

立法會
Legislative Council

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by the Administration)

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

**Minutes of fourth meeting on
Thursday, 29 March 2007, at 8:30 am
in Conference Room A 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 LEUNG Yiu-chung
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
Prof Hon Patrick LAU Sau-shing, SBS, JP
- Members absent** : Hon Albert HO Chun-yan
Hon CHAN Kam-lam, SBS, JP
Hon WONG Yung-kan, JP
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 WU
Assistant Director of Housing (Strategic Planning) (Acting)

Mr Francis YIU
Senior Statistician
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

Action

I Meeting with the Administration on the Bill

(LC Paper No. CB(1)1234/06-07(01) -- The Administration's responses to Members' concerns raised at the meeting on 16 March 2007
(*revised Chinese version tabled at the meeting and issued on 30 March 2007*)

LC Paper No. CB(1)1234/06-07(02) -- List of follow-up actions arising from the discussion on 16 March 2007 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
- LC Paper No. CB(1)1272/06-07(01) -- Presentation materials provided by (tabled at the meeting and issued on the Administration) 30 March 2007)

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

Follow-up actions to be taken by the Administration

Rent adjustment mechanism

2. To facilitate members' consideration of the different proposals for adjusting public rental housing (PRH) rents, the Administration was requested to compare the pros and cons of the various proposals, inter alia:

- (a) Retaining the 10% median rent-to-income ratio (MRIR) cap in rent adjustment;
- (b) The proposed income index tracking the movement in PRH tenants' household income; and
- (c) Adopting the 10% MRIR cap for each household size group in guiding rent adjustments. To address the concern arising from this proposal where similar PRH units would attract different rent level, a modified version would be to link rent adjustment with the type of PRH flat occupied by the household and the prevailing MRIR of the particular household size group occupying the unit.

3. The rents of PRH units within the same district were fixed mainly with reference to the size of the units. Some members had expressed concern that if a 1-person household was allocated to a unit catering for two persons, or a 3-person household was offered with a 2-person unit, the rents paid by the households might not be directly related to their income, thus affordability. To illustrate the possible impact of the allocation situation on the rent adjustment mechanism, the Administration was requested to provide information on the distribution of PRH households by different flat types/sizes. In this connection, the Administration was also requested to provide information on the number in respect of over-crowded and under-occupied households in PRH in recent years.

Date of next meeting

4. The Chairman reminded members that the next meeting had been scheduled for Tuesday, 17 April 2007 at 4:30 pm.

II. Any other business

5. There being no other business, the meeting ended at 10:45 am.

Council Business Division 1
Legislative Council Secretariat
3 May 2007

**Proceedings of the fourth meeting of
the Bills Committee on
Housing (Amendment) Bill 2007
on Thursday, 29 March 2007, at 8:30 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000546 – 000700	Chairman Mr LEE Wing-tat	Opening remarks by the Chairman	
000701 – 001945	Chairman Administration	<u>Power-point presentation by the Administration on median rent-to-income ratios (MRIRs) for different household size groups in public rental housing (PRH)</u> (LC Paper Nos. CB(1)1272/06-07(01)(power-point) and 1234/06-07(01))	
001946 – 002439	Chairman Mr LEE Wing-tat Administration	<p>(a) Mr LEE Wing-tat's view as follows:</p> <p>(i) It was necessary to retain a MRIR cap for different household size groups in adjusting rents under the proposed rent adjustment mechanism; and</p> <p>(ii) The number of income-earning members in households would have impact on MRIRs for different household size groups.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The proposed introduction of a MRIR cap for each household size group might give rise to a less than equitable situation in which similar PRH units in the same block would attract different rent level simply because the rent of a particular household size group (e.g. 3-person households) could be increased in one review, whereas the rent of another household size group (such as 2-person households) would need to be frozen simply because the prevailing MRIR of that group was above the prescribed cap; and</p> <p>(ii) The situation would be even more undesirable and complicated if the household in a rent-freezing household size group vacated the PRH unit and another household in a household size group with a MRIR below the prescribed cap moved in.</p>	
002440 – 002822	Chairman Mr Ronny TONG Administration	<p>(a) Mr Ronny TONG's view as follows:</p> <p>(i) While there would always be some households with their rent-to-income ratios (RIRs) above any given MRIR figure, providing a cap on rent increase in the proposed rent adjustment mechanism could restrain excessive rent increases by the Housing Authority (HA); and</p>	

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		<p>(ii) It was not inequitable for different PRH households living in similar PRH units to pay different rents because their incomes, thus affordability, and household sizes were different.</p> <p>(b) The Administration's response as follows:</p> <p>(i) As the MRIR cap for each household size group did not apply to individual households, rent increase might still be effected for some households with RIRs already above 10% so long as the MRIR for that particular group was below 10%;</p> <p>(ii) The Rent Assistance Scheme (RAS) was in place to assist individual households who had affordability problem; and</p> <p>(iii) On top of the inequitable situation where two similar flats of the same district and size would have different rents simply because of different household sizes, there would be difficulty in setting the level of rent for a PRH unit which was vacated by a 2-person household and then taken up by a 3-person household.</p>	
002823 – 003444	Chairman Mr Ronny TONG Administration	<p>(a) Mr Ronny TONG's view as follows:</p> <p>(i) The base rent for PRH units should be set with reference to a MRIR cap which would also guide future rent adjustments; and</p> <p>(ii) Individual PRH households should take into account of their rental affordability when considering relocation.</p> <p>(c) The Administration's response that</p> <p>(i) The base rent for PRH was flat-specific and determined mainly with reference to the size of the flat and district they were located; and</p> <p>(ii) A MRIR cap would not be compatible with the proposed rent adjustment mechanism which would provide for both upward and downward rent adjustment according to changes in the income index.</p>	
003445 – 004747	Chairman Mr LEE Cheuk-yan Administration	<p>(a) Mr LEE Cheuk-yan's suggestion/view as follows:</p> <p>(i) To address the concern that similar PRH units would attract different rent level if the 10% MRIR cap was applied to each household size group in guiding rent adjustments, consideration could be given to apply MRIRs of 1-person household,</p>	The Admin. to take follow-up action under para. 2(c) of the minutes

Time marker	Speaker	Subject(s)	Action required
		<p>2-person household, 3-person household and 4-person household to 1/2-person units, 2/3-person units, 1-bedroom units and 2-bedroom units respectively; and</p> <p>(ii) Whether rent increase would be allowed would depend on the types of PRH units occupied by the households. For example, a 2-person household staying in a 1-bedroom unit (for accommodating 2 to 4 persons) would have their rent increases "capped" by the MRIR of the 3-person household size group. However, RIR of this 2-person household would be included in the calculation of MRIR for the 2-person household size group.</p> <p>(b) The Administration's response as follows:</p> <p>(i) MRIRs were worked out with reference to the incomes and rents of households and should therefore be applied to the household groups rather than PRH units;</p> <p>(ii) There might be changes in household size after a household was allocated the PRH unit, and it was not uncommon that the same household size group could live in a wide range of PRH flats with different types and sizes;</p> <p>(iii) The proposal of linking rent adjustment with the type of PRH flat occupied and the prevailing MRIR of the particular household size group occupying the unit was complicated and involved fundamental changes to the PRH rent regime; and</p> <p>(iv) If the MRIR caps were worked out for individual household size groups, the impact of the scenario in (a)(ii) on the MRIRs following a rent adjustment might be greater than in the case of an overall MRIR cap.</p>	
004748 – 005644	Chairman Mr WONG Kwok-hing Administration	<p>(a) Mr WONG Kwok-hing's view that:</p> <p>(i) The PRH programme was to meet the housing needs of grass-root people;</p> <p>(ii) While the rise in MRIR was partly caused by the exit of high income PRH tenants, the Administration should not use this as an excuse to remove the MRIR cap;</p> <p>(iii) The sharp increase in the number of Social Security Assistance (CSSA) recipients among PRH tenants had reflected the</p>	

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		<p>deterioration of poverty problem in PRH. It was unreasonable to include old age allowance as income while excluding CSSA households in the calculation of the proposed income index; and</p> <p>(iv) Excluding "well-off" tenants from the calculation of the proposed income index might give rise to the concern that HA would manipulate the "well-off" tenants policy with an attempt to increase PRH rents.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The exit of high income tenants was only one of the extraneous factors accounting for the upsurge of the MRIR in recent years ;</p> <p>(ii) As CSSA households did not have any affordability problem <i>per se</i> since their rents were fully covered by CSSA allowances in most cases while the "well-off" tenants had household incomes two to three times more than the Waiting List income limits, the two categories were thus recommended to be excluded from the calculation of the proposed income index in order to reflect more accurately the changes in income and rental affordability of general PRH households;</p> <p>(iii) PRH tenants receiving old age allowance might also have incomes. Taking the old age allowance into calculation would not push up the income index because it would be the changes in the income index that would matter. As long as the old age allowance was consistently taken into account in both periods of a rent review cycle, it would not distort the income index; and</p> <p>(iv) Any changes in the policy of "well-off" tenants would necessitated detailed consultation and thorough discussion by HA in open meetings.</p>	
005645 – 010924	Chairman Dr Joseph LEE Administration	<p>(a) Dr Joseph LEE's enquiry and request as follows:</p> <p>(i) The methodology for setting the base rents of PRH units and the situation of allocation in PRH with household sizes did not match with the size of units they were occupying. His concern that if a 1-person household was allocated to a unit catering for 2-persons, or a 3-person household was offered with a 2-person unit, the rents paid by the</p>	The Admin. to take follow-up action under para. 3 of the minutes

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		<p>households might not be directly related to their income, thus affordability; and</p> <p>(ii) To illustrate the possible impact of allocation situation on and rent adjustment mechanism, the Administration should provide information on the distribution of PRH households by different flat types/sizes and the number in respect of over-crowded and under-occupied households in PRH in recent years.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The base rents of PRH units were fixed mainly with reference to the size of the units and the districts of the estates;</p> <p>(ii) Households might become over-crowded or under-occupied households when new members moved in or existing members moved out from the units. Some of these households (such as elderly households) were reluctant to relocate to other more appropriately sized units in other districts;</p> <p>(iii) It was in line with the existing allocation standards and practice to allocate households in different size groups, eg. 2 and 3 persons households to PRH flats of a particular size; and</p> <p>(iv) RAS was available to address the rental affordability needs of individual households.</p>	
010925 – 011749	Chairman Mr Frederick FUNG Administration	<p>(a) Mr Frederick FUNG's view as follows:</p> <p>(i) The effect of aforesaid situation where the same household size group could live in a wide range of PRH flats with different types and sizes on the proposed income index was small because the changes in incomes of the households concerned was still in proportion to the rents they paid;</p> <p>(ii) It was necessary to provide a ceiling on rent increase in the new rent adjustment mechanism in order to safeguard the interest of households, in particular those with income increase less than the general income increase of PRH households as reflected by the proposed income index; and</p> <p>(iii) The ceiling on rent increase could be discussed further. For instance, a possible ceiling could be to cap each rent increase at a certain percentage of the current PRH rent.</p>	

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		<p>(b) The Administration's response as follows:</p> <p>(i) By the definition of the MRIR, there were always 50% of households with their RIRs above any given MRIR figure. A more effective way to ensure that PRH rents were within tenants' affordability was to put in place measures based on individual households' situations. Under the HA's RAS, individual households meeting the specified income thresholds would be eligible for rent assistance; and</p> <p>(ii) As PRH rent had to be adjusted strictly in accordance with the rate of increase in income index of PRH tenants, the extent of rent increase could not exceed the extent of increase in PRH tenants' household income as reflected in the proposed income index. It would be arbitrary to prescribe a ceiling for the extent of rent increase for future rent adjustment.</p>	
011750 – 012309	Chairman Administration Ms Emily LAU Mr Ronny TONG	<u>Power-point presentation by the Administration on the feasibility of using median household income instead of mean household income in computing the income index</u> (LC Paper Nos. CB(1)1272/06-07(01)(power-point) and 1234/06-07(01))	
012310 – 012422	Chairman Mr Abraham SHEK Administration	<p>(a) Mr Abraham SHEK's view that it was fairer to use median, rather than mean, household income in computing the income index values</p> <p>(b) The Administration's explanation that unlike the statistical parameter of mean, median household income for a particular period could not be derived by way of the "weighted average" method to reflect pure income changes</p>	
012423 – 012506	Chairman Mr Ronny TONG Administration	<p>(a) Mr Ronny TONG's enquiry about the first and second periods of a rent review exercise</p> <p>(b) The Administration's explanation that two time periods would be defined in every 2-year rent review cycle. To discount the effects of household size distribution and track the "pure income changes" of PRH tenants, the household size distribution of PRH tenants would be kept constant in any one particular rent review cycle for the purpose of assessing the weighted average household income of all PRH tenants, i.e. the proportion of each household size group in the first period would be applied to the calculation of weighted mean monthly household income for both first period and second period</p>	

Time marker	Speaker	Subject(s)	Action required
012507 – 012827	Chairman Ms CHAN Yuen-han Administration	<p>(a) Ms CHAN Yuen-han's concern about adopting mean household income instead of median household income in calculating the income index</p> <p>(b) The Administration's explanation that the "weighted average" of the median of each household size group was not equal to the overall median of all households. This limitation of median rendered it not technically feasible to discount the household size distribution effects by using "weighted average" method and to be adopted as a basis for computing the income index values</p>	
012828 – 013111	Chairman Mr Ronny TONG Administration	<p>(a) Mr Ronny TONG's view as follows:</p> <p>(i) It was unacceptable to require low-income PRH tenants to pay high rent. The income index should be derived in such a way that the low-income households would not have to bear heavy financial burden; and</p> <p>(ii) In a scenario where the majority were low-income tenants, using mean household income would help derive a lower income index than using median household income.</p> <p>(b) The Administration's response that both MRIR and PRH tenants' household incomes would be affected by changes in the household size distribution and the proposed income index could discount the effects by assessing the weighted mean monthly household income</p>	
013112 – 014942	Chairman Administration Mr WONG Kwok-hing Mr LEUNG Yiu-chung Mr LEUNG Kwok-hung Ms Emily LAU	<p><u>Power-point presentation by the Administration on measures adopted to ensure the reliability and accuracy of the income index</u> (LC Paper Nos. CB(1)1272/06-07(01)(power-point) and 1234/06-07(01))</p> <p>(a) The Administration's response to members' enquiries on the presentation as follows:</p> <p>(i) To improve the accuracy and reliability of the household income data for computing the income index, instead of relying on the voluntary General Household Survey (GHS) conducted by the Census and Statistics Department, HA would use the existing statutory power to collect income data through a mandatory declaration system on a continuous basis all year round;</p> <p>(ii) A random sample of 2 000 PRH households would be drawn each month (i.e. 24 000 samples in 12 months) for statistical analysis purposes, including compiling the income</p>	

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		<p>index. This sample size was sufficiently large compared with the sample size of some 6 000 PRH households under GHS;</p> <p>(iii) It was not desirable to conduct a longitudinal survey because the household size of sampled households might change over time. Moreover, new PRH households would be left out from the survey sample, and the survey would cause considerable disturbances to the sampled households selected for the longitudinal survey; and</p> <p>(iv) The coefficient of variation of the income data collected under the mandatory declaration system was estimated to be very low at 0.5%.</p>	
014943 – 015607	Mr Abraham SHEK Chairman	Request for the Administration to provide information comparing the pros and cons of the various proposals for adjusting PRH rents and to present them in simple terms to facilitate members' consideration	The Admin. to take follow-up action under para. 2 of the minutes
015608 – 020214	Chairman Mr Frederick FUNG Administration	<p>(a) Mr Frederick FUNG's concern that the information on the change in household income collected under the voluntary GHS or HA's mandatory declaration system would be broadly similar but the latter might cause considerable disturbances to the sampled households and there would be concern about possible liability for provision of incorrect income information under mandatory declaration</p> <p>(b) The Administration's response as follows: (i) The household income data would also be used for general statistical analysis in addition to compiling the income index; and (ii) under the monthly sampling method, no PRH household would be selected more than once within a period of 12 months.</p>	
020215 – 020642	Chairman Mr WONG Kwok-hing Administration	<p>(a) Mr WONG Kwok-hing's concern about the accuracy and reliability of income data under GHS</p> <p>(b) The Administration's clarification that income data under GHS had been used to compile MRIRs for more than a decade. The HA's mandatory declaration system aimed to collect income data more specific to PRH tenants and HA's statistical uses</p>	

Time marker	Speaker	Subject(s)	Action required
020643 – 020950	Chairman Mr Ronny TONG Mr Abraham SHEK Administration Mr Albert CHAN	Request for the Administration to compare the pros and cons of the various proposals for adjusting PRH rents. To facilitate members' understanding, the Administration should consider using the material presented to HA for briefing the Bills Committee	The Admin. to take follow-up action under para. 2 of the minutes
020951 – 021443	Chairman Ms Emily LAU Mr Abraham SHEK Administration	(a) Date of next meeting (b) The Administration to arrange further briefing for individual members, if so requested by members, on the operation of the income index before the next meeting	

Council Business Division 1
Legislative Council Secretariat
3 May 2007