

立法會
Legislative Council

LC Paper No. CB(1)2401/06-07
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Monday, 4 June 2007, at 2:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon LEE Wing-tat (Chairman)
Hon Albert HO Chun-yan
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, MH
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Prof Hon Patrick LAU Sau-shing, SBS, JP
- Member attending** : Dr Hon KWOK Ka-ki
- Members absent** : Hon LI Kwok-ying, MH, JP (Deputy Chairman)
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Hon Albert CHAN Wai-yip
Dr Hon Joseph LEE Kok-long, JP

**Public officers
attending**

: Agenda Item IV

Mr Thomas C Y CHAN, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

Mr LAU Kai-hung, JP
Deputy Director (Estate Management)
Housing Department

Mrs Janet TSANG LEE Kit-ying
Chief Manager/Management (Support Services 2)
Housing Department

Mrs Alice LO CHAN May-yee
Chief Housing Manager/Applications
Housing Department

Agenda Item V

Mr Thomas C Y CHAN, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)

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

Mr YEUNG Kwok-keung
Principal Assistant Secretary (Housing) (Private
Housing)

Mrs Mimi BROWN, JP
Deputy Commissioner
Rating and Valuation Department

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

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Mr Anthony CHU
Council Secretary (1)2

Ms Michelle NIEN
Legislative Assistant (1)9

Action

- I Confirmation of minutes**
(LC Paper No. CB(1)1568/06-07 -- Minutes of meeting on 5 March 2007)

The minutes of the meeting held on 5 March 2007 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)1540/06-07(01) -- Land Registry Statistics

LC Paper No. CB(1)1560/06-07(01) -- Referral from the Complaints Division on management problems arising from mixed ownership in public housing estates and estates under Home Ownership Scheme

LC Paper No. CB(1)1561/06-07(01) -- Submission from a member of the public on the sale of Home Ownership Scheme flats

LC Paper No. CB(1)1561/06-07(02) -- Joint submission from Housing Department Estate Assistants Association and the H.D. Estate Assistants Grade Branch of Hong Kong Chinese Civil Servants' Association on the possible deletion of certain posts in the Housing Department

LC Paper No. CB(1)1632/06-07(01) -- Joint submission dated 4 May 2007 from Housing Department Estate Assistants Association and the H.D. Estate Assistants Grade Branch of Hong Kong Chinese Civil Servants' Association on the possible deletion of certain posts in the Housing Department

LC Paper No. CB(1)1758/06-07(01) -- Submission from Oi Man Estate Kar Man House Mutual Aid Committee on public housing policy)

2. Members noted that the above information papers had been issued since the last regular meeting held on 7 May 2007.

III Items for discussion at the next meeting

(LC Paper No. CB(1)1736/06-07(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1736/06-07(02) -- List of follow-up actions)

3. Members agreed to discuss the item on "Development at Anderson Road and the associated mainlaying works" proposed by the Administration at the next regular meeting to be held on Monday, 17 July 2007, at 4:30 pm. Members noted that the site formation, construction of engineering infrastructure, fresh and salt water mains for the proposed public housing development at Anderson Road were scheduled to commence in phases during the period from early 2008 to 2010. Members' support would be sought for submitting the relevant funding proposal to the Public Works Subcommittee in November 2007 and the Finance Committee in December 2007.

4. Members also agreed to revisit at the July meeting the subject of "Disclosure of saleable area in sales description for residential properties" proposed by the Chairman to follow up the progress in taking forward improvements in this regard which were discussed at the Panel meeting on 2 April 2007. Members further agreed that the Panel would meet with the Administration and invite representatives of The Real Estate Developers Association of Hong Kong, The Hong Kong Institute of Surveyors, the Estate Agents Authority and the Consumer Council to discuss with members on the subject.

IV Review of public housing allocation policy to strengthen family-based support network

(LC Paper No. CB(1)1736/06-07(03) -- Information paper provided by the Administration

LC Paper No. CB(1)1736/06-07(04) -- Referral from Legislative Council Members' meeting-cum-luncheon with North District Council on public housing allocation policy)

Briefing by the Administration

5. The Deputy Director of Housing (Estate Management) (DD(EM)) gave a power-point presentation on the enhancement of the Housing Authority (HA)'s public housing allocation policy in order to strengthen the family-based support network following a recent review. Members noted the following details of the enhanced measures:

- (a) To support the Government's policy of fostering harmonious families, the Subsidized Housing Committee of HA endorsed five enhanced public housing allocation policies in May 2007, namely, the Families with Elderly Persons Priority Scheme (FEP), the Special Scheme for Families with Elderly Persons (NFEP), the Addition Policy for Harmonious Families (the Addition Policy), the Enhanced Transfer Scheme for Harmonious Families (the Enhanced Transfer Scheme) and the Amalgamation of Tenancies for Harmonious Families (the Amalgamation Policy);
- (b) HA would ensure that the enhanced measures were consistent with the prevailing management and allocation policy and would not result in abuse or queue-jumping, so as to ensure that the public housing resources would be allocated in an equitable manner and the impact on other Waiting List (WL) applicants would be minimized;
- (c) HA had recently **enhanced FEP and NFEP**. The minimum waiting time for applicants would be reduced from two years to 18 months. As a result, around 700 FEP applicants would become immediately due for allocation. HA would also relax the restriction on the applicants' choice of district under NFEP. Applicants would be able to choose flats in any district except the Urban District, instead of only the New Territories (NT) as in the past;
- (d) Under revised **Addition Policy**, the existing addition policy would be relaxed to allow an elderly tenant to add an adult offspring with or without branch family members to the tenancy so that the elderly would be taken care of. Only one branch family was allowed to be added to a tenancy. However, the whole household had to pass the Comprehensive Means Test (CMT) and Domestic Property Test (DPT);
- (e) Under the revised **Enhanced Transfer Scheme**, young families might apply to move to the same estate where their elderly parents lived or to a nearby estate, regardless of the district where their parents lived. HA would set aside for the Enhanced Transfer Scheme up to 1 000 flats per year, mainly in the Urban District. The CMT and DPT would also be waived;

- (f) Under the revised *Amalgamation Policy*, the amalgamated household might opt to move to any district and could be offered a new public rental housing (PRH) flat, subject to availability of resources. The younger household had to undertake to take care of and live with the elderly tenants without the need to go through the CMT and DPT; and
- (g) HA would implement the above enhanced measures with effect from 1 October 2007. It was expected that the enhanced schemes would be well received by PRH tenants and applicants. HA would publicize the measures through estate newsletters, pamphlets, posters, HA Channel and the media.

(Post-meeting note: The power-point presentation materials were circulated to members vide LC Paper No. CB(1)1838/06-07 by e-mail on 4 June 2007.)

Discussion

6. In recognition of the ageing problem in PRH estates, members in general welcomed the enhanced measures which would promote "ageing in place" and harmonious families. They offered some comments on the enhanced measures.

Criteria for implementing the enhanced measures

7. Mr LEUNG yiu-chung highlighted the importance of ensuring consistency among the enhanced measures as they had all been designed to foster harmonious families. He therefore questioned the different criteria adopted under the Enhanced Transfer Scheme and the enhanced NFEP, whereby under the former scheme, the younger families might apply to move to the same estate where their elderly parents lived or to a nearby estate regardless of the district where their parents lived, but under the latter scheme, applicants would not be able to choose flats in the Urban District. In response, DD(EM) explained that the minimum waiting time for applicants under the enhanced NFEP would already be reduced from two years to 18 months. HA would also relax the restriction on the applicants' choice of district under NFEP, so that applicants would be able to choose flats in any district except the Urban District, instead of only the NT as in the past. He said that it was necessary to ensure that the enhanced measures were consistent not only among themselves but also with the prevailing management and allocation policy and would not result in abuse or queue-jumping. This was to ensure that the public housing resources would be allocated in an equitable manner and the impact on other WL applicants would be minimized. He further clarified that apart from the Enhanced Transfer Scheme, applicants under FEP and the revised Amalgamation Policy might also choose any district (including the Urban District). Noting members' concern, DD(EM) agreed to review whether flats in

the Urban District could be allocated to applicants under NFEP after the implementation of the enhanced measure for a period of time.

8. Mr LEUNG Yiu-chung was not convinced and urged the Administration to allow applicants under the enhanced NFEP to choose flats in the Urban District. He was concerned that if the Administration was to relax the restriction after the review of the enhanced measures, unfairness to applicants might arise from the difference in treatment before and after.

9. Miss CHAN Yuen-han was pleased to note that under the revised Addition Policy, HA would allow one adult offspring and his/her family members to be added to the tenancy so that the elderly tenants would be better taken care of. She however opined that the requirement of the whole household to pass the CMT and DPT (the Requirement) should be waived as in the case of the other enhanced measures, such as the Enhanced Transfer Scheme and the revised Amalgamation Policy. Given that the households which had successfully applied for addition under the revised policy would also be subject to the condition of no subsequent splitting, she considered the Requirement harsh. Mr LEUNG Yiu-chung shared her views.

10. In response, the Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) explained that the main reason for waiving the Requirement for applicants under the Enhanced Transfer Scheme and the revised Amalgamation Policy was that these families were already PRH tenants and had passed the CMT and DPT, whereas applicants under the revised Addition Policy might not. He however assured members that, with the income limits set at three times of the WL Income Limits and the asset limits at 84 times of the WL Income Limits, the Requirement was already more lenient than that for WL applicants. DD(EM) added that an adult offspring would be allowed conditional temporary stay in his/her elderly parent's flat should he/she need to take care of his/her elderly parents. He/She would not need to meet the Requirement unless he/she formally applied for addition. Moreover, he/she would be allowed to apply for addition regardless of his/her marital status.

11. Miss CHAN Yuen-han, however, maintained that the Requirement should be further relaxed given the Administration's estimate that only around 110 elderly tenants and some 200 adult offsprings and their family members would benefit from the revised Addition Policy. In her view, the Requirement should be waived under special circumstances. For example, where the elderly tenants had mobility problem, or for whom constant care was essential. In response, PSH said that greater flexibility might be exercised if considered necessary after the implementation of the revised Addition Policy for some time. In this regard, after learning from the Administration that applications for conditional temporary stay were normally approved, the Chairman opined that the Requirement was reasonable.

Resources for implementing the enhanced measures

12. Mr LEUNG Yiu-chung opined that public housing resources should be increased for implementing the enhanced measures in order to promote mutual support among family members and hence foster harmonious families. He also re-iterated the importance of consistency.

13. In response, PSH said that while the Administration recognized the importance and benefits of ensuring consistency among the various enhanced measures, considering that any measures to relax the choice of district might affect the interests of families with similar conditions but without elderly persons, HA saw a need to maintain an equitable and balanced housing allocation policy not excessively tilted in favour of families with elderly members. The Chairman commented that since the enhanced measures would be implemented on a trial basis, it would be desirable to allow time to see their effects before introducing further improvement measures.

14. Mr LEUNG Kwok-hung concurred that it was necessary to increase the supply of PRH flats in the Urban District to ensure the enhanced measures would not affect the allocation or transfer opportunities for families without elderly persons. He further enquired about the number of additional flats in the Urban District that were required to meet the anticipated demand generated from the enhanced measures, and the financial implications thereof.

15. PSH explained that it was difficult to estimate with certainty the additional flats and resources required for implementing the enhanced measures. While figures were available on the number of elderly PRH tenants and their married offsprings in Hong Kong who were eligible for the enhanced measures, it was difficult to predict their response to the enhanced measures, in particular whether elderly tenants would like to live with their married offsprings. The availability of land was another issue that had to be addressed. HA's primary objective remained to produce sufficient PRH flats to maintain the overall average waiting time for PRH at around three years, and additional resources would be made available for the enhanced measures where practicable. Mr LEUNG, however, maintained that to ensure effectiveness of the enhanced measures, additional resources should be made available at an early stage. He opined that the Administration should set a target number of families to be benefited from the enhanced measures if it genuinely aimed to achieve real enhancement in public housing allocation policy with comprehensive planning in preparation for the ageing population in Hong Kong.

16. Contrary to Mr LEUNG Kwok-hung, Prof Patrick LAU opined that the enhanced measures could achieve savings in housing resources rather than result in additional costs. For instance, under the revised Amalgamation Policy, two PRH households which originally took up two PRH flats would be rehoused in one larger flat to optimize the use of larger flats which at present were under-utilized.

Two smaller flats would as a result be vacated for reallocation to suitable tenants. DD(EM) echoed Prof LAU's views, and added that by enhancing the letting out of larger flats, the revised Amalgamation Policy could help alleviate the problem of under-occupation of some 31 000 PRH flats. The Enhanced Transfer Scheme would further enhance flexibility in flat allocation and optimize the use of PRH resources. The enhanced measures could therefore benefit both PRH tenants and flat management and allocation.

The Enhanced Transfer Scheme

17. Mr WONG Kwok-hing noted that HA would set aside up to 1 000 flats per year, mainly in the Urban District, for the Enhanced Transfer Scheme (the Quota), and enquired about the estimates on the number of eligible applicants and whether the Quota could be increased where necessary. In response, DD(EM) advised that the Quota had been set in view of the small supply of PRH units in the Urban or Extended Urban Districts and the great demand for such units. While the Enhanced Transfer Scheme was expected to be popular, it might not be attractive to younger families with children attending schools, which might prefer staying in the current estates to obviate the need to change schools. The Administration would review the Quota after the implementation of the Enhanced Transfer Scheme and consider increasing it if necessary. PSH supplemented that only 1 000 flats were set aside at the beginning because only a few thousand PRH flats in the Urban and Extended Urban Districts would be produced in 2007. The number was expected to increase to some 19 000 in 2008-2009. HA would then be in a better position to increase the Quota if the response to the Enhanced Transfer Scheme was good. At Mr WONG's request, the Administration undertook to review the adequacy of and the need for increasing the Quota and report the outcome to the Panel six months after the implementation of the Enhanced Transfer Scheme.

Admin.

18. In reply to Mr Tommy CHEUNG on when HA would review the effectiveness of the enhanced measures and the Quota, PSH re-iterated that the Administration would, in the light of the high production of PRH flats in the Urban and Extended Urban Districts during 2008-2009 and the response to the enhanced measures, review whether the Quota should be increased. As to Mr CHEUNG's question on how the Administration would ascertain the response, PSH said that if the total number of applications far exceeded the Quota in an exercise, HA would consider increasing the Quota. HA would carefully monitor the situation and act accordingly.

19. The Chairman urged HA to make preparation for early exhaustion of the Quota, pointing out that there were many young families living in the NT, and there was great incentive to seek transfer or amalgamation of tenancies to live near or with their elderly parents living in PRH in the urban area. Nonetheless, while agreeing that the Administration should monitor the response to the enhanced measures and increase the Quota where necessary, he also saw a need to maintain a balance and look after the needs of PRH applicants or tenants without elderly

members.

The revised Amalgamation Policy

20. Mr WONG Kwok-hing noted that under the Amalgamation Policy, the younger household had to undertake to take care of and live with the elderly tenants. In reply to his enquiries about the form of undertaking to be made by the younger household and the measures for tackling non-compliance cases, DD(EM) elaborated that the undertaking would need to be made in writing, and HA staff would conduct home visits to prevent abuse of the Amalgamation Policy. If complaints about the younger household's failure to honour the undertaking were confirmed, HA could consider terminating the tenancy of the younger household concerned.

Other views and concerns

21. Having considered that the objective of the enhanced measures was to promote "ageing in place" for the elderly, Prof Patrick LAU was keen to ensure that the flats allocated under the measures would be fitted with facilities catering to the needs of elderly tenants. In response, PSH assured that in recognition of the aging population in Hong Kong, HA had been pursuing initiatives to suitably equip new estates with facilities for the elderly. Apart from that, consideration was also given to providing old estates with a large population of elderly tenants with facilities suitable for elderly tenants whenever large-scale renovation works were conducted in such estates. Where necessary, individual PRH flats would also be fitted with the necessary facilities such as railing, etc.

22. Mr Tommy CHEUNG pointed out that disputes might arise between the younger households and the elderly tenants after they had lived together under the enhanced measures. In reply to him on how such disputes would be handled, PSH explained that different schemes and policies had been designed under the enhanced measures to enable the elderly tenants to choose to live with the younger generation in the same flat or in the same block, to cater for the individual circumstances of different families. It was hoped that both the elderly tenants and their offsprings could exercise care in deciding on the options. However, should there be changes in the relationship among family members and if serious disputes did arise after they had lived together in the same flat, special consideration might be given to splitting the tenancy.

V Supply of local housing and price trends for residential property
(LC Paper No. CB(1)1736/06-07(05) -- Information paper provided by the Administration)

Briefing by the Administration

23. At the Chairman's invitation, PSH highlighted the salient points in the Administration's paper as follows:

- (a) On supply of PRH, according to the current Public Housing Construction Programme, HA would produce about 77 500 rental flats in the coming five years from 2007-2008 to 2011-2012 in achieving the overall objective of maintaining the average waiting time for public housing at about three years (the three-year waiting time);
- (b) On supply of subsidized sale flats, HA would dispose of the some 16 600 surplus Home Ownership Scheme (HOS) flats in two phases per year from 2007 to 2009, and the Hong Kong Housing Society would offer for sale the some 2 700 surplus subsidized sale flats under the Flat-for-Sale Scheme and Sandwich Class Housing Scheme;
- (c) Concerning private housing supply, as at the end of March 2007, the first-hand residential flats available for sale in the next two to three years was forecast to be 68 000 units. As for the potential supply in the next five years, it was estimated that some 135 000 flats could be produced from over 530 hectares of land available for residential uses; and
- (d) As regards the development in price of private residential property, the overall price index went up by almost 40% from 2003 to 2005 with the prices of large flats (i.e. with a saleable area of or more than 100 square metres) and small/medium flats increased by 64% and 38% respectively. From 2005 to the first quarter of 2007, the growth of the property price had been steady. The overall private property price at present represented a 44% drop from the 1997 peak, with the rates of reduction being 27% for large flats and 45% for small/medium flats.

Discussion

The Housing policy

24. Mr Alan LEONG noted from the Administration's paper that avoiding intervention in the private property market remained an important objective of the Administration's existing housing policy. Given the large number of vacant flats in the market and the findings of surveys revealing that some adults had to live with their parents because they could not afford buying private property, he sought the Administration's elaboration on its housing policy, in particular whether it would

encourage the public to purchase private residential property. Mr WONG Kwok-hing also sought the Administration's elaboration on its housing policy.

25. PSH advised that in 2002 the Government announced the re-positioned housing policy seeking to, among others, avoid competing with the private sector in view of the overlap between the subsidized housing market and the private residential property market. He reaffirmed that the re-positioned housing policy remained unchanged. However, in order to dispose of the surplus HOS flats, HA decided in 2006 to sell the flats from 2007 to 2009 in batches. As for the concern about affordability of the general public to purchase private housing, PSH stressed that the rent and price for the private property would be determined by market forces. The role of the Administration was to provide adequate land to meet the needs of the community. On the provision of PRH for the low-income families who could not afford renting private housing, the Administration's objective was to maintain the average waiting time for PRH at about three years. The Administration would continue to monitor closely the development of the private housing market and review the housing policy having regard to the prevailing market conditions.

Supply of public rental housing

26. Mr Alan LEONG enquired whether the Administration had compiled any objective indicators for assessing the affordability of different classes of people for private housing, and considering whether the supply of PRH had interfered with the private market. In response, PSH said that eligibility for PRH was defined by way of the Waiting List (WL) asset and income limits, which essentially measured the amount of household income required for renting private accommodation comparable to PRH and meeting other non-housing expenditure. The Administration's pledge was to maintain the average waiting time for PRH at about three years. To ensure adequate supply of public housing to continue to meet this pledge, HA would endeavour to find suitable sites for construction of PRH in the long term.

27. Mr Frederick FUNG pointed out that with over 90 000 applicants currently on the WL and around 30 000 new applicants each year, HA would need to produce at least 30 000 PRH flats each year to maintain the three-year waiting time. Noting that HA would only produce 15 500 new PRH flats each year in the next five years, he queried how HA could meet the three-year waiting time target. In response, PSH said that in the past few years HA had endeavoured to make available sufficient flats for WL applicants by various means, including recovering flats surrendered by PRH tenants after they purchased HOS flats. Noting Mr FUNG's concern, the Chairman requested the Administration to provide information explaining how the supply of PRH flats in the coming five years, including the newly produced flats and flats made available by other means, would meet the overall objective of maintaining the three-year waiting time.

(*Post-meeting note:* The information provided by the Administration was circulated to members vide LC Paper No. CB(1)2043/06-07 on 4 July 2007.)

28. Given a long lead time of seven years for planning and completing PRH projects, Mr Frederick FUNG expressed concern that HA would face a serious shortage of land for development of PRH in the long term. In reply, PSH said that for the next five years from 2007-2008 to 2011-2012, HA would have adequate land for producing about 77 500 rental flats. However, he acknowledged that HA had encountered difficulties in finding sites for developing new PRH, partly due to reservations expressed by some District Councils on developing new PRH in their districts. As such, it was envisaged that the problem of supply of land for PRH would become more acute in the following five years (i.e. from 2012-2013 to 2016-2017).

29. Mr James TO expressed concern that HA would return cleared PRH sites at premier locations to the Government. In planning the development of PRH, he considered that HA should take a balanced approach to avoid concentrating PRH in some relatively poor districts. Otherwise, this would have divisive effect among different classes in society, which would not be conducive to fostering a harmonious society. In reply, PSH said that in principle, HA would retain the cleared sites for redeveloping PRH as far as possible. For those sites which were found unsuitable for developing PRH, HA would explore with the Government on the feasibility of swapping sites to ensure an adequate supply of land for PRH development.

30. Noting that public housing production would come to a trough of 10 821 flats in 2009-2010, Dr KWOK Ka-ki expressed concern about the impact on the waiting time for PRH and urged the Administration to maintain a steady supply of PRH in order to shorten the waiting time as far as practicable.

Tenants Purchase Scheme and Home Ownership Scheme

31. While commending the Administration's efforts in stabilizing the prices and rents of private residential property in the past years, Mr WONG Kwok-hing enquired whether the Administration would consider reviving the Tenants Purchase Scheme (TPS) in view of changes in the private market and the positive response from the sale of surplus HOS flats in early 2007 which reflected the strong home ownership aspiration of PRH tenants.

32. PSH replied that TPS was ceased after Phase 6B for several reasons, including the management problems arising from different mode of ownership in the same housing block, and the unsatisfactory response in recent phases (only a 20% flat purchase rate was recorded so far for Phase 6B). Moreover, flats available for the WL applicants would be reduced if more PRH flats were sold under TPS. Hence, the re-launch of TPS would have an impact on the waiting

time of WL applicants. To meet the home ownership aspiration of PRH tenants, HA had resumed the sale of the surplus HOS flats. PRH tenants would have an opportunity to improve their living conditions by purchasing these flats. PSH said that HA would need more time to review the need for TPS. At present, the Administration did not have plan to re-launch TPS and the Administration would keep in view the matter in the light of the sale of the surplus HOS flats.

33. Mr WONG Kwok-hing did not subscribe to the Administration's explanation above. He pointed out that there had been positive response for the first few phases of TPS. However, concern about the age of the PRH blocks involved, and hence maintenance problems, had led to substantial decline in the flat purchase rate for subsequent phases. Mr WONG considered that re-launching TPS would not have any impact on the waiting time of WL applicants and stressed the need for the Administration to address the home ownership aspiration of the lower-income families and PRH tenants. He called on the Administration to critically review the need of reviving TPS and HOS. Failing to do so, the Administration would be seen to boost the private property market and favour the developers.

34. Mr LEUNG Kwok-hung pointed out that TPS was unsuccessful due to management problems, in particular in respect of the responsibility of maintenance between TPS and non-TPS units in the same block. He considered that the Administration should consider providing appropriate incentives for PRH tenants in order to promote TPS.

35. Noting the rising trends in the prices and rents of private residential property as revealed in the Government's First Quarter Economic Report 2007, Miss CHAN Yuen-han expressed concern about the affordability of private property to the general public. She highlighted the stance of the Hong Kong Federation of Trade Unions that the Administration should endeavour to meet the basic housing needs of the low-income people through the provision of PRH, while HOS and private housing were provided to meet PRH tenants' aspirations for home ownership and improvement in living environment. With the cessation of the production of HOS, she was concerned how the aspirations of PRH tenants could be met. Miss CHAN further asked whether the Administration would consider conducting a review on the need of HOS and factors to be taken into account in the review, including measuring the affordability of the middle class for private housing. Sharing similar view, Mr CHAN Kam-lam considered that the Administration had a responsibility to assist the middle class in meeting their housing needs. He called on the Administration to review the need for reviving HOS. Dr KWOK Ka-ki echoed the view. Mr LEUNG Kwok-hung opined that the decision to cease the construction of HOS flats had inevitably rendered some people unable to benefit from subsidized housing and deprived PRH tenants the opportunity to improve their living conditions, which had in turn affected the release of PRH units for re-allocation to WL applicants. With the slowing down in PRH production from over 16 000 flats in 2007-2008 to some 13 000 flats in

2011-2012, he further considered that the Administration's housing policy had changed from providing affordable housing for the low-income families to protecting the interests of developers as the reduced supply in PRH flats and the cessation of the production of HOS would leave the public with no choice but to purchase or rent flats in the private market.

36. In reply, PSH re-iterated that the Administration and HA had been closely monitoring the development in the private housing market. After reviewing the market situation, HA had decided to put up for sale the 16 600 surplus HOS flats in phases from 2007 to 2009 with around 5 000 flats each year. While HA would first concentrate on disposing of the surplus HOS flats, the Administration would continue to monitor the property market closely to see if there were any changes in market conditions necessitating a review of the prevailing housing policy. It had no plan at present to review the need of HOS. Indeed the Administration had been keeping in view the supply of private housing and the affordability of property purchasers. The Administration would closely monitor the development in the private residential property market and would review the housing policy if the market circumstances so justify.

37. Miss CHAN Yuen-han expressed concern that some families were not eligible for PRH as they had marginally exceeded the WL asset and income limits. As such, she enquired how the Administration would draw the line between the low-income and the middle classes. In response, PSH re-iterated that it was HA's mission to provide subsidized PRH to families in genuine need. The eligibility for PRH was defined by way of the WL asset and income limits, which were reviewed and updated by HA annually to ensure that they reflected closely the prevailing socio-economic circumstances.

Supply of private housing

Housing needs of the middle class

38. While noting from the Administration's paper that the overall private property price had dropped by 44% as compared to the 1997 peak, Mr CHAN Kam-lam was concerned whether the existing price for private residential property was affordable to the middle class and asked whether the Administration had formulated policy or target in respect of the price level of private residential property.

39. PSH said that some people might have an impression that the upturn of the property market in recent years had boosted the price level of private residential properties, leading to the lack of transactions of lower- to medium-priced flats in the market. In fact, according to the statistics of the Land Registry, the transaction of small- to medium-priced flat accounted for a relatively large share of the total transactions over the past few years. For instance, the number of property transactions with value less than \$2 million in 1997 represented 33% of the total

number of transactions, while the corresponding figure in 2006 was 56%. For transaction value less than \$1 million, the figures in 1997 and 2006 were 5% and 24% respectively. For transaction value between \$1 and \$2 million, the number of transactions in 1997 and 2006 were 45 000 (27.8% of total) and 26 000 (32.5% of total) respectively. The figures showed that the percentage of small- to medium-priced flats transactions had increased in 2006 over that of 1997 despite the actual number of transactions had decreased.

40. Mr CHAN Kam-lam considered that the above information had not provided a comprehensive picture on the price level of private residential property as details, such as location and the size of the flats concerned, were not given. Moreover flats with value under \$2 million might not be the choice for the middle class for upgrading their living environment. He further observed from media reports that the per square foot price for many new developments had already increased to over \$6,000. Hence, a flat of 500-square feet would cost more than \$3 million, which would be a heavy burden for the middle class families. Given the high transaction prices for residential sites in recent land auctions, the new flats estimated to be produced in the next five years would be priced in the range of \$4,000 to \$6,000 per square foot, and flats would be beyond the affordability of the middle class. He cautioned that without careful planning on the land supply to address the housing needs of the middle class, the problem would be aggravated and might adversely affect social stability. At Mr CHAN's request, the Administration agreed to provide further information relating to the private residential property in recent years, such as the number of transactions, the average per square foot price, the size and the location of flats broken down by transaction values, etc. to address the concern that the small and medium size flats available in the private market were within the affordability of the middle class.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)2043/06-07 on 4 July 2007.)

Transparency in the property market

41. Despite some developers had forecast that the price of private property would increase by 10% in 2007, the Chairman noted that as at March 2007 the overall residential property price index had only increased slightly by 3% compared to the same period in 2005. In this connection, the Chairman expressed concern about the transparency of information on the residential property market where the public might be easily misled by promotional strategies of developers and estate agents. He further observed that there was polarization between the prices of luxury flats and small/medium size flats, as well as the prices of first-hand and second-hand property. By way of illustration, the average price of Mei Foo Sun Chuen was only \$3,000 per square foot but the corresponding price of a new development in the vicinity was over \$7,000. He considered that the substantial price differential unreasonable and was attributed partly to inadequate provision of

information on the property market, such as the price and details of the transactions in the secondary market to facilitate a meaningful comparison between the first-hand and second-hand property. With a current vacancy rate at around 6% for the private housing and sufficient supply of second-hand property at more reasonable prices, he considered that the public should have abundant choices in the market. He considered that the Administration should step up efforts in enhancing the provision of information in the private property market; and suggested that in addition to releasing the quarterly statistics on private housing supply in the primary market, the Administration should consider providing related information in the secondary market through a designated web page on the Internet to enhance market transparency.

42. PSH said that the Administration would continue to discuss with the developers ways to improve arrangements for provision of more comprehensive and timely sales information to the public. He stressed the importance for prospective buyers to have access to information on the price and details of the property they intend to purchase. To ensure the accuracy of information released by developers and estate agents on the first-hand property, the Administration had implemented various measures in conjunction with the parties concerned. In addressing his concerns, the Chairman requested the Administration to take the following actions:

- (a) To advise whether it had conducted studies on the price differential of small and medium size flats in the primary and the secondary markets of the same or vicinity districts; and if so, to provide the findings of the studies; and
- (b) To consider the suggestion of providing related information, such as statistics on the supply of private residential property and transactions, through a designated web page on the Internet in order to enhance the transparency in the property market and to facilitate property buyers to make informed purchase decisions.

(Post-meeting note: The Administration's reply was circulated to members vide LC Paper No. CB(1)2043/06-07(01) on 4 July 2007.)

Land supply

43. Noting that the rate of price increase for small/medium size flats had only risen by 2% from 2005 to 2007 but the corresponding increase for large flats was much higher at 11%, Mrs Selina CHOW was concerned whether the price increase for large flats was attributed to the inadequate supply of residential sites for large flats as pointed out by some developers. In this connection, she saw a need for the Administration to include more sites suitable for construction of large flats in the Application List in view of the rising market demand for large flats in meeting the aspiration of the middle class families to improve their living standard.

44. PSH said that out of the 33 residential sites for sale included in the Application List of 2007-2008, nine sites were suitable for low-density large flat development. He further said that whether developers applied for a site for sale under the Application List System would depend on the market conditions and the commercial considerations of the developers concerned. In arriving at the new Application List for each year, the Administration would take into account the prevailing market conditions and other relevant factors, such as the size, location, attractiveness and choice of sites, to meet the needs of the community and the developers. Responding to Mrs Selina CHOW's further enquiry about the sizes of the 33 sites on the Application List and her suggestion to enhance competition among the developers by including sites of different sizes in the Application List, PSH said that the 33 sites in the Application List were of different sizes. It was believed that these sites would allow small as well as large developers to compete in the land auctions.

VI Any other business

45. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 1
Legislative Council Secretariat
27 September 2007