

立法會
Legislative Council

LC Paper No. CB(1)1948/06-07
(These minutes have been seen
by the Administration)

Ref : CB1/BC/1/06

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

**Minutes of fifth meeting on
Tuesday, 17 April 2007, at 4:30 pm
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 Yuen-han, JP
Hon CHAN Kam-lam, SBS, 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 Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon Fernando CHEUNG Chiu-hung
Hon Ronny TONG Ka-wah, SC
- Members absent** : Hon WONG Yung-kan, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
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 Raymond WU
Senior Administrative Officer (Strategic Planning) 2
Housing Department

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

Action

I Confirmation of minutes and matters arising
(LC Paper No. CB(1)1369/06-07 -- Minutes of the meeting held on
8 March 2007)

The minutes of the meeting held on 8 March 2007 were confirmed.

II Meeting with the Administration
(LC Paper No. CB(1)1341/06-07(01) -- The Administration's responses to
Members' concerns raised at the
meeting on 29 March 2007)

LC Paper No. CB(1)1386/06-07 -- Presentation materials provided by
(*issued via email on 18 April 2007*) the Administration for the meeting
on 17 April 2007 (Chinese version
only)

LC Paper No. CB(1)1341/06-07(02) -- List of follow-up actions arising
from the discussion on 29 March
2007 prepared by the Legislative
Council Secretariat

LC Paper No. CB(1)1272/06-07(01) -- Presentation materials provided by
the Administration for the meeting
on 29 March 2007 (Chinese version
only))

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

Follow-up actions to be taken by the Administration

Rent increase cap

3. The 10% median rent-to-income ratio (MRIR) cap was a statutory safeguard for public rental housing (PRH) tenants against excessive rent increases by the Housing Authority (HA). As the Bill sought to remove this cap, members considered it imperative to introduce a rent increase cap or rent level cap under the proposed rent adjustment mechanism. The Administration was invited to consider and consult HA on the following proposals put forward by members, and report the outcomes to the Bills Committee as soon as possible:

- (a) To impose a 15% RIR cap at individual household level, i.e. when adjusting PRH rents, HA could not increase rents for households with RIRs exceeding 15%;
- (b) To reduce the income limit of 20% rent-to-income ratio (RIR) under the Rent Assistance Scheme (RAS) to 15% RIR. The cap is to be prescribed in law in order to provide statutory safeguard for PRH tenants;
- (c) To set a rent level cap with reference to ratios of rent and income in each household size group. "Weighted average" ratios of rent and income in each household size group would form the basis for working out the rent level cap; and
- (d) To include a productivity gain element in rent adjustment by deducting the percentage productivity gain achieved by HA from the rent increase as compiled by the changes in the income index.

Rent Assistance Scheme

4. To enable members to have a better understanding of the rent assistance available to tenants facing financial hardship, the Administration was requested to provide information on RAS since 1997, as follows:

- (a) A breakdown by various household size groups on the number of RAS applications, the number of applications approved and rejected; and
- (b) A breakdown by various household size groups on the number of existing RAS recipients, and the number of households which had received RAS.

Arrangements for the next meeting

5. Members agreed to discuss issues relating to the computation and operation of the proposed income index under the new rent adjustment mechanism and subject to the progress of discussion, to commence clause-by-clause examination of the Bills at the next meeting scheduled for Thursday, 26 April 2007 at 4:30 pm.

6. Members also agreed to invite representatives from the Census and Statistics Department to join the discussion on the computation and operation of the proposed income index under the new rent adjustment mechanism at the next meeting.

III Any other business

7. There being no other business, the meeting ended at 6:50 pm.

Council Business Division 1
Legislative Council Secretariat
21 June 2007

**Proceedings of the fifth meeting of
the Bills Committee on
Housing (Amendment) Bill 2007
on Tuesday, 17 April 2007, at 4:30 pm
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000501 – 000630	Chairman	(a) Opening remarks (b) Confirmation of minutes of the meeting held on 8 March 2007 (LC Paper No. CB(1)1369/06-07)	
000631 – 003837	Chairman Administration	<u>Power-point presentation by the Administration on the comparison of using the median rent-to-income ratio and the proposed income index in rent adjustment</u> (LC Paper Nos. CB(1)1386/06-07 (power-point) and CB(1)1341/06-07(01))	
003838 – 004742	Chairman Mr WONG Kwok-hing Administration	(a) Mr WONG Kwok-hing's reiteration of concerns/views as follows: (i) The continuous rise in the number of public rental housing (PRH) households receiving Comprehensive Social Security Assistance revealed the poverty problem in PRH which was a social problem that should be addressed; (ii) The increase in the number of small or elderly PRH households was caused by the "well-off" tenants policy implemented by the Housing Authority (HA); (iii) The increase in living space for PRH tenants in recent years was a proper measure taken by HA to improve tenants' living conditions; (iv) The situations referred in (i) to (iii) above should not be regarded as extraneous factors accounting for the upsurge in the median rent-to-income ratio (MRIR) and justifying the repeal of the 10% MRIR cap; and (v) The Administration should consider the suggestion of applying the 10% MRIR cap for each household size group in guiding rent adjustments. (b) The Administration's response as follows: (i) The MRIR had been used only as a general indicator to track PRH tenants' rental affordability. In adjusting PRH rents, HA would take into account a number of factors, including tenants' affordability, consumer	

Time marker	Speaker	Subject(s)	Action required
		<p>price movement, wage movement and HA's financial conditions etc.;</p> <p>(ii) The increase in the number of small households in PRH was a general trend observed in recent years from the new PRH applications on the Waiting List; and</p> <p>(iii) The introduction of a MRIR cap for each household size group would make rent setting and rent adjustment very divisive and discriminatory as two similar PRH units in the same block would attract different rent simply because they were occupied by households from two different household size groups – one from a rent-freezing group with MRIR above the prescribed cap whereas another from a household size group with MRIR below the cap so that rent increase was allowed.</p>	
004743 – 005251	Chairman Mr LEE Wing-tat Administration	<p>(a) Mr LEE Wing-tat's view that given that HA had been adopting two MRIR benchmarks, viz. 15% and 18.5%, in fixing rents for newly completed estates, the benchmarks could be used as an indicator of tenants' affordability and as a "capping" tool to restrain rent increases</p> <p>(b) The Administration's response that with the implementation of the income-based rent adjustment mechanism, the level of "best rent" in each district for fixing the rents of newly completed PRH estates in the district would be adjusted according to the movement in the income index. The two MRIR benchmarks of 15% and 18.5% would only serve as general indicators to track tenants' affordability bearing in mind the fact that the MRIR was subject to influence by many extraneous factors</p>	
005252 – 005933	Chairman Mr Frederick FUNG Administration	<p>(a) Mr Frederick FUNG's concern as follows:</p> <p>(i) It was necessary to provide a statutory ceiling to cap the level of PRH rent increase in the new rent adjustment mechanism since the Rent Assistance Scheme (RAS) was only HA's administrative measure which did not have statutory effect; and</p> <p>(ii) Although the proposed income index provided a mechanism for adjusting PRH rents and would in effect place a de facto cap in the extent of rent increase in future, it</p>	

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		<p>failed to provide a rent level cap. The 10% MRIR cap as provided in the existing Housing Ordinance (HO) (Cap 283) had in effect put a statutory rent level cap to safeguard the interests of tenants where the overall MRIR of all rental estates should not exceed 10% after an increase in PRH rents.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The proposed rent adjustment mechanism required HA to adjust PRH rents strictly in accordance with the rate of changes in the proposed income index. This would put a de facto cap on rent increase;</p> <p>(ii) For any form of MRIR cap, there was always by definition 50% of households with their RIRs above any given MRIR figure. The MRIR cap provided no clear guidelines or placed no restriction on the extent of rent increase so long as the prevailing MRIR after any proposed rent increase did not exceed the prescribed cap. The MRIR was not an effective measure to safeguard the rental affordability of individual tenants; and</p> <p>(iii) Indicators at individual PRH household level such as rent-to-income ratios (RIR) and income thresholds pitched at different levels of the respective Waiting List Income Limits (WLILs) under the RAS would provide much more relevant and specific assistance to individual PRH tenants. There had been two major relaxations to the eligibility criteria of RAS respectively in 2002 and 2005. Changes to RAS necessitated thorough discussion and approval by HA.</p>	
005934 – 010554	Chairman Mr LEE Cheuk-yan Administration	<p>(a) Mr LEE Cheuk-yan's views as follows:</p> <p>(i) MRIR was a long-established general indicator for measuring PRH tenants' rental affordability. Consideration should be given to improve MRIR rather than repeal it despite its drawbacks;</p> <p>(ii) The distortion to MRIR caused by the increase in tenants' living space was acceptable as there should be improvement in the living conditions of PRH households over time; and</p>	

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		<p>(iii) The distortion to MRIR due to changes in household size could be addressed by linking each type/size of PRH flats to MRIR of a particular household size group, e.g. linking 3-person PRH flats to 2-person household size group.</p> <p>(b) The Administration's response that under the suggestion cited in (a)(iii) above, if those households in the 2-person household size group residing in 3-person PRH flats would undergo a rent increase because the 3-person household size group's MRIR was below the prescribed cap, the 2-person household size group's MRIR might as a result continue to rise even if it already exceeded the prescribed cap</p>	
010555 – 011222	Chairman Mr LEUNG Yiu-chung Administration	<p>(a) Mr LEUNG Yiu-chung's views as follows:</p> <p>(i) While agreeing with the need to introduce a rent adjustment mechanism allowing both upward and downward rent adjustments, the 10% MRIR provisions should not be repealed; and</p> <p>(ii) HA had not conducted consultation prior to the two major enhancements to RAS.</p> <p>(b) The Administration's explanation as follow:</p> <p>(i) The statutory MRIR cap was not an effective tool to ensure that PRH rents were within tenants' rental affordability. The individual-based indicators under RAS including RIRs and income thresholds pitched at different levels of WLILs were more effective; and</p> <p>(ii) The two major enhancements to RAS had been made taking account of views of the PRH tenants and the community as a whole, and subject to detailed discussion by HA.</p>	
011223 – 011908	Chairman Mr LEE Wing-tat Administration	<p>(a) Mr LEE Wing-tat's concern that the proposed rent adjustment mechanism could not address the heavy financial burden of households with RIRs between 15% and 19% since they were not eligible for RAS</p> <p>(b) The Administration's response that as with any mechanism with eligibility criteria, there would inevitably be tenants falling marginally outside</p>	

Time marker	Speaker	Subject(s)	Action required
		RAS. Currently, there were already seven different RIRs and income thresholds under RAS to cater for the different needs of PRH households	
011909 – 012601	Chairman Mr Frederick FUNG Administration	<p>(a) Mr Frederick FUNG's concern as follows:</p> <p>(i) Despite that a rent adjustment mechanism was not provided in the HO, HA had, prior to 1997, reviewed and adjusted PRH rents at two-year intervals; and</p> <p>(ii) Instead of placing a de facto cap on the extent of rent increase according to the respective rate of increase in the proposed income index, the Bill should provide a rent level cap. For example, such a cap could be set with reference to RIRs in each household size group. "Weighted average" ratios of rent and income in each household size group would form the basis for working out the rent level cap.</p> <p>(b) The Administration's response that the limitations of "median" rendered it not technically feasible to be derived by way of the "weighted average" method</p>	
012602 – 013233	Chairman Mr LEE Cheuk-yan Administration	<p>(a) Mr LEE Cheuk-yan's views as follows:</p> <p>(i) RAS only served as a safety net. It could not function as a rent level cap for households. Under the new rent adjustment mechanism, households with RIRs exceeding 10% would still subject to rent increase if there was increase in the proposed income index; and</p> <p>(ii) A rent adjustment mechanism and a rent increase ceiling could co-exist. Objection to repeal the 10% MRIR provisions without putting in place any rent level cap.</p> <p>(b) The Administration's response as follows:</p> <p>(i) The existing 10% MRIR cap was neither rational nor sustainable because the upsurge in MRIR was due to a wide range of extraneous factors other than changes in income of PRH households and rents they paid; and</p> <p>(ii) It would be impractical and extremely complicated to conduct individual assessment to adjust the rents of over 640 000 PRH households according to their</p>	

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		respective RIRs in each rent review.	
013234 – 014102	Chairman Miss CHAN Yuen-han Administration	<p>(a) Miss CHAN Yuen-han's view as follows:</p> <p>(i) The Administration should maintain an open mind and consider retaining the MRIR cap. The level of MRIR cap could be further discussed; and</p> <p>(ii) As the mission of the PRH programme was to meet the housing needs of grass-root people, it was inappropriate to make direct comparison between MRIR and rents of PRH tenants with those in the private housing sector.</p> <p>(b) The Administration's response as follows:</p> <p>(i) Implementation of the proposed income-based rent adjustment mechanism would not affect the Government's policy of providing subsidized rental housing for the needy nor HA's policy of setting PRH rents according to tenants' affordability; and</p> <p>(ii) While acknowledging members' view for providing a rent increase cap, the 10% MRIR cap was not an effective affordability measure because it was subject to influence by extraneous factors unrelated to tenants' affordability.</p>	
014103 – 014647	Chairman Mr WONG Kwok-hing Administration	<p>(a) Mr WONG Kwok-hing's views and request as follows:</p> <p>(i) It was a fact that MRIR had been used by HA for decades as a general measure of PRH tenants' rental affordability and a reference for guiding adjustments in PRH rents;</p> <p>(ii) As a random sample of 24 000 households only represented 3.75% of all PRH households, the income data collected during a rent review cycle might not accurately reflect the overall changes in the income of PRH households; and</p> <p>(iii) The number of PRH households receiving RAS might be less should HA implement rent reduction during deflation in the past few years. The Administration was requested to provide information on RAS since 1997.</p>	The Admin. to take follow-up action under para. 4 of the minutes

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		<p>(b) The Administration's response was as follows:</p> <ul style="list-style-type: none"> (i) Statistically, a random selection of 24 000 samples in a year was sufficient to produce a representative income index for all PRH households with good precision; and (ii) MRIR had been used by HA, among the various indicators, to track tenants' rental affordability bearing in mind the fact that it was subject to influence by many extraneous factors. 	
014648 – 015224	Chairman Mr LEUNG Yiu-chung Administration	<p>(a) Mr LEUNG Yiu-chung's views as follows:</p> <ul style="list-style-type: none"> (i) MRIR had been adopted by HA in a wide range of statistical analyses; (ii) RAS served as a safety net rather than a rent increase cap. It was only an administrative measure of HA and did not have statutory effect. Moreover, changes in RAS had not undergone public consultation; and (iii) The de facto cap under the proposed income index could not address the hardship of households which were not eligible for RAS. It was necessary to introduce a statutory rent increase cap to safeguard the interests of these households. <p>(b) The Administration's response as follows:</p> <ul style="list-style-type: none"> (i) A majority of the respondents to the public consultation on HA's review of domestic rent policy indicated support for adopting PRH tenants' household income as the reference index in rent adjustment; and (ii) The proposed rent reduction of 11.6% was worked out according to the extent of changes in income index since 1997. 	
015225 – 015755	Chairman Mr LEE Wing-tat Administration	Mr LEE Wing-tat's proposal for the Administration to consider imposing a 15% RIR cap at individual household level, i.e. when adjusting PRH rents, HA could not increase rents for households with RIRs exceeding 15%	The Admin. to take follow-up action under para. 3(a) of the minutes

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015756 – 020130	Chairman Mr Frederick FUNG Administration	<p>(a) Mr Frederick FUNG's proposals as follows:</p> <p>(i) To reduce the income limit of 20% RIR under RAS to 15% RIR. The cap had to be prescribed in law in order to provide statutory safeguard for PRH tenants; and</p> <p>(ii) To set a rent level cap with reference to ratios of rent and income in each household size group. "Weighted average" ratios of rent and income in each household size group would form the basis for working out the rent level cap.</p> <p>(b) The Administration's agreement to consult HA on members' proposals and report the outcomes to the Bills Committee</p>	The Admin. to take follow-up action under para. 3(b) and (c) of the minutes
020131 – 020610	Chairman Mr LEE Wing-tat Mr LEE Cheuk-yan	<p>(a) Mr LEE Wing-tat's proposal to include a productivity gain element in rent adjustment</p> <p>(b) Mr LEE Cheuk-yan's suggestion that the extent of any increase in PRH rent should be worked out by deducting the percentage productivity gain achieved by HA from the rent increase as compiled by the changes in the income index</p>	The Admin. to take follow-up action under para. 3(d) of the minutes
020611 – 021550	Mr Frederick FUNG Chairman Administration Mr LEE Cheuk-yan Mr Tommy CHEUNG	<p>(a) Mr Frederick FUNG's request to invite representatives from the Census and Statistics Department (C&SD) to discuss with members on concerns relating to the computation and operation of the proposed income index including the accuracy and reliability of the household data collected, the role of HA in data collection, and the merits and demerits of HA's mandatory declaration system versus existing voluntary system operated by C&SD in collecting household income data</p> <p>(b) Mr LEE Cheuk-yan's support to seek expert views on the fairness and suitability or otherwise in the computation and operation of the proposed income index</p> <p>(c) Mr Tommy CHEUNG's concern on the accuracy of the data collected and the need to protect confidentiality of information</p> <p>(d) The Administration's advice that C&SD had been consulted on the proposed methodology for collecting income data from households. HA would collect income data from PRH tenants and pass them to C&SD for computing the income</p>	The Admin. to take follow-up action under para. 6 of the minutes

Time marker	Speaker	Subject(s)	Action required
		index	
021551 – 022240	Chairman Mr LEE Cheuk-yan Administration Mr LEE Wing-tat	(a) Members' agreement on the following meeting arrangements for the next meeting: (i) Discussion on the computation and operation of the proposed income index under the new rent adjustment mechanism; and (ii) Depending on the progress of discussion on item (i), to commence clause-by-clause examination of the Bill. (b) The Administration's undertaking to report the outcomes of consideration of members' proposals of introducing rent increase cap or rent level cap under the proposed rent adjustment mechanism as soon as possible	