

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1369/06-07  
(These minutes have been seen  
by the Administration)

Ref: CB1/BC/1/06

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

**Minutes of second meeting on  
Thursday, 8 March 2007, at 4:30 pm  
in the Chamber of the Legislative Council Building**

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

- Public Officers attending** :
- Miss Mary CHOW Shuk-ching, JP  
Deputy Secretary for Housing, Planning and Lands  
(Housing)
  - Mr Raymond W M WU  
Assistant Director of Housing (Strategic Planning)  
(Acting)
  - Mr Lawrence S Y PENG  
Senior Assistant Law Draftsman  
Department of Justice
  - Miss Emma WONG  
Government Counsel  
Department of Justice
- Attendance by invitation** :
- The University of Hong Kong
    - Dr Jonathan K S CHENG  
Honorary Researcher  
Centre of Asia Studies
  - Kowloon Choi Hung Estate Residents Association
    - Mr LAU Kar-wah  
President
    - Mr NG Po-ming  
Vice President
  - Kwai Chung Estate Housing Problem Concern Group
    - Mr WONG Yun-tat  
Community Affairs Officer
  - Social Policies Committee of The Hong Kong Federation of Trade Unions
    - Mr Michael LUK  
Deputy Chairman
    - Mr Dennis T W LEUNG  
Member

Lee On Estate Lee Wah House Mutual-Aid Committee

Mr TSANG Lui-keung  
Chairman

Hong Kong Association for Democracy and People's  
Livelihood

Mr WONG Chi-yung  
Social Worker

Mr YEUNG Chi-hang  
Community Organizer

Sham Shui Po Community Association

Mr HUI Yat-hou  
Leader

Miss FUNG Ka-yan  
Member

Reasonable Housing Rights Concern Group

Mr LEUNG Wing  
Member

陳冬妹女士

Chinese Grey Power

Ms LO Siu-lan  
Member

Mr WONG Chi-kwan  
Member

Kwai Chung Estate Resident's Right Concern Group

Mr NG Wing-chak  
Chairman

Mr CHANG Bill  
Member

Alliance for Defending Grassroots Housing Rights

Ms WONG Ling-hei  
Member

Ms CHEUNG Man-wai  
Member

The Alliance of Wong Chuk Hang & Shek Pai Wan  
Concern Review of Domestic Rent Policy

Ms WAN Yuk-ling  
Group Member

Mr AU YEUNG Woon  
Group Member

Democratic Party

Mr Nelson WONG  
Housing Policy Deputy Spokesman

Kwun Tong District Councillor

Mr CHAN CHEONG  
District Councillor

Neighbourhood and Worker's Service Centre

Mr TAM Leung-ying  
Labour Affairs Organizer

The Federation of H.K., KLN. and N.T. Public Housing  
Estates Resident and Shopowner Organizations

Mr MAN Yu-ming  
Secretary-General

Mr HO Wai-man  
Executive Director

Hong Kong People's Council on Housing Policy

Mr CHENG Ching-fat  
Chairman

Wong Tai Sin District Councillor

Mr Joe LAI Wing-ho  
District Councillor

盧兆華社區服務處

Mr LO Siu-wah  
Co-opted Member, Wong Tai Sin District Council

Kai Yip Community Affairs Association

Mr SZE Lun-hung  
Secretary

Oi Man Estate Kar Man House Mutual Aid Committee

Mr LAI Ming-hung  
Chairman

Tsz Lok Community Residents' Association

Mr YUEN Kwok-keung  
Secretary

Tsz Wan Shan Residents' Association

Mr HO Hon-man  
Chairman

Hong Kong Owners Club Ltd

Mr SHEA Hing-wan  
Principal

Kwai Fong Residents' Association

Mr CHUNG Hau-ping  
Member

**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

Ms Michelle NIEN  
Legislative Assistant (1)9

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Action

**I Meeting with deputations and the Administration**

Submissions

- (LC Paper No. CB(1)1037/06-07(01) - Submission from Kowloon Choi Hung Estate Residents Association (Chinese version only)
- LC Paper no. CB(1)1171/06-07(01) - Submission from Social Policies Committee of The Hong Kong Federation of Trade Unions (Chinese version only)  
*(subsequently issued on 16 March 2007)*
- LC Paper No. CB(1)1093/06-07(01) - Submission from Lee On Estate Lee Wah House Mutual-Aid Committee (Chinese version only)
- LC Paper No. CB(1)1093/06-07(02) - Submission from Hong Kong Association for Democracy and People's Livelihood (Chinese version only)
- LC Paper No. CB(1)1037/06-07(02) - Submission from Sham Shui Po Community Association (Chinese version only)
- LC Paper No. CB(1)1109/06-07(01) - Submission from Reasonable Housing Rights Concern Group (Chinese version only)  
*(tabled and subsequently issued on 9 March 2007)*
- LC Paper No. CB(1)1109/06-07(02) - Submission from Chinese Grey Power (Chinese version only)  
*(tabled and subsequently issued on 9 March 2007)*
- LC Paper No. CB(1)1037/06-07(03) - Submission from Alliance for Defending Grassroots Housing Rights (Chinese version only)
- LC Paper No. CB(1)1037/06-07(04) - Submission from the Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy (Chinese version only)

Action

- LC Paper No. CB(1)1109/06-07(03) - Submission from Democratic Party  
(*tabled and subsequently issued on 9 March 2007*) (Chinese version only)
- LC Paper No. CB(1)1109/06-07(04) - Submission from Neighbourhood  
(*tabled and subsequently issued on 9 March 2007*) and Worker's Service Centre  
(Chinese version only)
- LC Paper No. CB(1)1093/06-07(04) - Submission from the Federation of  
H.K., KLN. and N.T. Public Housing Estates Resident and Shopowner Organizations (Chinese version only)
- LC Paper No. CB(1)1109/06-07(05) - Submission from Mr LAI Wing-ho,  
(*tabled and subsequently issued on 9 March 2007*) Wong Tai Sin District Councillor  
(Chinese version only)
- LC Paper No. CB(1)1109/06-07(06) - Submission from 盧兆華社區服務  
(*tabled and subsequently issued on 9 March 2007*) 處 (Chinese version only)
- LC Paper No. CB(1)1037/06-07(05) - Submission from Oi Man Estate  
Kar Man House Mutual Aid Committee (Chinese version only)
- LC Paper No. CB(1)1109/06-07(07) - Submission from Tsz Lok  
(*tabled and subsequently issued on 9 March 2007*) Community Residents' Association  
(Chinese version only)
- LC Paper No. CB(1)1109/06-07(08) - Submission from Tsz Wan Shan  
(*tabled and subsequently issued on 9 March 2007*) Residents' Association (Chinese version only)
- LC Paper No. CB(1)1074/06-07(01) - Submission from Dr HUI  
Chi-man, Eddie  
Professor, Department of Building and Real Estate  
Hong Kong Polytechnic University  
(English version only)
- LC Paper No. CB(1)1093/06-07(03) - Submission from Mr CHIU Ka-po,  
Tsuen Wan District Councillor  
(Chinese version only)

Action

Papers for this meeting

- LC Paper No. CB(1)1037/06-07(06) - List of follow-up actions arising from the discussion on 9 February 2007 prepared by the Legislative Council Secretariat
- LC Paper No. CB(1)1037/06-07(07) - Letter dated 7 February 2007 from the Assistant Legal Adviser to the Administration

Other relevant papers issued previously

- 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)

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

Follow-up actions to be taken by the Administration

*Proposed income-based rent adjustment mechanism*

2. Pointing out that the spirit of the 10% median rent-to-income ratio (MRIR) cap was to ensure increases in public rental housing (PRH) rents were within tenants' affordability, members and deputations in general considered it necessary to have a kind of statutory ceiling to restrain Housing Authority (HA)'s power in increasing PRH rents. The Administration was requested to explain the reasons for repealing the 10% MRIR cap, whether the proposed rent adjustment mechanism would provide a ceiling on rent increases; and if yes; how the cap would operate.
3. The Administration was requested to respond to some members' comments that the proposed income index would not accurately reflect tenants' affordability and it was necessary to develop other indicators for measuring tenants' affordability.
4. It was the Administration's intention to adjust the current rent level to provide a fair starting point for the proposed rent adjustment mechanism to operate and HA had decided to reduce PRH rents by 11.6% after passage of the Bill. Given that the proposed 11.6% rent reduction would only bring the current MRIR down to 12.8%, which was still above the statutory cap of 10%, there was concern that the new rent level would be unfair and unacceptable to PRH tenants. The Administration was requested to consider members' suggestion of adjusting the current rent level downwards to bring MRIR down to 10% so as to provide a fairer starting point for the operation of the new rent adjustment mechanism.



Action

*Increase in the MRIR figures*

5. While some members were of the view that the upsurge in MRIR since 1997 was mainly attributed to the significant decline in PRH households' income, the Administration indicated that the upsurge in MRIR was largely due to extraneous factors including, inter alia, increase in the number of PRH tenants receiving Comprehensive Social Security Assistance and increase in the number of elderly or small households who tended to have lower household incomes etc. In this connection, the Administration was requested to provide information to justify its findings.

6. The Administration undertook to provide a detailed written response to concerns/suggestions raised by members and deputations. The Administration was requested to illustrate its responses to issues raised by members by figures and examples and with the aid of power-point presentation at the next meeting.

**II Any other business**

Dates of next four meetings

7. The Chairman reminded members that the Bills Committee has scheduled the following four meetings:

Meeting	Date	Time
3 <sup>rd</sup>	Friday, 16 March 2007	8:30 am – 10:30 am
4 <sup>th</sup>	Thursday, 29 March 2007	8:30 am – 10:30 am
5 <sup>th</sup>	Tuesday, 17 April 2007	4:30 pm – 6:30 pm
6 <sup>th</sup>	Thursday, 26 April 2007	4:30 pm – 6:30 pm

8. There being no other business, the meeting ended at 7:00 pm.

Council Business Division 1  
Legislative Council Secretariat  
16 April 2007

**Proceedings of the second meeting of  
the Bills Committee on  
Housing (Amendment) Bill 2007  
on Thursday, 8 March 2007, at 4:30 pm  
in the Chamber of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 – 000634	Chairman	Opening remarks	
000635 – 001048	Chairman Dr Jonathan K S CHENG, Honorary Researcher, Centre of Asia Studies, The University of Hong Kong	<u>Meeting with deputations</u>  Presentation of views as follows: (a) Supported the Bill in principle. The new rent adjustment mechanism would discount the effect of extraneous factors such as household size distribution, and would enable rents to be adjusted purely according to the movement in household incomes of public rental housing (PRH) tenants;  (b) The 10% median rent-to-income ratio (MRIR) provisions could not fairly reflect the rental affordability of PRH tenants;  (c) The proposed 11.6% rent reduction was reasonable because no adjustment in PRH rent had been made since 1997;  (d) The needs of individual tenants should be addressed through assistance such as the Rent Assistance Scheme (RAS) rather than by reducing the overall rents for all PRH households; and  (e) According to the February 2007 issue of Hong Kong Monthly Digest of Statistics, among some 200 000 peoples on the Waiting List for PRH in 2005-06, about 30% were recent arrivals from the Mainland. The Government should rethink its population policy as 50% of the new arrivals from the Mainland in recent years were either residing in or waiting for PRH.	
001048 – 001327	Chairman Kowloon Choi Hung Estate Residents Association	Presentation of views (LC Paper No. CB(1)1037/06-07(01))	
001328 – 001703	Chairman Kwai Chung Estate Housing Problem Concern Group	Presentation of views as follows: (a) The statutory 10% MRIR cap was enacted based on public consensus to safeguard the interests of PRH tenants against rental increase by Housing Authority (HA). The 10% MRIR cap should be retained. The Bill, which was introduced to pave the way for rent increases, should be withdrawn;	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
		<p>(b) HA had not complied with the MRIR provisions to reduce rents in the past years of deflation. HA should return the over-charged rents to PRH tenants; and</p> <p>(c) As data for compiling the income-based index would be collected from a monthly sample of just 1 500 to 2 000 households, the data might not reflect the actual affordability of PRH tenants and could be subject to HA's manipulation with a view to increasing rent.</p>	
001704 – 002036	Chairman Social Policies Committee of The Hong Kong Federation of Trade Unions	Presentation of views (LC Paper No. CB(1)1171/06-07(01))	
002037 – 002406	Chairman Lee On Estate Lee Wah House Mutual Aid Committee	Presentation of views (LC Paper No. CB(1)1093/06-07(01))	
002407 – 002646	Chairman Hong Kong Association for Democracy and People's Livelihood	Presentation of views (LC Paper No. CB(1)1093/06-07(02))	
002647 – 003019	Chairman Sham Shui Po Community Association	Presentation of views (LC Paper No. CB(1)1037/06-07(02))	
003020 – 003628	Chairman Reasonable Housing Rights Concern Group	Presentation of views (LC Paper No. CB(1)1109/06-07(01))	
003629 – 003953	Chairman Chinese Grey Power	Presentation of views (LC Paper No. CB(1)1109/06-07(02))	
003954 – 004322	Chairman Kwai Chung Estate Resident's Right Concern Group	<p>Presentation of views as follows:</p> <p>(a) Objection to the Bill as it was introduced to pave the way for unlimited rent increases by HA; and</p> <p>(b) HA had betrayed PRH tenants by divesting retail and car-parking facilities in public housing estates and seeking to repeal the 10% MRIR provisions to remove the statutory safeguard for tenants.</p>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
004323 – 004708	Chairman Alliance for Defending Grassroots Housing Rights	Presentation of views (LC Paper No. CB(1)1037/06-07(03))	
004709 – 005146	Chairman The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy	Presentation of views (LC Paper No. CB(1)1037/06-07(04))	
005147 – 005518	Chairman Mr CHAN Cheong, Kwun Tong District Councillor	Presentation of views as follows: (a) The purpose of PRH was to meet the accommodation needs of the under-privileged with a view to enhancing social stability. The Administration/HA had not complied with the law to conduct rent reviews but frozen PRH rents during the deflationary period in the past years. LegCo Members should ensure that the interests of PRH tenants were properly protected; and  (b) If HA considered the 10% MRIR cap unsuitable and unsustainable, it should consider revising the cap. It should be noted that a rent-to-income ratio (RIR) of 20% already met the eligibility criteria for RAS.	
005519 – 005820	Chairman Neighbourhood and Worker's Service Centre	Presentation of views (LC Paper No. CB(1)1109/06-07(04))	
005821 – 010158	Chairman The Federation of HK, KLN and NT Public Housing Estates Resident and Shopowner Organizations	Presentation of views (LC Paper No. CB(1)1093/06-07(04))	
010159 – 010427	Chairman Hong Kong People's Council on Housing Policy	Presentation of views as follows: (a) Objection to the Bill. Given that a tenant with an RIR of 20% would be eligible for RAS, by virtue of the Bill, the MRIR cap would be relaxed to 19.9%; and  (b) HA had not only failed to comply with the MRIR provisions but also used public monies to meet the legal cost of the judicial review initiated by PRH tenants against HA's decision to defer rent review.	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
010428 – 010642	Chairman Mr LAI Wing-ho, Wong Tai Sin District Councillor	Presentation of views (LC Paper No. CB(1)1109/06-07(05))	
010643 – 010852	Chairman Mr LO Siu-wah, Co-opted Member, Wong Tai Sin District Council	Presentation of views (LC Paper No. CB(1)1109/06-07(06))	
010853 – 011207	Chairman Kai Yip Community Affairs Association	Presentation of views as follows: (a) While agreeing that a rent adjustment mechanism should allow both upward and downward adjustments of PRH rents, the mechanism should also include a rent increase cap to safeguard the interests of PRH tenants;  (b) As many PRH residents had not benefited from the recovery of the economy, the proposed income-based index should truly reflect the affordability of PRH tenants;  (c) Objection to exclude "well-off" tenants and Comprehensive Social Security Assistance (CSSA) households from the calculation of the proposed income index. An index representing the general affordability should be worked out by a random sampling of all PRH households; and  (d) To maintain stability in PRH rents, HA should review rent every three years instead of two years as proposed.	
011208 – 011550	Chairman Oi Man Estate Kar Man House Mutual Aid Committee	Presentation of views (LC Paper No. CB(1)1037/06-07(05))	
011551 – 012013	Chairman Hong Kong Owners Club Ltd	Presentation of views as follows: (a) Supported the Amendment Bill and the new rent adjustment mechanism. PRH was a form of public assistance provided for the needy and should not be enjoyed by "well-off" tenants. HA should enhance its surveillance to ensure no abuse; and  (b) A certain percentage of income of PRH tenants, say 10% should be paid out as rent.	

Time marker	Speaker	Subject(s)	Action required
012014 – 012357	Chairman Kwai Fong Residents' Association	<p>Presentation of views as follows:</p> <ul style="list-style-type: none"> <li>(a) Objection to repealing the MRIR provisions;</li> <li>(b) Objection to introduce the proposed new rent adjustment mechanism as it only paved way for increases in PRH rents; and</li> <li>(c) Urge for LegCo Members to safeguard PRH tenants' interests by defending the rent increase cap in Housing Ordinance (HO) and to ensure that HA must adjust rent according to provisions in the HO rather than through administrative means.</li> </ul>	
012358 – 013526	Chairman Administration	<p><u>Preliminary response by the Administration</u></p> <ul style="list-style-type: none"> <li>(a) Undertaking to provide a detailed written response to deputations' views expressed at the meeting and in their submissions. Indeed, HA had taken into account the views expressed at previous meetings of the Panel on Housing and during the public consultation in 2006 in formulating the proposed new rent adjustment mechanism;</li> <li>(b) The purpose of the Amendment Bill was to introduce a rent adjustment mechanism which would allow both upward and downward rent adjustments. It was incorrect to say that the sole purpose of the Amendment Bill was to pave way for HA to increase PRH rent. Under the new mechanism, PRH rents would be adjusted strictly in accordance with the movement in the income index. The extent of any increase or decrease in PRH rents could not possibly exceed the extent of increase or decrease in the income index. Thus, there would be a de facto cap on the extent of rent increase in any future rent adjustment;</li> <li>(c) The majority of the public responses to the consultation supported the introduction of an income index which was considered a more suitable indicator than the consumer price index in measuring PRH tenants' affordability;</li> <li>(d) The income-based index should reflect the general affordability of PRH tenants paying normal rent. As CSSA households would have their rents fully covered by the Government, the question of affordability was therefore irrelevant to these households. Inclusion of "well-off" tenants in computing the income index would also distort the results as these households were substantially better off than other PRH households;</li> <li>(e) Under RAS, there were seven thresholds, such as</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>RIR exceeding 20% and household income falling below 60% of the Waiting Listing income limit, catering for the needs of various households facing different degree of financial hardship;</p> <p>(f) The Court of Final Appeal (CFA) had ruled that HA was not under a statutory duty to review rents and revise them so as to ensure that the 10% MRIR was not exceeded, and the 10% MRIR cap was not a statutory definition of affordability and did not extend to a decision to reduce rent;</p> <p>(g) On data collection, a sample of 2 000 PRH households from all PRH estates in different districts would be selected each month to furnish HA with household income on a mandatory basis. HA could then be able to obtain a stream of income data continuously from 24 000 PRH households throughout the year; and</p> <p>(h) A shorter review cycle of two years would enable more moderate rent adjustment which should be more acceptable to PRH tenants. It would also allow HA to make more timely responses to the economic situation of Hong Kong.</p>	
013527 – 014244	Chairman Mr Ronny TONG Administration	<p>(a) Mr Ronny TONG's views as follows:</p> <p>(i) According to the dissenting judgment of Mr Justice Bokhary PJ made at CFA, HA was duty-bound in law to reduce PRH rents to the extent necessary for bringing the MRIR down to a level that did not exceed the 10% cap. Therefore, HA should, without amending the HO, reduce rent to a reasonable level;</p> <p>(ii) As ruled by CFA, the 10% MRIR cap was introduced as a limitation which must be adhered to by HA for any determination of variation of rent if one was made. A statutory ceiling to cap rent increase should be retained in the HO; and</p> <p>(iii) The mission of HA was to provide affordable rental housing to those in need instead of maintaining its financial sustainability.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The CFA's decision was clear that 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> <p>(ii) The upsurge in MRIR had been brought</p>	The Admin. to take follow-up action under para. 2 of the minutes

Time marker	Speaker	Subject(s)	Action required
		<p>about by a host of extraneous factors other than changes in the income of PRH households and the rent they paid. Thus, MRIR was not a definition of PRH tenants' affordability and could not reflect it accurately;</p> <p>(iii) Proposed section 16(A)(4) had in effect placed a de facto cap on the extent of rent increase in any future rent adjustment as PRH rent must be adjusted strictly in accordance with the rate of increase or decrease in the income index. Under this proposed provision, adjustment in PRH rent was not linked to HA's financial position; and</p> <p>(iv) As the income index only took into account the "pure income changes" of PRH tenants, it could reflect more closely changes in tenants' affordability. With the proposed 11.6% rent reduction, about 90% of PRH households would pay less than \$2,000 rent a month. Tenants with difficulty in paying the normal rents could seek assistance from RAS.</p>	
014245 – 015309	Chairman Mr CHAN Kam-lam HKOC Administration	<p>(a) Mr CHAN Kam-lam's view as follows:</p> <p>(i) The Administration should address deputations' concern about the lack of statutory control over rent increase under the new mechanism. HA should explain to PRH tenants the operation of the new rent adjustment mechanism, the relationship among the proposed income index, inflation and tenants' affordability; and</p> <p>(ii) Enquiry on HKOC's view about the fairness of the new rent adjustment mechanism.</p> <p>(b) HKOC's view that PRH was a form of public assistance provided to the needy. It was important for HA to ensure that such welfare was not abused. While supporting the Bill, HKOC considered it necessary to retain a ceiling to cap rent increase to allay PRH tenants' concern about excessive increase in rents</p> <p>(c) The Administration's response that the 10% MRIR cap and the proposed income-based index could not co-exist in the HO. The upsurge in MRIR was the result of a number of extraneous factors other than changes in rents and household income. The proposed income-based index took into account the "pure income changes" of PRH</p>	



Time marker	Speaker	Subject(s)	Action required
		<p>tenants. Without amending the HO to remove the 10% MRIR cap, adjusting PRH rent according to an increase in the proposed income index would not be possible if the extraneous factors had already pushed the MRIR above 10%. Hence, the 10% MRIR cap would prevent reasonable and effective operation of the new rent adjustment mechanism</p>	
015310 – 020015	<p>Chairman Mr LEUNG Kwok-hung Administration</p>	<p>(a) Mr LEUNG Kwok-hung's view as follows:</p> <ul style="list-style-type: none"> <li>(i) The 10% MRIR cap was to restrain unreasonable rent increases during inflation when the income of PRH tenants, who were usually on low-paid jobs, might not enjoy any increase. The MRIR provisions should not be removed unless an alternative statutory ceiling to cap rent increase was introduced under the new rent adjustment mechanism; and</li> <li>(ii) HA should reduce PRH rent immediately to relieve the financial burden of poor PRH tenants.</li> </ul> <p>(b) The Administration's explanation as follows:</p> <ul style="list-style-type: none"> <li>(i) Under the proposed income-based rent adjustment mechanism, HA could not increase rent if there was no increase in the income index albeit prevailing inflation. The extent of any rent increase under the new mechanism could not possibly exceed the extent of increase in PRH tenants' household income as reflected in the income index; and</li> <li>(ii) RAS was in place to assist PRH tenants who could not afford paying normal rent due to financial hardship. The two-month rent remissions in December 2001 and February 2007 had helped relieved the burden faced by PRH tenants.</li> </ul>	<p>The Admin. to take follow-up action under para. 2 of the minutes</p>
020016 – 020415	<p>Chairman Democratic Party</p>	<p>Presentation of views (LC Paper No. CB(1)1109/06-07(03))</p>	
020416 – 020948	<p>Chairman Mr LEE Cheuk-yan Administration</p>	<p>(a) Mr LEE Cheuk-yan's view as follows:</p> <ul style="list-style-type: none"> <li>(i) As the new rent adjustment mechanism had only taken into account changes in income without restricting the extent of rent increase, PRH tenants had urged for putting in place a statutory ceiling to cap rent increase to ensure rents were within their affordability given that the extent of rent increase might not correspond with the extent of rise in</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>income;</p> <p>(ii) RAS only addressed the needs of individual tenants rather than acted as a statutory ceiling to cap rent increase;</p> <p>(iii) Given that the proposed 11.6% rent reduction would only bring the current MRIR of 14.3% down to 12.6%, the new rent level would be unfair and unacceptable to PRH tenants; and</p> <p>(iv) The Administration should explain the factors attributed to the upsurge in MRIR in the past years.</p> <p>(b) The Administration's response as follows:</p> <p>(i) It was more appropriate to rely on RAS to address the needs of individual tenants facing financial hardship. Tenants meeting any of the existing seven income thresholds under RAS could apply for rent reduction under the scheme. It would be unreasonable to arbitrarily set a cap on the percentage of rent increase regardless of the percentage of increase in the income index ; and</p> <p>(ii) MRIR was affected by a number of extraneous factors and could not accurately reflect PRH tenants' affordability. About 90% of PRH households would pay less than \$2,000 rent a month after the proposed 11.6% rent reduction. The reduction was considered reasonable or even slightly on the high side by a majority of the respondents during a public opinion survey conducted in December 2006.</p> <p>(iii) The 11.6% was derived by comparing the changes in the income index between 1997 and 2006. The Administration considered the proposed 11.6% rent reduction a fair and reasonable starting point for the proposed rent adjustment mechanism to operate effectively.</p>	<p>The Admin. to take follow-up action under para. 5 of the minutes</p>
<p>020949 – 021342</p>	<p>Chairman Mr FUNG Kin-kee</p>	<p>(a) Mr FUNG Kin-kee's views as follows:</p> <p>(i) A rent adjustment mechanism that allowed upward and downward adjustments of PRH rent and ceiling to cap rent increase should both be given statutory effect; and</p> <p>(ii) The proposed 11.6% rent reduction which would only bring the current MRIR down to</p>	<p>The Admin. to take follow-up action under para. 2 of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
		<p>12.6% was inconsistent with the spirit of the 10% MRIR cap.</p> <p>(b) The Administration was requested to reduce the current rent level further to bring MRIR down to 10% so as to provide a fairer starting point for the operation of the new rent adjustment mechanism.</p>	<p>The Admin. to take follow-up action under para. 4 of the minutes</p>
021343 – 021730	Chairman Mr LEUNG Yiu-chung	<p>Mr LEUNG Yiu-chung's concerns and requests as follows:</p> <p>(a) As the spirit of the 10% MRIR cap was to ensure that increases in PRH rents were within tenants' affordability, the Administration should explain the reasons for repealing the MRIR provisions;</p> <p>(b) The proposed income index would not accurately reflect tenants' affordability. It was necessary to develop other indicators for measuring tenants' affordability; and</p> <p>(c) The Administration should justify its claim that MRIR was distorted by extraneous factors and therefore was not suitable to serve as an indicator of tenant's affordability.</p>	<p>The Admin. to take follow-up action under para. 2 and 3 of the minutes</p>
021731 – 022326	Chairman Mr CHAN Cheong, Kwun Tong District Councillor	<p>Mr CHAN Cheong, Kwun Tong District Councillor's views as follows:</p> <p>(a) Unlike the 10% MRIR which was a statutory cap, RAS was just a policy formulated by HA. The policy could be amended or abolished on HA's own discretion;</p> <p>(b) It was unnecessary to amend the HO. The current regime had been working effectively under which PRH households were required to pay rents according to their affordability under the normal, "well-off" or RAS/CSSA categories; and</p> <p>(c) There were differences between income and disposable income. Their relationship with tenants' affordability was also different.</p>	
022327 – 022518	Chairman Mr LAI Ming-hung, Oi Man Estate Kar Man House Mutual Aid Committee	<p>Mr LAI Ming-hung's views as follows:</p> <p>(a) As it was difficult to ascertain the level of disposable income of individual households, it was fairer to use the consumer price index as an indicator of tenants' affordability; and</p> <p>(b) It would be unfair to PRH tenants if CSSA households were excluded from the calculation of the proposed income index while retaining the "well-off" tenants.</p>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
022519 – 022620	Chairman	Dates of next meeting and future meetings	

Council Business Division 1  
Legislative Council Secretariat  
16 April 2007