced in 1998, pegged the limits to the expenditure required for renting private units comparable to PRH for six years. The reference to six years' rentals was adopted mainly to take account of the average waiting time (AWT) for PRH prevailed at the time. This methodology had been criticized for lacking a coherent and scientific foundation as there did not seem to exist a strong connecting thread between the applicant's asset and how much he or she had to spend on housing. The shortening of the AWT from six years in 1998 to around two years now had further eroded the original basis of the existing methodology. To address these concerns, the Housing Department (HD) put forward in the 2005-06 review a proposal for adjusting the asset limits with reference to movements in Consumer Price Index (A) (CPI(A)). The HA opined that a more thorough examination of possible options should be conducted before taking a view on the matter; and
- (d) For the 2006-07 review, if adjustment was made according to the existing methodology, the income and asset limits would increase by an average of 2.7% and 5.6% respectively over those for 2005-06. The HA had further examined other possible options to improve the methodology for setting the asset limits. An important consideration was that adopting an entirely new methodology would inevitably produce major deviations in the limits. As the existing limits had by and large been accepted by the general public, it would be difficult to convince the public to accept any major departure from the existing asset limits. Given that CPI(A) was a broader-based price indicator as compared to rental index, the HA

considered it appropriate to adopt the current asset limits as the basis for future adjustments with reference to movements in CPI(A) over the year. The method could provide a practical and transparent framework for reviewing the limits. This methodology for adjusting the asset limits was endorsed by the SHC on 13 March 2006. The new WL income and asset limits for 2006-07 would accordingly increase by an average of 2.7% and 1.7% respectively.

(Post-meeting note: The presentation materials were issued to members vide LC Paper No. CB(1)1108/05-06(03) on 20 March 2006.)

Discussion

42. Mr LEE Wing-tat questioned the need for changing the methodology for setting the asset limits, pointing out that the existing methodology had been in place for eight years and that limits so derived had largely been accepted by the community. He further expressed concern about the complexity of the options contained in the information paper, which in his view, was difficult for the public to comprehend the technical details and understand the merits and demerits of different options. In this connection, Mr LEE opined that the Administration should better utilize its resources to tackle more pressing issues, such as issues relating to the HA's re-entry upon three construction sites.

43. In reply, DS/HPL(H) explained that stakeholders and interested parties had been making proposals for improving the methodology for setting the assets limits since the comprehensive review conducted in 2002. The HD reported the preliminary assessment on possible options to improve the methodology to the SHC during the review of the limits for 2005-06. At the request of the SHC, the HD had conducted further study on the various options to facilitate detailed consideration by the committee.

44. While noting that the WL income and asset limits had been derived from the agreed mechanism based on detailed analyses of economic data, Mr Albert CHAN was concerned that the limits so derived had failed to reflect the prevailing socio-economic conditions of the low-income households. Taking the new income limit of \$12,100 for a three-person family as an example, Mr Albert CHAN considered that with such a low limit, a family could hardly afford to rent an accommodation of reasonable quality in the private market while meeting other non-housing expenditure. He urged that in setting the income limits, the HA should take into account households' affordability for private housing and the prevailing socio-economic circumstances to ensure that the limits so derived would reflect a reasonable standard of living and reasonable quality of accommodation for WL applicants.

45. Mr LEUNG Kwok-hung remarked that reducing the WL income and asset limits would remove a certain number of applicants from the WL and force them to turn to the private property market for meeting housing needs. By doing so, the

Administration was actually withdrawing its commitment for the provision of PRH. He considered that the Administration had the responsibility to provide PRH for meeting the housing needs of less privileged people in the community.

VI. Any other business

46. There being no other business, the meeting ended at 10:35 am.

Council Business Division 1
Legislative Council Secretariat
8 May 2006