

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

Seventh meeting on 4 May 2007

List of follow-up actions arising from the discussion at the meeting

Clause 2 - Commencement

1. In order to provide certainty to public rental housing (PRH) tenants on the implementation of the new rent adjustment mechanism and to facilitate the collection of income data and computation of the income index, it is the Administration's intention to commence the Amendment Ordinance as soon as possible. The Administration is considering Committee Stage amendment (CSA) to specify the commencement date in the Bill and will revert to the Bills Committee.

Clause 4 – proposed section 16A(1)

2. The Administration is requested to review the drafting of the proposed CSA for section 16A(1) to address members' concerns. Given that the policy intention is to require the Housing Authority (HA) to review PRH rent at a two-year cycle, there are suggestions for the Administration:

- (a) To set out clearly in separate sub-paragraphs under section 16A(1) when HA shall review the relevant rent after the commencement of the Amendment Ordinance, and when it shall conduct subsequent rent reviews; and
- (b) HA shall review the relevant rent as soon as practicable every two years. The drafting of the proposed CSA to section 16A(1) should be improved by deleting the words "當日" in the Chinese text and "on or" in the English text.

Clause 4 - proposed section 16A(3)

3. The policy intent of the proposed section 16A(3) is to exclude the application of the new rent adjustment mechanism to "well-off" tenants and tenants receiving assistance under the Rent Assistance Scheme (RAS). The Administration has explained that under the existing policies of "well-off" tenants and RAS, the extent of the additional rent (apart from market rent) to be charged and the extent of rent reduction to be granted are determined with reference to the relevant rent payable by other PRH tenants. Hence, any adjustment to the relevant rent according to the new mechanism will affect the calculation of the amount of rents payable by "well-off" tenants or tenants under RAS.

4. In connection with item 3, in order to safeguard the interests of "well-off" tenants and tenants under RAS, the Administration is requested to consider specifying in the Bill the linkage between the level of rent payable by these tenants with the relevant rent.

Clause 4 – proposed section 16A(6)

5. The proposed section 16A(6) of the Bill provides that HA is not required to vary the relevant rent if, in its opinion, the amount of the variation is insignificant. As what constitutes "insignificant variation" is not defined in the Bill, concern is raised about the provision giving HA wide discretionary power. There are suggestions for the Administration:

- (a) To set out clearly in the provision the circumstances and factors to be considered by HA in determining the matter so as to enhance transparency of the process; and
- (b) To prescribe an appropriate amount/threshold of which variation in the relevant rent will be considered insignificant. For instance, consideration could be given to adopting a certain rate of change in the income index (either increase or decrease) as the amount/threshold.

Clause 4 - proposed section 16A(8)

6. Subsection (b) of the proposed section 16A(8) provides that HA may compile the income index by itself, or appoint a tertiary institution or a public body in Hong Kong to compile the index. In order to prevent potential conflict of interests of HA compiling the index, and to enhance the credibility of the index, the Administration is requested to consider specifying in the subsection that the income index is not to be compiled by HA, which shall appoint a tertiary institution or a public body to compile the income index .

Rent increase cap

7. Members have put forward proposals on introducing a rent increase cap or rent level cap under the proposed rent adjustment mechanism (item 1 of LC Paper No. CB(1)1508/06-07(01)) for consideration of the Administration. In respect of the proposal on reducing the income limit of 20% rent-to-income ratio (RIR) under RAS to 15% RIR and to prescribe such a cap in the law, the Administration is requested to consider the suggestion that other conditions such as the requirement for tenants concerned to move to PRH flats with lower rents should be removed.