

立法會
Legislative Council

LC Paper No. CB(1)1399/07-08
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Monday, 4 February 2008, at 2:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon LEE Wing-tat (Chairman)
Hon WONG Kwok-hing, MH (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Dr Hon YEUNG Sum, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon LI Kwok-ying, MH, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
- Members absent** : Hon LEUNG Yiu-chung
Dr Hon Joseph LEE Kok-long, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
- Public officers attending** : Agenda Items IV & V
Mr LAU Kai-hung, JP
Deputy Director (Estate Management)
Housing Department

Ir Dr PANG Hon-wah
Chief Manager/Management (Support Services 5)
Housing Department

Agenda Item VI

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

Miss Rosaline WONG Lai-ping
Acting Assistant Director (Housing Subsidies)
Housing Department

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

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

Ms Michelle NIEN
Legislative Assistant (1)9

Action

I Confirmation of minutes
(LC Paper No. CB(1)709/07-08 -- Minutes of meeting on
5 November 2007)

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

II Information papers issued since last meeting
(LC Paper No. CB(1)542/07-08(01) -- Administration's paper on Land
Registry statistics in December
2007 (press release)

LC Paper No. CB(1)643/07-08(01) -- Hon James TO's letter on the
disclosure of saleable area in
sales descriptions for residential
properties dated 18 January 2008

LC Paper No. CB(1)676/07-08(01) -- Hon WONG Kwok-hing's letter
on the removal arrangements
relating to housing for senior
citizens dated 23 January 2008

2. Members noted that the above information papers had been issued since the last regular meeting held on 7 January 2008.

III Items for discussion at the next meeting

(LC Paper No. CB(1)712/07-08(01) -- List of outstanding items for discussion

LC Paper No. CB(1)712/07-08(02) -- List of follow-up actions)

3. Members agreed to discuss the following items proposed by the Administration at the next regular meeting to be held on Monday, 3 March 2008, at 2:30 pm:

(a) Review of the Waiting List (WL) Income and Asset Limits for 2008/09; and

(b) Strengthening directorate support in the Housing Department (HD).

4. On item (a), members noted that the Administration would brief the Panel on the Housing Authority (HA)'s annual review of the WL Income and Asset Limits. As regards item (b), the Administration would seek Members' support for submitting funding proposals to the Finance Committee for strengthening directorate support to meet the operational requirements arising from management of land leases and flat sale.

5. Members also agreed to discuss at the March meeting the subject of "Disclosure of saleable area in sales description for residential properties" proposed by Mr James TO to follow up the progress in taking forward improvements in this regard since the Panel's discussions at the meetings held on 2 April and 17 July 2007. They further agreed to extend the meeting time of the March meeting by 15 minutes and to meet with the Administration and representatives of The Real Estate Developers Association of Hong Kong, The Hong Kong Institute of Surveyors, the Estate Agents Authority and the Consumer Council on the subject.

IV Report on the findings of the Comprehensive Structural Investigation on Tung Tau Estate Block 22 and Fuk Loi Estate

(LC Paper No. CB(1)712/07-08(03) -- Administration's paper on Report on the findings of the Comprehensive Structural Investigations on Tung Tau Estate Block 22 and Fuk Loi Estate

LC Paper No. CB(1)773/07-08(01) -- Administration's paper on Report *(tabled at the meeting and subsequently issued via email on* on the findings of the Comprehensive Structural

5 February 2008)

Investigations on Tung Tau Estate Block 22 and Fuk Loi Estate (power-point presentation materials))

Briefing by the Administration

6. With the aid of powerpoint, the Chief Manager/Management (Support Services 5), HD (CM/M(SS5)) briefed members on the outcome of the investigations under the Comprehensive Structural Investigation Programme (CSIP) on Tung Tau Estate Block 22 and Fuk Loi Estate and the recommended demolition and improvement works as follows:

- (a) The relevant investigation results had revealed that Tung Tau Estate Block 22 (Block 22) was structurally safe. However, as a result of aging of various parts of the building, if Block 22 was to be sustained for at least 15 years, major repair works which would likely cause considerable nuisance and disturbance to tenants would be required to enhance the structural condition of Block 22. As such, HA had decided to clear Block 22. It was expected that there would be sufficient public rental housing (PRH) flats in Wong Tai Sin to rehouse the affected tenants, including Tung Tau Cottage Area West which would be completed in 2009-2010, and Tung Tau Estate Phase 9 which was scheduled for completion in 2011-2012.
- (b) The Block was physically connected to Po Yan Catholic Primary School (the School). As the School was structurally safe and having regard to the aspiration of the school management and its Parent-Teacher Association (PTA) to retain the School, HA had decided to retain the School. During the demolition and re-development of Block 22, HD would apply a number of measures to ensure the safety of and minimize the nuisance to the teachers and students.
- (c) The relevant investigation had revealed that all the buildings in Fuk Loi Estate were structurally safe and the structural conditions of all blocks were generally good as HD had carried out extensive improvement works for the Estate before. It required only minor repair/improvement works at a cost of \$3,700 per flat to sustain the buildings for 15 years or more. In addition to these works, general estate improvement works, including the construction of lifts at five low blocks, would be carried out under the Total Maintenance Scheme (TMS) to improve the living environment of the Estate.

Discussion

Tung Tau Estate Block 22

7. Mr CHAN Kam-lam welcomed HA's decision to clear Block 22 (the Clearance). However, pointing out that the Clearance might not take place until a few years later, he asked whether HD would continue to carry out maintenance works for Block 22 in the interim. He also saw a need for HA to formally announce the timetable for the Clearance and rehousing arrangements so that if the affected tenants would like to apply for transfer before the Clearance, they could do so without forfeiting the Domestic Removal Allowance payable to affected households in PRH estates announced for redevelopment.

8. In response, the Deputy Director of Housing (Estate Management) (DD(EM)) advised that the reception estates included Tung Tau Cottage Area West and Tung Tau Estate Phase 9 which would be completed in 2009-2010 and 2011-2012 respectively. Since Block 22 only had 906 flats, and Tung Tau Estate Phase 9 and Tung Tau Cottage Area West could provide 1 300 and 800 flats respectively, there should be sufficient flats for rehousing the households affected by the Clearance. He further explained that HD would normally make public announcements 18 to 24 months prior to estate clearance exercises, and undertook to announce the Clearance after the relevant committee of HA decided on the implementation timetable. Since HA had decided on the Clearance, tenants so affected were entitled to the Domestic Removal Allowance even if they moved to another estate before the implementation of the Clearance. DD(EM) further assured members that HD would continue to conduct maintenance works for Block 22 where necessary.

9. Pointing out that the two reception estates for the Clearance were scheduled to be completed by 2009-2010 and 2011-2012, Mr Alan LEONG sought to ascertain whether this could mean that the Clearance would not take place before 2009. In response, DD(EM) explained that since the number of flats to be provided by the Tung Tau Cottage Area West could not rehouse all the affected households, the Clearance might need to tie in with the completion of Tung Tau Estate Phase 9 in 2011-2012.

10. Mr Alan LEONG expressed concern about the affordability of tenants affected by the Clearance as they would have to pay higher rents after being rehoused to the reception estates, and enquired about assistance to those tenants. In response, DD(EM) said that the Rent Assistance Scheme, which provided for 25% to 50% rent reduction where applicable, should be able to provide an effective safety net for needy families. For those households facing long-term financial problems, they could apply for Comprehensive Social Security Assistance under which a rent allowance would be provided.

Po Yan Catholic Primary School

11. While indicating support for the recommended demolition and improvement works highlighted in the Administration's paper, Mr Tommy CHEUNG asked whether HD had explored with the Education Bureau and the School the feasibility of temporarily relocating the School elsewhere during the demolition and redevelopment of Block 22. He was concerned that despite measures to ensure the safety of and minimize the nuisance to the teachers and students, site activities might nonetheless affect the operation of the School. In response, DD(EM) confirmed that it was the aspiration of the school management and the parents concerned that the School should continue operation in-situ during the works period. As the School had been operating in the present location for a long time and no premises nearby could be identified for temporary relocation of the School, the school management and parents considered it more desirable for the School to continue to operate on the existing premises. He added that the school management and parents had been assured by HD's past experiences in demolition that the suggested mitigation measures could minimize disturbance.

12. Mr LI Kwok-ying enquired about the reasons given by the school management and PTA to keep the School. He also expressed concern that the Clearance might affect the School's student in-take and enquired whether the tenants affected by the Clearance would be rehoused in the same locality in order to minimize this impact. In reply, DD(EM) pointed out that as the number of students at the School was not sufficient to justify the reprovisioning of the School in a standard design school, the school management and PTA were keen to keep the School at its existing location. Their aspiration was supported by the Education Bureau. As such, HA had decided to retain the School, and would schedule site activities to suit school examination periods and holidays. DD(EM) further assured members that since tenants affected by the Clearance would be rehoused in the neighbourhood, the Clearance should not affect the School's student in-take.

Fuk Loi Estate

13. Mr WONG Kwok-hing thanked the Administration for accepting the request of the Fuk Loi Estate's tenants to sustain the Estate, and carrying out improvement works in the Estate, including the construction of lifts at five low blocks under TMS to improve the living environment in recognition of the ageing population there. Given the poor condition of most of the metal gates installed in flats in the Estate, he urged HD to replace them. In response, DD(EM) advised that under TMS, HD would conduct in-flat inspections to ascertain the required improvement works and facilities to be replaced. If found necessary, the metal gates of flats would be replaced.

14. Mr WONG Kwok-hing questioned the adequacy of setting aside only \$3,700 per flat for conducting repair/improvement works in Fuk Loi Estate, pointing out that some flats might suffer from concrete spalling and require extensive repair works. In response, DD(EM) explained that the above sum was

an average estimate worked out for the purpose of ascertaining the cost-effectiveness of keeping the Estate. The actual cost for conducting works for individual flats could exceed the estimate where necessary.

15. Dr YEUNG Sum supported the decision to sustain Fuk Loi Estate as he had understood from some District Council members of the Democratic Party that sitting tenants of the Estate would like to keep the Estate because it was their long-time home. The tenants preferred undertaking improvement works to sustain the Estate to redevelopment, which would inevitably break up the community. Dr YEUNG further opined that in recognition of the growing aging population in the Estate, the opportunity should be taken to provide more facilities catering to the needs of the elderly tenants. DD(EM) took note of the above views, and said that there were already plans to suitably improve the facilities of all estates investigated under CSIP in order to revitalize the communities concerned. Apart from the construction of lifts at the low blocks, railing and sitting-out areas, more leisure and recreational facilities for elderly tenants would also be provided in consultation with the Estate Management Advisory Committees (EMACs) concerned. As in the cases of Sai Wan Estate and Choi Hung Estate, HD would carry out theme-based improvement works for the Estate.

16. Noting the above response, Dr YEUNG Sum opined that to address affected tenants' concerns and to consult them on the facilities to be added, HD should hold forums with the tenants to brief them on the details of the improvement works planned and consult their views. In response, DD(EM) said that HD would seek the views of EMACs and Mutual Aid Committees concerned in this regard as soon as practicable.

17. The Chairman pointed out that the ground floor units of building blocks in aged PRH estates were usually made available for welfare lettings to non-government organizations (NGOs). In this regard, he highlighted the ageing population problem in Fuk Loi Estate, and proposed that HA should consider letting returned flats on the lower floors of blocks in the Estate to NGOs for providing elderly or other services. In reply, DD(EM) pointed out that there were many NGOs providing different welfare services in Fuk Loi Estate, catering for the changing needs of tenants. Moreover, since the Estate was in the urban district with many community facilities nearby, HD did not observe any service gap there. Nonetheless, he undertook to further consider the Chairman's proposal.

18. Noting the above response, the Chairman opined that HA should formulate a policy to make available premises in new PRH estates for welfare lettings as ground floor units were no longer provided in new PRH blocks. He also saw a need to discuss the subject in greater detail in due course. Sharing the views, Dr YEUNG Sum added that the PRH premises currently made available for welfare lettings were inadequate. He considered that if more premises, particularly those in aged PRH estates, could be made available for the provision of day care centres for the elderly, more elderly tenants could stay with their families, and thus many PRH tenants would be benefited.

V Way forward for the Comprehensive Structural Investigation Programme

(LC Paper No. CB(1)712/07-08(04) -- Administration's paper on way forward for the Comprehensive Structural Investigation Programme

LC Paper No. CB(1)773/07-08(02) -- Administration's paper on way forward for the Comprehensive Structural Investigation Programme (power-point presentation materials))
(tabled at the meeting and subsequently issued via email on 5 February 2008)

Briefing by the Administration

19. With the aid of powerpoint, CM/M(SS5) briefed members on the Administration's paper with the following purposes:

- (a) Report on the progress of CSIP, which was launched in September 2005 to cover ten PRH estates aged about 40 years or more over two and a half years;
- (b) Briefing on HA's plan to expand CSIP (the expanded CSIP) to cover other aged PRH estates; and
- (c) In view of the expansion of CSIP, seeking the Panel's support for making permanent a Chief Structural Engineer (CSE)(D1) post, which had been created on a supernumerary basis for two years with effect from July 2006, to lead and supervise the implementation of the expanded CSIP.

20. CM/M(SS5) recapped the background of CSIP and reported the progress, and highlighted that varying degrees of structural deterioration were observed in the eight PRH estates on which investigations had completed. The wearing of reinforced concrete and steel reinforcement corrosion were mainly due to the aging of the buildings, and the varying degrees of deterioration were attributable to a multitude of causes. He then pointed out that an early investigation to ascertain the structural condition of the estates and tailor-made improvements could reduce the need for more extensive and disruptive structural repair and improvement works in the future. Hence, HA had planned to turn CSIP into a long-term departmental programme covering 32 other aged estates (the additional 32 estates) in the coming ten years after the completion of the investigations of the initial ten estates in 2008. He also elaborated on the staffing implications of the expanded CSIP and explained the need to make permanent the existing supernumerary CSE (D1) post.

Discussion

21. Members in general expressed support for making permanent the CSE (D1) post to lead and supervise the expanded CSIP in consideration of the substantial investigation works, as well as the repair and strengthening works that followed after the investigations. They however expressed certain views and concerns about CSIP.

The investigation schedule

22. Mr WONG Kwok-hing expressed support for the proposal to make permanent the CSE (D1) post. Noting that CSIP would be expanded to cover the additional 32 estates, Mr WONG considered HA's plan to investigate only three to four PRH estates every year too conservative, as it would take ten years to complete investigations for the additional 32 estates. He therefore called upon HD to expedite the work, particularly for those estates which had already shown signs of structural defects.

23. In response, DD(EM) explained that the investigation schedule had been drawn up based on HD's experience in conducting investigations on the first eight estates. In recognition of the manpower resources required and the nuisances the investigations might cause to tenants, HD considered it more appropriate to space out the work over ten years with careful planning having regard to the ages and the structural conditions of the estates concerned. As repair works for the estates could continue to be carried out under TMS as and when necessary, structural conditions of the buildings could be maintained before conducting CSIP. He further confirmed that the order of investigations on six of the additional 32 estates had already been worked out as shown in Annex 2 to the Administration's paper. The timing for conducting investigations on the remaining estates would be worked out and announced in due course in the light of actual circumstances including their ages, locations and structural conditions, etc.

24. Mr LEUNG Kwok-hung said that he had no objection to the proposal to make permanent the CSE (D1) post. He noted from the investigation schedule that investigations on Shek Wai Kok Estate and Yau Oi Estate would not complete until 2018, i.e., scarcely before the estates reached 40 years old. Pointing out that the aging and structural deterioration of a building would aggravate with the passage of time, he opined that it would be a more desirable maintenance strategy to conduct the structural investigation for an estate as early as possible. Since the physical conditions of many of the additional 32 estates were already very poor, there was also a need to rectify the conditions early to maximize the feasibility of retaining the estates, as well as to effect early improvement in the living environment for sitting tenants. To really benefit tenants, Mr LEUNG further saw a need to make improvements to the basic facilities in the estate. He therefore urged HD to shorten the investigation schedule from ten to five years and give priority to those younger estates to help identify structural problems before too late,

adding that the upgrading of PRH estates would help boost the local economy and create more job opportunities.

25. In response, DD(EM) confirmed that the Administration also recognized that an early investigation to ascertain the structural conditions of the estates and tailor-made improvements could reduce the need for more extensive and disruptive structural repair and improvement works in the future. However, as learnt from the investigations on the eight completed PRH estates, the structural conditions of estates over 40 years old could still be well maintained, for example, Model Housing Estate in North Point. In fact, apart from So Uk Estate and Tung Tau Estate Block 22, the structural conditions of all other investigated estates under CSIP were satisfactory. In the light of experience from implementing CSIP and HD's manpower resources, the Administration considered the current plan appropriate as long as investigation on an estate could complete before it reached 40 years old.

26. Noting the above response, Mr LEUNG Kwok-hung pointed out that instead of conducting investigations only according to the ages of estates, the investigation schedule should also be adjusted with reference to the track records of the contractors responsible for constructing the estates and whether there were resource limitations during the relevant construction periods. In response, DD(EM) said that HD would take into account various factors in drawing up the investigation schedule including the data mentioned by Mr LEUNG. Where manpower resources permitted and necessary, HD would also expedite the investigation work.

27. Miss CHAN Yuen-han and the Chairman also concurred that the investigation schedule should be expedited. In this regard, Miss CHAN further enquired about plans for PRH estates not covered under the expanded CSIP because they were completed after 1980, particularly those where signs of structural problems had already emerged. In response, DD(EM) pointed out that HD carried out regular maintenance and repair for estates or flat facilities to enhance the living environment of tenants through TMS, under which a proactive and comprehensive approach would be adopted to identify maintenance problems in all PRH estates. HD would also conduct comprehensive structural appraisals on aged public housing estates under the Estate Improvement Programme (EIP). As such, the structural safety and condition of PRH estates not covered by the expanded CSIP could also be ensured.

28. Miss CHAN Yuen-han questioned the effectiveness of TMS in ensuring structural safety of PRH estates completed after 1980 as the Scheme only targeted at ensuring the maintenance of estates. In response, DD(EM) emphasized that the investigation schedule could be adjusted in response to actual circumstances as necessary to cover individual estates not originally covered. Miss CHAN was still not assured, and maintained that since early investigation and tailor-made improvements could reduce the need for more extensive and disruptive structural repair and improvement works in the future, HD should aim to conduct

investigations on PRH estates in a timely manner, so as to sustain PRH estates as long as possible to maximize the use of public resources. In particular, investigations for estates which, though comparatively new, were already suffering from concrete spalling problems should be advanced. Examples in this regard were PRH estates in Wong Tai Sin. In response, DD(EM) re-iterated that where manpower resources permitted, investigations on individual estates could be advanced as necessary.

Manpower resources for implementing the expanded CSIP

29. Mr CHAN Kam-lam supported turning the existing supernumerary CSE (D1) post into a permanent post. On the work and manpower resources involved in CSIP, Mr CHAN pointed out that in consideration of the structural deterioration observed in some of the estates investigated, such as Choi Hung Estate and Wo Lok Estate, investigations might need to be reconducted on these estates during the latter half of the 15-year period for which they would be sustained. As such, the ten estates included in CSIP might need to be added to the investigation schedule of the expanded CSIP in due course. He therefore opined that apart from making permanent the CSE (D1) post, there might also be a need to strengthen staffing support for the expanded CSIP in preparation for the above anticipated workload, so as to ensure the investigation schedule could proceed as planned.

30. Sharing Mr CHAN Kam-lam's views, DD(EM) said that apart from the estates included in the expanded CSIP, other PRH estates also required in-depth investigations by structural engineers from time to time. HD was however confident that other manpower resources required to implement the investigation schedule could be made available through internal deployment of staff.

31. Besides establishing the CSE (D1) post on a permanent basis, Mrs Selina CHOW also saw a need to increase the manpower resources to support the expanded CSIP and to ensure PRH quality. She therefore urged the Administration to provide details on such other manpower support required when available, and opined that HA should consider contracting out some of the investigations under CSIP where necessary so as to expedite the work while containing HD's establishment. In response, DD(EM) said that as structural safety was involved, it might not be advisable to contract out the investigations under CSIP. Instead, HD considered it more prudent to contract out its routine works with a view to relieving more HD staff to conduct the investigations.

32. Mrs Selina CHOW was not convinced why the investigations under CSIP could not be contracted out, pointing out that as professionals, surveyors had to act according to relevant legislation. In response, CM/M(SS5) explained that before launching CSIP, HD had developed stringent work procedures for implementation of the programme with regard to the peculiar characteristics of PRH blocks, namely, the unique design of PRH. The work procedures had already been confirmed by local and overseas experts in the building construction sector as representing the

state of the art methodology and technology of structural investigations. Owing to the need to observe the above procedures, and the fact that the experience of conducting investigations under CSIP might not be available in the market, it was more appropriate for HD staff to continue to conduct the investigations. Should there be a need to expedite CSIP, non-core works of HD could instead be contracted out to relieve more HD staff to conduct the investigations.

33. Mrs Selina CHOW, however, still maintained that to expedite CSIP, HD should give consideration to contracting out the investigations in recognition of the high standards of professionals practising in the private sector. The Chairman concurred that the investigation work for estates should be expedited and opined that consideration could be given to contracting out certain works of HD.

Strategies for redeveloping old PRH estates

34. Dr YEUNG Sum opined that HA should take the opportunity of implementing CSIP to also add estate or flat facilities under TMS and EIP to cater for the needs of estates which had a large population of elderly tenants. He also urged HA to take the opportunity to improve greening in estates to provide shade for the sitting-out areas, and to provide facilities to ensure barrier-free access for persons with disabilities. In his view, HA should also ensure all new PRH estates would be provided with the above facilities.

35. In response, DD(EM) pointed out that CSIP and the associated repair works were well received by PRH tenants. HA had therefore planned to turn CSIP into a long-term departmental programme to cover the additional 32 estates involving 140 000 flats after completion of the investigations on the first ten estates in 2008. HD would take note of Dr YEUNG Sum's views in implementing the expanded CSIP.

36. Regarding Wah Fu Estate for which CSIP was yet to complete, Dr YEUNG Sum said that there were rumors that HA had already decided to demolish the estate. In response, DD(EM) confirmed that the investigations for Wah Fu Estate had not yet been completed. He explained that a decision to keep an estate under CSIP would be made if the investigation results confirmed that the building blocks were structurally safe, and that it would be more cost-effective to keep the buildings through repair and structural strengthening works than to demolish them. Concerning the investigations on Wah Fu Estate, DD(EM) said that the initial findings revealed that the buildings were structurally safe. As to the cost for keeping the Estate, it was still being worked out.

37. The Chairman called on HA to make reference to the Urban Renewal Authority's experience and practices in redeveloping old districts under which old buildings were preserved alongside newly constructed buildings in order to revitalize the districts. He considered that HA should introduce more flexibility in redeveloping old estates and adopt strategies with aims to renew the estates. For instance, instead of demolishing all the blocks of an estate, consideration could be

given to retaining some blocks which could be sustained. He urged the Administration to convey his views to HA's Strategic Planning Committee for consideration, and to consider amending the relevant vesting order where necessary to facilitate the demolition of individual blocks in an estate which would be retained.

38. In response, DD(EM) pointed out that HA was not adopting the "all or nothing approach" mentioned above in redeveloping the old estates. He stressed that flexibility was exercised as shown in the examples of Lei Muk Shue Estate and Shek Kip Mei Estate, where aged and new blocks were intermingled to ensure a balanced development. HA was also aware of the need to avoid demolishing old blocks as far as possible. The Chairman, however, pointed out that HA should implement CSIP from a more innovative and macro perspective, and give due regard to renewing and revitalizing the communities concerned in deciding on the improvement works required.

VI Mortgage arrangements for Home Ownership Scheme flats

(LC Paper No. CB(1)712/07-08(05) -- Administration's paper on mortgage arrangements for Home Ownership Scheme flats

LC Paper No. CB(1)712/07-08(06) -- Hon LEE Wing-tat's paper on mortgage arrangements for Home Ownership Scheme flats dated 14 January 2008

LC Paper No. CB(1)712/07-08(07) Administration's paper on mortgage arrangements for Home Ownership Scheme flats (response to Hon LEE Wing-tat's paper dated 14 January 2008 (LC Paper No. CB(1) 712/07-08(06))

Briefing by the Administration

39. The Deputy Secretary for Transport and Housing (Housing) (DSH) briefed members on the Administration's paper for the item. Members noted that to encourage banks and authorized financial institutions to provide mortgage loans and better mortgage terms for buyers of the Home Ownership Scheme (HOS) flats, HA had provided a mortgage default guarantee (the HA Guarantee) for the banks and authorized financial institutions participating in the provision of mortgage loans for HOS flats (the participating institutions). Under the HA Guarantee, HA undertook to meet the shortfall in repayment in the event of the borrower's default for a period of not more than 25 years from the date of the first deed of assignment of the HOS flat concerned (the HA Guarantee period). The HA Guarantee applied not only to the first transaction of HOS flats but also to HOS flats sold in the HOS

Secondary Market introduced since 1997, under which buyers were restricted to Green Form applicants of HOS. In the latter case, the HA Guarantee would cover only the remainder of the HA Guarantee period. However, the HA Guarantee did not apply to flats sold in the open market after payment of premium to HA.

40. DSH further pointed out that when HOS was first introduced, there was a need to build up the confidence of the banking industry in the scheme, and hence the introduction of the HA Guarantee. After many years of operation, the mortgage market had already established confidence in HOS. The HOS Secondary Market Scheme (SMS) had also been operating smoothly, and HA was not aware of any information suggesting that buyers of various types of HOS flats could not obtain appropriate mortgages according to their own circumstances simply because the HA Guarantee periods for the flats concerned were less than 25 years. She then took members through the breakdown of the total amount of the outstanding mortgage loans covered by the HA Guarantee as at 31 March 2007, and the details of the more than \$700 million HA had paid to meet the shortfall in repayment of mortgage loans in respect of flats sold under HOS and HOS SMS as at 31 March 2007 in paragraphs 4 and 5 of the paper respectively.

Discussion

Duration of the mortgage default guarantee provided by HA

41. Mr CHAN Kam-lam found the 25-year HA Guarantee period for HOS flats agreeable because the participating institutions would otherwise be reluctant to provide mortgage loans to Green Form applicants of HOS flats, whose repayment ability was comparatively weak. However, purchasers of surplus HOS flats or HOS Secondary Market flats should be made aware that guarantee for their mortgage loans would only cover the remainder of the HA Guarantee periods for the flats concerned, and hence the need for them to plan ahead in the light of their financial situation.

42. In reply, DSH said that efforts had already been made through various channels to remind purchasers mentioned above of the HA Guarantee periods for the flats concerned. It was noted that there were a number of transactions of returned HOS flats with the HA Guarantee periods expiring in about 15 years in the 2007 Phase 2 sale of surplus HOS flats, but the participating institutions still offered these flat buyers mortgage loans with repayment periods of 25 years. This had demonstrated that the participating institutions were in fact offering mortgage repayment periods on the basis of the merits of individual applications and there was no direct relation between the expiry date of the HA Guarantee period and the mortgage repayment period.

43. The Chairman highlighted cases where some participating institutions had advised prospective purchasers of surplus HOS flats or HOS Secondary Market flats that they could only provide mortgage loans with repayment periods not longer than the remainder of the HA Guarantee periods. In his view, although HD

had written to all participating institutions in early October 2007 to clarify the above matter, the participating institutions inevitably inclined to offer shorter mortgage repayment periods to Green Form applicants in consideration that these borrowers generally had lower income and hence weaker repayment ability. This might in turn pose greater difficulty for these buyers to purchase HOS flats, and as a result affect the recovery of PRH flats for reallocation to WL applicants. Pointing out that mortgage default figures had already been on the decline in tandem with improvement in the economy, he opined that the need to control the risk borne by HA for providing the HA Guarantee should have diminished. Hence, he called upon HA to actively consider ways to better assist the above buyers in securing mortgage loans.

44. In response, DSH re-iterated that the HA Guarantee was provided to build up the mortgage market's confidence in HOS when the scheme was first introduced. The Administration was not aware of any information suggesting that buyers of various types of HOS flats could not obtain appropriate mortgages according to their own circumstances simply because the HA Guarantee periods for the flats concerned were less than 25 years. In fact, the number of mortgage cases offered by the participating institutions for HOS SMS flats in the past three years had remained stable, ranging from 1 300 to 1 500 cases. To clarify that the restriction on mortgage repayment period was not related to the expiry date of the HA Guarantee period, HD had already written to all participating institutions in early October 2007, and called on them to offer appropriate mortgage repayment periods based on the merits of individual applications. As understood from the participating institutions, some of them had immediately issued guidelines to their staff on the matter. As regards the concern about the difficulty of Green Form applicants in securing mortgage loans of better terms, DSH pointed out that as these buyers were not subject to any income and asset limits as in the case of White Form applicants of HOS flats, they were therefore not necessarily less financially capable. DSH further pointed out that in providing the HA Guarantee, HA needed to control the risk involved .

45. Noting the above response, the Chairman requested the Administration to provide information on the changes in the ratio between Green Form and White Form applicants in the sale of HOS flats, including returned flats and flats sold in the HOS Secondary Market. In response, DSH clarified that only Green Form applicants were allowed to purchase HOS flats sold in the HOS Secondary Market. As for the sale of surplus HOS flats (including returned flats), the original aim was to sell 80% of the flats to Green Form applicants. However, in the 2007 Phase 2 sale of surplus HOS flats, only slightly over 50% flats were sold to Green Form applicants with about 44% flats sold to White Form applicants.

Measures to assist Green Form applicants to secure mortgage loans

46. Mr CHAN Kam-lam opined that instead of extending the HA Guarantee periods for HOS Secondary Market flats, with a view to helping Green Form applicants buying flats in the HOS Secondary Market to obtain mortgage loans, it

might be more appropriate for the Administration to highlight the discounted prices and hence value for money of these flats to the participating institutions. In particular, this measure could help flat buyers in the HOS Secondary Market to secure mortgage loans for purchasing flats which were approaching the end of the HA Guarantee periods. In reply, DSH emphasized that the Administration had already stepped up efforts to assist HOS flat buyers in obtaining mortgage for the purchase, for instance, encouraging the participating institutions to provide appropriate mortgages to various kinds of HOS flat buyers according to the buyers' own circumstances. HD had re-iterated the above point in the letter issued to the participating institutions in early October 2007.

47. Mr CHAN Kam-lam opined that HA should devise more measures to assist Green Form applicants to purchase flats sold under HOS SMS. In turn, this would help maintain the recovery rate of PRH flats. Sharing Mr CHAN's concerns about the liquidity of the above HOS flats, the Chairman pointed out that the lower liquidity of flats under HOS SMS might give rise to problems in the flats' valuation, and as a result, flat buyers might need to make larger down payments for the flats. Moreover, aged HOS owners might also need to sell their flats for money to meet their retirement needs. He therefore saw a need to improve the liquidity of flats under HOS SMS, and urged the Administration to consider extending the HA Guarantee period for HOS Secondary Market flats, or working out other forms of guarantee to boost the volume of transactions in the HOS Secondary Market before the situation further deteriorated, which might necessitate more drastic measures.

48. In reply, DSH stressed that the volume of transactions in the HOS Secondary Market was influenced by a number of factors. These included the economic situation at different times, the condition of the real estate market, the variation of interest rate, the maintenance conditions and locations of the flats sold in the Secondary Market, etc. It was revealed that HOS flats which were 20 to 30 years old were still much sought after. She however undertook to consider conveying the above concerns raised by Mr CHAN Kam-lam and the Chairman to the participating institutions. In this regard, she also highlighted the need for HOS flat owners to properly maintain their flats, and the assistance the Hong Kong Housing Society could provide to flat owners in terms of building maintenance.

49. Noting the response, the Chairman requested the Administration to provide transaction figures of flats sold in the HOS Secondary Market during the past five years with a breakdown by estate, so as to assure members of the liquidity of the secondary HOS flats in general.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)901/07-08(01) on 25 February 2008.)

Shortfall in repayment of mortgage loans

50. Mr CHAN Kam-lam referred to the more than \$700 million HA had paid to meet the shortfall in repayment of mortgage loans in respect of flats sold under HOS and the HOS SMS as at 31 March 2007, and enquired about the chances of HA recovering the amount. In reply, the Acting Assistant Director of Housing (Housing Subsidies) explained that the said amount was the cumulative sum HA had paid to meet repayment shortfalls that occurred over the some 30 years since HOS was introduced. As the shortfalls were already the unpaid loans after the banks concerned had claimed the flats which the borrowers had offered as securities, the chances for HA to recover such shortfall payments were very low. In fact, some of the borrowers might have already become insolvent or bankrupt. In response to Mr CHAN, she further confirmed that mortgage default cases under HOS and the HOS SMS mainly occurred during the economic downturn from 2000 to 2003, and that the default figures had already been on the decline as the economy recovered afterwards. To enable members to ascertain whether this was really the case, the Administration was requested to provide a table setting out the numbers of mortgage default cases in respect of flats sold under HOS and the HOS SMS with a breakdown by the year in which such cases occurred.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)901/07-08(01) on 25 February 2008.)

VII Any other business

51. There being no other business, the meeting ended at 4:15 pm.

Council Business Division 1
Legislative Council Secretariat
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