

立法會
Legislative Council

LC Paper No. CB(1)1134/06-07
(These minutes have been seen
by the Administration)

Ref: CB1/BC/1/06

**Bills Committee on
Housing (Amendment) Bill 2007**

**Minutes of first meeting on
Friday, 9 February 2007, at 10:45 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP (Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon WONG Yung-kan, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Alan LEONG Kah-kit, SC
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
- Members absent** : Hon CHAN Yuen-han, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEUNG Kwok-hung
Prof Hon Patrick LAU Sau-shing, SBS, JP

Public Officers attending : Miss Mary CHOW Shuk-ching, JP
Deputy Secretary for Housing, Planning and Lands
(Housing)

Mr Carlson CHAN
Assistant Director (Strategic Planning)
Housing Department

Mr Lawrence S Y PENG
Senior Assistant Law Draftsman
Department of Justice

Miss Emma WONG
Government Counsel
Department of Justice

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

Staff in attendance : Mr Kelvin LEE
Assistant Legal Adviser 1

Ms Debbie YAU
Senior Council Secretary (1)1

Mr Justin TAM
Council Secretary (1)3

Ms Michelle NIEN
Legislative Assistant (1)9

Action

I Election of Chairman

Mr Albert HO, the member who had the highest precedence in the Council among all members of the Bills Committee present, presided over the election of the Chairman of the Bills Committee. He invited nominations for the chairmanship of the Bills Committee.

2. Mr LEE Cheuk-yan was nominated by Mr LEE Wing-tat and the nomination was seconded by Ms Emily LAU. Mr LEE accepted the nomination. Ms Selina CHOW was nominated by Mr Abraham SHEK and the nomination was seconded by Mr Tommy CHEUNG. Mrs CHOW accepted the nomination. As there were two nominations, members cast their votes by secret ballot. Mr LEE Cheuk-yan received

Action

eight votes and Mrs Selina CHOW received eleven votes. Mrs Selina CHOW was elected Chairman of the Bills Committee. Mrs CHOW then took over the chair.

3. Members present agreed that there was no need to elect a Deputy Chairman for the Bills Committee.

II Meeting with the Administration

(LC Paper No. CB(3)312/06-07 -- The Bill

Ref: HD (CR) 20/231 -- The Legislative Council Brief on "Housing (Amendment) Bill 2007" issued by the Housing, Planning and Lands Bureau

LC Paper No. LS34/06-07 -- The Legal Service Division Report

LC Paper No. CB(1)926/06-07(02) -- Marked-up copy of the Housing (Amendment) Bill 2007

LC Paper No. CB(1)926/06-07(03) -- Background brief prepared by the Legislative Council Secretariat

LC Paper No. CB(1)394/06-07(03) -- Report on the Review of Domestic Rent Policy

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

4. The Bills Committee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions to be taken by the Administration

Adjustment in public rental housing (PRH) rents

5. To facilitate members' understanding of the impacts of different rent adjustment proposals on PRH rents, the Administration was requested to provide the following information:

- (a) Breakdown by year on the accumulative changes in PRH rents since 1997 if rent adjustment were to be introduced in accordance with movements in each of the following indicators-
 - (i) Consumer price index;
 - (ii) the 10% median rent-to-income ratio (MRIR) cap; and
 - (iii) the proposed income-based index tracking the movement in PRH tenants' household income.

Action

- (b) In relation to item (a), the information should cover the implication of rent increase waivers and rent remission implemented by the Housing Authority (HA) during the period.
- (c) The details for working out the proposed 11.6% across-the-board reduction in PRH rents, including factors taken into account and details of the calculation.

Rent adjustment mechanism

6. The Administration was requested to provide written responses on the following views, concerns, and enquiries raised by members:

- (a) The feasibility of reducing PRH rents first before putting in place the proposed rent adjustment mechanism prescribed in the Bill.
- (b) The existing Housing Ordinance (HO) (Cap. 283) already allowed adjustment of rents both upward and downward. The 10% MRIR cap was to restrain rent increases to ensure PRH rents were within the affordability of tenants. Section 17 of the HO already provided that HA might remit PRH rents. As such, it would be unnecessary to amend the HO to put in place the proposed rent adjustment mechanism. The Administration should explain the feasibility of implementing the proposed rent adjustment mechanism without amending the HO. It should also provide concrete examples to justify its view that the 10% MRIR provisions were not conducive to the long term sustainability of PRH development.
- (c) With continued prudent financial management, HA would be able to balance its income and expenditure thus enabling sustainable development of PRH in the long run. HA should work out productivity enhancement targets to achieve savings in operating costs. The Administration should explain why given the current financial position of HA, it could not maintain sustainability in its finance in the long run.
- (d) In connection with item (c), the Administration was requested to provide information on HA's investment income and rental operating account in the past ten years and their projections in the next five years.
- (e) In relation to item (d), the information on HA's rental operating account should cover summary explanation on the itemized breakdown including salaries and depreciations.
- (f) The feasibility of introducing a statutory rent increase cap under the new rent adjustment mechanism to ensure PRH rents would be affordable to tenants. In this connection, the Administration was requested to provide details on relief measures for needy tenants, including possible measures to address needs of tenants who fell marginally outside the Rent

Action

Assistance Scheme.

- (g) The feasibility of implementing the proposed rent reduction for PRH estates with retrospective effect to the date when the Bill was introduced in the Legislative Council on 31 January 2007, or from 1 January 2007.
- (h) The purposes for and operation of excluding rent adjustments paid by "well-off tenants" and tenants eligible for the Rent Assistance Scheme from the application of the proposed new rent adjustment mechanism were unclear. The drafting of the new subsection 16A(3) under clause 4 should be improved to properly reflect the policy intent.
- (i) To facilitate smooth implementation of the new rent adjustment mechanism and instill PRH tenants' confidence in the mechanism, the Administration should organize suitable publicity programmes to explain the operation of the new mechanism and promote tenants' awareness. It should also consider commencing the Amendment Ordinance one year after its enactment.

Public consultation

7. The Bills Committee agreed to invite the public to give views on the Bill by announcing an invitation for views on the LegCo website, and writing to the 18 District Councils. The Bills Committee also agreed to invite submissions from the organizations/individuals which/who had expressed their views to the Panel on Housing on the review of domestic rent policy.

(Post-meeting note: The Bills Committee has posted a notice on the LegCo website on 12 February 2007 and written to the 18 District Councils and organizations/individuals to invite submissions by 28 February 2007. Members have been informed of the arrangements and invited to propose other invitees, if any, vide LC Paper No. CB(1)938/06-07 issued on 12 February 2007.)

Meeting with deputations

8. The Bills Committee further agreed to meet with deputations and the Administration on Thursday, 8 March 2007, from 10:45 am to 12:45 pm.

(Post-meeting note: With the concurrence of the Chairman, the time of the meeting was subsequently changed to 4:30 pm to 7:00 pm.)

9. There being no other business, the meeting ended at 12:40 pm.

**Proceedings of the first meeting of
the Bills Committee on
Housing (Amendment) Bill 2007
on Friday, 9 February 2007, at 10:45 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 – 000725	Mr Albert HO Mr LEE Cheuk-yan Mrs Selina CHOW Mr LEE Wing-tat Mr Abraham SHEK	Election of Chairman	
000726 – 001111	Chairman Administration	Briefing by the Administration on the Bill	
001112 – 001528	Chairman Mr LEE Cheuk-yan Administration	<p>(a) Mr LEE Cheuk-yan's views and concerns as follows:</p> <p>(i) The Bills Committee should consider the issue of whether the Administration should reduce public rental housing (PRH) rents before the Bills Committee continued to study the Bill; and</p> <p>(ii) Concern about unfairness to PRH tenants that the Housing Authority (HA) would only reduce PRH rents by 11.6% upon the passage of the Bill because HA should have reduced rents during the deflationary period in the past years. The issues of rent reduction and establishing a new rent adjustment mechanism should not be "bundled" together.</p> <p>(b) The Administration's responses as follows:</p> <p>(i) The existing Housing Ordinance (HO) (Cap 283) did not provide for any objective and viable mechanism that allowed both downward and upward adjustments of PRH rent. Instead, the 10% median rent-to-income ratio (MRIR) provisions only sought to restrict HA's power to increase rents. The net effect of the current statutory provisions was that once MRIR exceeded 10%, rents could only go down but not go up irrespective of the extraneous factors which had contributed to the upsurge in MRIR;</p> <p>(ii) The proposed across-the-board 11.6% rent reduction had been worked out on the basis of changes in the proposed income-based index (to be adopted in the new rent</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>adjustment mechanism) since 1997 (when HA last adjusted PRH rent) to ensure coherence and consistency of the new mechanism. The new rent level would provide an appropriate starting point for the new mechanism to operate effectively and fairly; and</p> <p>(iii) HA considered it highly imprudent to introduce long-term rent reduction without having first secured passage of the Bill to put in place the new rent adjustment mechanism.</p>	
001529 – 002755	Mr LEE Wing-tat Chairman Administration	<p>(a) Mr LEE Wing-tat's views as follows:</p> <p>(i) Democratic Party's stance that it was not necessary to amend the HO as the 10% MRIR provisions had provided statutory safeguard for PRH tenants by capping rent increases;</p> <p>(ii) With continued prudent financial management, HA would be able to balance its income and expenditure thus enabling sustainable development of PRH in the long run. It was envisaged that in the next 10 to 15 years, the revenue accruing from HA's estates should be adequate to meet the recurrent expenditure in managing and maintaining its estates without requiring Government funding; and</p> <p>(iii) Enquiry about the earliest possible date for implementing the proposed reduction in PRH rents.</p> <p>(b) Request for the Administration to consider the feasibility of implementing the proposed rent reduction with retrospective effect to the date when the Bill was introduced into the Council on 31 January 2007, and to provide information on –</p> <p>(i) a breakdown by year on the accumulative changes in PRH rents since 1997 if rent adjustment were to be introduced in accordance with movements in consumer price index (CPI) and the 10% MRIR cap; and</p> <p>(ii) the financial position of HA's rental operating account in the past ten years and projections in the next few years with details on the itemized breakdowns.</p>	The Admin. to take follow-up action as requested in para. 5(a)(i), (ii), (b), 6(c), (d), (e), (g) of the minutes

Time marker	Speaker	Subject(s)	Action required
		<p>(c) The Administration's responses as follows:</p> <ul style="list-style-type: none"> (i) HA had undertaken to reduce PRH rents upon the passage of the Bill. The exact timing for effecting the proposed rent reduction might not necessarily coincide with the commencement date of the Amendment Ordinance which would be appointed by the Secretary for Housing, Planning and Lands by notice in the Gazette. HA was required to serve one month's notice to PRH tenants for any rent adjustments. As such, if the Bill were passed in July 2007, PRH tenants could be notified of the proposed rent reduction in August 2007 and the new rent level would take effect from September 2007; (ii) It was the existing practice of HA to take into account a combination of factors such as CPI changes, tenants' affordability, wage movement, comparative estate values, etc. in fixing and adjusting PRH rents. The resultant rent levels had to comply with the MRIR provisions. The statutory 10% MRIR cap effectively meant that, regardless of the underlying and extraneous factors accounting for the changes in MRIR, PRH rents could only go down but not go up once MRIR had exceeded 10%. Such a domestic rent regime was neither reasonable nor sustainable in the long run; (iii) Under the new rent adjustment mechanism, an income-based index tracking the movement in PRH tenants' income would be compiled to determine the extent of rent adjustments. The mechanism would be more objective and transparent; (iv) In 1998, HA approved a number of rent increases of over 20% in consideration of inflation and wage increase in previous years. However, it had decided to waive the increases in view of the economic downturn in Hong Kong. Given that the rent of the largest proportion of the existing PRH units were last reviewed in 1997, HA hence proposed to adjust the rent according to the extent of changes in the income index since 1997, i.e. an across-the-board rent reduction of 11.6%; and (v) While HA would strive to achieve further productivity gains and reduce the operating 	

Time marker	Speaker	Subject(s)	Action required
		<p>costs, it was hard to predict for sure whether it could balance the rental operating account in the next ten years without putting in place a viable rent adjustment mechanism as much would hinge on the overall economic conditions. It was necessary to introduce a reasonable and rational rent adjustment mechanism to enable HA to sustain its finances in the long run.</p>	
002756 – 003758	Chairman Mr Abraham SHEK	<p>(a) Mr Abraham SHEK's support for the Bill in principle. His views that the Administration should consider the strong call from PRH tenants and some members to reduce PRH rents first in order to foster social harmony. Given the considerable proceeds from the divestment of HA's retail and car-parking facilities, HA should not have financial problem in implementing the proposed rent reduction immediately</p> <p>(b) The Administration's responses as follows:</p> <p>(i) The proposed rent reduction of 11.6% would result in an annual rental loss of around \$1,410 million. HA considered it highly imprudent to introduce long-term rent reduction before putting in place a new rent adjustment mechanism; and</p> <p>(ii) HA envisaged that with the forecast reserves of about \$70 billion, some \$3 billion investment income could be generated annually. However, HA had to spend on average about \$6 billion in each of the coming five years for constructing an average of around 15 000 PRH units annually. The performance of the rental operating account would therefore have major implications for HA's overall finances</p> <p>(c) Request for the Administration to explain in writing why it was not feasible to reduce PRH rents before the scrutiny of the Bill, and provide the details for working out the proposed rent reduction of 11.6%, including factors and details of the calculation</p> <p>(d) The Administration's explanation that according to changes of PRH household income since 1995, 1996 and 1997 when approximately one-third each of PRH units had their rent last adjusted, there should be increase of rent by 2.8%, reduction of rent by 5.2% and 11.6% for these units respectively. The rent of newly completed units was also set with reference to the rent level</p>	<p>The Admin. to take follow-up action as requested in para. 5(c) and 6(a) of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
		<p>in 1997. Given that the rent of the majority of existing PRH units was last reviewed in 1997, that year was taken as the reference year for tracking the changes in the income-based index. The proposed reduction of 11.6%, being the highest rate among the rates considered, would be able to gain support from PRH tenants</p>	
003759 – 004541	Mr LEUNG Yiu-chung Chairman Administration	<p>(a) Mr LEUNG Yiu-chung's views and request as follows:</p> <ul style="list-style-type: none"> (i) The Administration should provide information on a breakdown by year on the accumulative changes in PRH rents since 1997 if rent adjustment were to be introduced in accordance with the proposed income-based index tracking the movement of PRH tenants' household income; and consider the feasibility of reducing PRH rents first before putting in place the proposed rent adjustment mechanism prescribed in the Bill; and (ii) According to the ruling of the Court of Final Appeal (CFA) in November 2005, the 10% MRIR cap would only apply to a decision to increase rent. It was misleading to say that there was at present no statutory rent reduction mechanism because the existing HO had not prohibited HA from reducing rents. <p>(b) The Administration's responses as follows:</p> <ul style="list-style-type: none"> (i) The MRIR provisions did not provide any objective basis for HA to determine when and, if so, the extent of a rent reduction warranted. The provisions only required that following any rent increase the overall MRIR of all rental estates shall not exceed 10%. While HA could adjust the rent level downward, without amending the HO, HA had to meet the 10% MRIR requirement before it could revise the rent level upward. As such, the present rent adjustment regime was neither reasonable nor sustainable; and (ii) Recognizing that it would take time to put in place the new rent adjustment mechanism, HA had decided to grant a one-off rent remission for the month of February 2007. This would address the strong demand for HA to implement short-term measures to remit rents pending completion of the legislative process. Similar rent remission 	The Admin. to take follow-up action in para. 5(a)(iii), (b), and 6(a) and of the minutes

Time marker	Speaker	Subject(s)	Action required
		had also been introduced for the month of December 2001.	
004542 – 005428	Chairman Mr LEUNG Yiu-chung Assistant Legal Adviser (ALA) Administration	<p>(a) Mr LEUNG Yiu-chung's query about whether the existing HO had prohibited rent reduction or the introduction of the proposed rent adjustment mechanism</p> <p>(b) ALA's advice that according to section 17 of the HO, HA might remit, in whole or in part and for such period as it thought fit, the payment of any rent etc. CFA's ruling had confirmed that section 16(1A) of the HO (i.e. MRIR cap) was not applicable to any decision to reduce rent. If the proposed new rent adjustment mechanism were to be introduced through administrative means, it might not help ensure certainty and consistency</p> <p>(c) The Administration's responses as follows:</p> <p>(i) There was no objective mechanism under the existing HO for HA to determine when and to what extent a rent reduction was warranted. The Bill sought to introduce a new rent adjustment framework that provided for both upward and downward adjustments in PRH rent according to changes in tenants' household income; and</p> <p>(ii) It was neither reasonable nor sustainable for HA to effect rent reduction through an administrative mechanism while the HO prevented it from applying the same mechanism to increase rent.</p>	
005429 – 010557	Chairman Mr CHAN Kam-lam Administration	<p>(a) Mr CHAN Kam-lam's views and concerns as follows:</p> <p>(i) It was impracticable to introduce a new rent adjustment mechanism without removing the statutory 10% MRIR cap;</p> <p>(ii) Why the two groups of residential tenants, i.e. the "well-off tenants" and the low-income tenants eligible for HA's Rent Assistance Scheme (RAS), were excluded from the application of proposed section 16A in respect of certain rent adjustments, given that both groups were subject to the same level of base rent as other tenants. The operation of the exclusion mechanism was unclear. The drafting of the proposed section 16A(3) needed to be improved to properly reflect the policy intent;</p>	The Admin. to take follow-up action under para. 6(h) of the minutes

Time marker	Speaker	Subject(s)	Action required
		<p>(iii) It was more reasonable to implement the proposed rent reduction of 11.6% with retrospective effect from 1 January 2007 given that the proposed rate had been worked out according to changes in PRH tenants' income from 1997 to end 2006. The Administration should explore the feasibility of the proposal; and</p> <p>(iv) To facilitate smooth implementation of the new rent adjustment mechanism and instill PRH tenants' confidence in the mechanism, it was necessary to organize suitable publicity programmes to explain the operation of the new mechanism and promote tenants' awareness. As such, the Administration should consider commencing the Amendment Ordinance one year after its enactment.</p> <p>(b) The Administration's responses as follows:</p> <p>(i) The proposed section 16A(3) was modeled on the existing section 16(1C). The purpose was to exclude the so-called "well-off" tenants or those eligible for RAS from the application of the new mechanism as adjustments/re-adjustments of their rent could take place any time independent of the rent review cycle. However, it had been the established policy of HA to calculate the amount of additional rent to be levied on the "well-off" tenants and the amount of rent reduction to be offered to RAS recipients according to the "base" rent which was to be adjusted in accordance with the new mechanism;</p> <p>(ii) HA would implement the proposed rent reduction upon the passage of the Bill. Member's suggestion would be reflected to HA for consideration; and</p> <p>(iii) HA was mindful of the need to organize public education programmes for PRH tenants. Member's suggestion on the commencement date of the Amendment Ordinance would be relayed to the Secretary for Housing, Planning and Lands for consideration.</p>	<p>The Admin. to take follow-up action under para. 6(g) of the minutes</p> <p>The Admin. to take follow-up action under para. 6(i) of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
010558 – 012406	Mr Ronny TONG Chairman Administration	<p>(a) Mr Ronny TONG's views as follows:</p> <ul style="list-style-type: none"> (i) The mission of HA was to provide affordable rental housing to those who found private rental accommodation beyond their reach. Subsidized public housing was therefore a form of social welfare for low-income families. To ensure that HA would carry out its statutory duty in this regard, it was necessary to restrict HA's power to increase rent under HO; and (ii) Reduction of PRH rents should be a political decision having regard to the role of PRH, tenants' affordability and prevailing economic condition, etc. As such, it was not advisable to prescribe the proposed rent adjustment mechanism in the HO. Otherwise, the rigid framework might reduce HA's flexibility and discretionary power to implement rent reduction in relieving the financial burden of PRH tenants. <p>(b) The Administration's responses as follows:</p> <ul style="list-style-type: none"> (i) The Administration fully agreed that preferably HA should be given the flexibility to adjust PRH rents administratively according to a host of factors that reflected tenants' affordability. In fact, prior to the enactment of the Housing (Amendment) Ordinance 1997 in which the 10% MRIR cap was introduced, HA had set two MRIR benchmarks (i.e. 15% and 18.5%) administratively for tracking in broad terms tenants' affordability; (ii) As movement in MRIR was subject to a wide range of external factors other than the household income and rent, there were examples whereby MRIR would still go up even though the rent remained unchanged but tenants' income increased. The rent review exercise ordered by the High Court in 2004 suggested that an across-the-board rent reduction of 38% would be required to bring the then MRIR of 14.2% to below 10%. This had clearly demonstrated that to use MRIR as an indicator to cap rent adjustments might produce results that were highly distorted and the MRIR provisions were impracticable; (iii) The MRIR provisions would severely 	

Time marker	Speaker	Subject(s)	Action required
		<p>undermine the long-term sustainability of PRH programme. HA was obliged under section 4(4) of the HO to ensure that the revenue accruing from its estates "shall be sufficient to meet its recurrent expenditure". CFA had also ruled that 10% MRIR was not a statutory definition of affordability but a rule that HA had to comply with in any determination of rent increase. As such, it was necessary to amend the HO to remove the MRIR cap in order to put in place a more viable and reasonable system that allowed for both downward and upward rent adjustments;</p> <p>(iv) Results of the recent public consultation on HA's domestic rent policy indicated that there was strong support for putting in place the proposed income-based rent adjustment mechanism as it could provide a stronger connection between tenants' affordability and future rent adjustments. While it would be more flexible to introduce the new rent adjustment mechanism through administrative means, there was a strong demand for setting out the mechanism in the HO to provide PRH tenants with statutory safeguard; and</p> <p>(v) RAS was in place to assist tenants who could not afford paying normal rent due to temporary financial difficulties. Up to 50% rent reduction was available under RAS to those needy tenants who met the required thresholds.</p> <p>(c) Request for the Administration to provide information to explain the feasibility of implementing the proposed rent adjustment mechanism without amending the HO. It should also provide concrete examples to justify its view that the 10% MRIR provisions were not conducive to the long term sustainability of PRH development.</p>	<p>The Admin. to take follow-up action in para. 6(b) of the minutes</p>
012407 – 013143	Mr LEE Wing-tat Administration Chairman	<p>(a) Request for the Administration to provide information on –</p> <p>(i) details on relief measures for needy tenants, including possible measures to address needs of tenants who fell marginally outside RAS;</p> <p>(ii) HA's productivity enhancement targets to achieve savings in operating costs, and to</p>	<p>The Admin. to take follow-up action in para. 6(c), (d), (e) and (f) of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
		<p>explain why given the current financial position of HA, it could not maintain sustainability in its finance in the long run;</p> <p>(iii) HA's investment income and rental operating account in the past ten years and their projections in the next five years; and</p> <p>(iv) in relation to item (iii), the information on HA's rental operating account should cover summary explanation on the itemized breakdown including salaries and depreciations</p> <p>(b) The Administration's advice that –</p> <p>(i) HA had contained its establishment by reducing over 6 000 staff in recent years; and</p> <p>(ii) irrespective of any thresholds prescribed, there would inevitably be tenants falling marginally outside RAS.</p>	
013144 – 014340	Mr LEE Cheuk-yan Chairman Administration	<p>(a) Mr LEE Cheuk-yan's concern that HA had not reduced PRH rents in the past years despite it was not constrained by the HO for doing so. The decision to defer rent reduction had resulted in the need for HA to implement an accumulative reduction of up to 38% in order to bring MRIR to below 10%</p> <p>(b) The Administration's responses as follows:</p> <p>(i) CFA's ruling had already made it clear that there was no question of HA having "over-charged" PRH tenants. In any event, the movements in MRIR over the years did not truly reflect changes in tenants' affordability; and</p> <p>(ii) Before CFA handed down its judgment in November 2005, the general understanding was that the words "any determination of variation of rent" in section 16(1A) of the HO meant any decisions to increase or reduce rent. CFA's ruling had clarified that the words did not extend to a decision to reduce rent, and HA was not under a statutory duty to review rents and revise them so as to ensure that the 10% MRIR was not exceeded.</p>	

Time marker	Speaker	Subject(s)	Action required
014341 – 015200	Mr LEUNG Yiu-chung Chairman Administration	<p>(a) Mr LEUNG Yiu-chung's views as follows:</p> <ul style="list-style-type: none"> (i) The main purpose of the Housing (Amendment) Ordinance 1997 was to restrain HA's power to increase PRH rents with a view to ensuring that rents were affordable to tenants; (ii) The Administration should examine the feasibility of maintaining the MRIR cap by adjusting the percentage while introducing a new rent adjustment mechanism. A statutory rent increase cap should be stipulated in the HO to ensure PRH rents would be affordable to tenants; and (iii) The income-based index was worked out based on information collected randomly among PRH households, it might not truly reflect individual tenants' affordability. <p>(b) The Administration's advice as follows:</p> <ul style="list-style-type: none"> (i) Under the new rent adjustment mechanism, there was a direct linkage between tenants' affordability and the level of rent adjustment; (ii) With the proposed 11.6% rent reduction, 90% of PRH households would pay less than \$2,000 rent a month whereas only 0.4% of PRH stock (i.e. some 3 000 units) had a monthly rent of \$3,000 or above; and (iii) The need of individual tenants could be addressed by RAS. 	The Admin. to take follow-up action in para. 6(f) of the minutes
015201 – 015639	Chairman Mr Ronny TONG Clerk	Members' agreement to invite public views on the Bill and meet with deputations on Thursday, 8 March 2007	