

立法會
Legislative Council

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Ref : CB1/PL/HG/1

Panel on Housing

**Extract from the minutes of meeting
held on Monday, 7 June 2004 at 2:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon Albert HO Chun-yan (Chairman)
Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing, JP
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung, BBS
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Dr Hon LO Wing-lok, JP
Hon WONG Sing-chi
Hon Frederick FUNG Kin-kee
Hon IP Kwok-him, JP
Hon LAU Ping-cheung
- Member attending** : Hon LI Fung-ying, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP
Hon James TO Kun-sun
Hon SZETO Wah

**Public officers
attending**

: Agenda Item IV

Mr TAM Wing-pong, JP
Deputy Director of Housing (Strategy)

Mr Raymond SUEN
Acting Chief Architect (Procurement)
Housing Department

Mr HOOI Wing-kee, David
Principal Management Services Officer (Security)
Security Bureau

Mr MOK Kam-kwan
Deputy Government Property Administrator

Mr CHAN Siu-ming
Senior Property Manager
Government Property Agency

Mr Peter YUEN
Project Director
Architectural Services Department

Mr W H CHENG
Senior Project Manager
Architectural Services Department

Agenda item V

Mr TAM Wing-pong, JP
Deputy Director of Housing (Strategy)

Mrs Doris MA
Assistant Director of Housing (Housing Subsidies)

Agenda item VI

Mr LAI Ip-cheung
Assistant Director of Housing (Estate Management)

Mr LEUNG Sai-chi
Chief Manager (Management)
Housing Department

Clerk in attendance : Miss Odelia LEUNG
Chief Council Secretary (1)4

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

Ms Christina SHIU
Legislative Assistant

Action

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IV. Proposed use of surplus Home Ownership Scheme flats for reprovisioning departmental quarters for disciplinary services

(LC Paper No. CB(1)2028/03-04(03) -- Information paper provided by the Administration)

7. The Deputy Director of Housing (Strategy) (DD of H(S)) briefed members on the Administration's information paper on the latest position of the proposal to use some of the surplus Home Ownership Scheme (HOS) flats for reprovisioning old or substandard departmental quarters for the disciplined services. Members noted that the Administration intended to submit the proposal to the Public Works Subcommittee of the Legislative Council (LegCo) on 23 June 2004 and the Finance Committee (FC) on 2 July 2004 for funding approval.

Financial arrangements and implications

8. Mr Howard YOUNG stated that members of the Liberal Party supported the disposal of surplus HOS flats for reprovisioning departmental quarters and for conversion to PRH. Noting that the Government had agreed to pay the purchase price of \$2,750 million in ten annual instalments (\$150 million per year in the first five years from 2004 to 2008 and then \$400 million per year in the following five years from 2009 to 2013), he enquired about the financial implications. DD of H(S) explained that there would be a loss of interests of around \$400 million to the Housing Authority (HA). The way in which the payment was structured was aimed to minimize the financial impact on the Government, which had pledged to restore its fiscal balance by 2008-09, after taking into account the cashflow and financial position of the HA from now to 2007-08.

9. Mr IP Kwok-him said members of the Democratic Alliance for Betterment of Hong Kong (DAB) supported the proposal and considered it a win-win proposal because the departmental quarters to be so reprovisioned were already very old, and

there was also a need to gainfully dispose of the surplus HOS flats. DAB had been following up the option closely for nearly two years, and understood that the Administration had consulted the relevant staff associations. The departments and staff concerned welcomed the proposal because the HOS flats identified for reprovisioning the departmental quarters were conveniently located and better provisioned. Following up on Mr Howard YOUNG's question, he enquired about the rationale for the payment arrangement. In reply, DD of H(S) reiterated that the payment arrangement was made at the request of the Financial Services and the Treasury Bureau for the purpose of facilitating restoration of the Government's fiscal balance by 2008-09.

10. Referring to paragraph 11 of the Administration's paper. Mr LAU Ping-cheung doubted whether the recurrent cost of \$42.6 million per annum for managing and maintaining the 4 304 HOS flats concerned could be offset fully by the cost savings of \$43.2 million in managing and maintaining the 15 existing departmental quarters sites, as claimed. He also pointed out that the proposed purchase price, at roughly \$600,000 per unit, had not taken the land premium into account. He asked how the HA could recover the land premium for the HOS flats to be converted to department quarters. In reply, DD of H(S) explained that payment of land premium was required only when the HOS flats were sold in the private market. As the HOS flats concerned would be sold to the Government, land premium payment was hence exempted and the HA had not taken the land premium into account when working out the purchase price. As to whether land premium would be charged for disposing of the relevant departmental quarters sites in the private market, it was outside the HA's purview.

11. Mr Frederick FUNG Kin-kee pointed out that HOS flats were normally sold at 70 to 80% of the market price but the proposed purchase price of \$2,750 million represented only 60% of the market price and was too low. As HOS sale was a major source of income for the HA, he considered the price not conducive to improving HA's financial condition to enable it to maintain the PRH production programme. He further opined that the HA should not compromise too much on the price because it was an independent body. Should it run into financial difficulty, the Government might not necessarily come to its rescue. In response, DD of H(S) elaborated that in sale of HOS flats to eligible applicants, the HA would factor in a profit margin for the purpose of sustaining the PRH production programme. In the present case, however, the HA only recovered the costs of the HOS flats concerned with no intention to make any profits. It was because the money to be paid by the Government was public money.

12. Mr Frederick FUNG said that unless the Government had made an undertaking to assist the HA financially to continue with its PRH production programme, the HA should not sell the HOS flats to the Government at below the normal discounted price. In response, DD of H(S) said he could not see how the Government would refuse to provide resource, should HA run into financial difficulties, to the HA to sustain the PRH production programme.

13. Mr IP Kwok-him noted a funding requirement of about \$250 million for the demolition of the departmental quarters concerned so as to vacate the sites for alternative uses, and for fitting-out and basic provision expenses. He enquired whether the staff could do the fitting-out and furnishing by themselves to cater for individual needs.

14. In response, the Principal Management Services Officer (Security), Security Bureau (PMSO(S)) clarified that only basic fitting-out works, such as timber flooring and associated skirting, window grille, curtain rail and exhaust fans, would be carried out for the HOS-converted quarters to bring the accommodation in line with the normal standards for departmental quarters. Staff were allowed to decorate their quarters at individual choices. However, they would need to reinstate their quarters to their original condition when they moved out. Since the basic facilities in the HOS-converted quarters varied, for example some had water heaters while others had not, the Administration would only bring them consistent with one another. If the HOS-converted quarters were designated as of a higher grade for senior staff, additional domestic appliances such as refrigerators and cooking stoves would be provided. DD of H(S) supplemented that the cost for making good the HOS flats concerned before effecting the purchase would be borne by the HA and was not included in the fitting-out expenses. This was because the flats had been left idle for two years. Whether they would be put up for sale in the market or disposed of as departmental quarters, the HA would have the responsibility for making good of them to ensure that ancillary facilities were in operational order before disposal.

Departmental quarters identified for reprovisioning

15. Regarding Mr Howard YOUNG's question on whether all surplus HOS flats suitable for conversion to departmental quarters had been covered under the proposal, DD of H(S) answered in the affirmative. He also responded in reply to Mr YEUNG Yiu-chung that the sizes of the HOS flats for conversion into departmental quarters were comparable to those of the quarters to be reprovisioned.

16. Mr CHAN Kam-lam noted with concern that some of the departmental quarters identified for reprovisioning were not very old. For example, some were built in the late seventies and one even in 1989. He asked for the reasons for selecting them for reprovisioning. In reply, the Deputy Government Property Administrator explained that while age and facilities were the major considerations in identifying departmental quarters for reprovisioning, other factors such as the plot ratio of departmental quarters sites were also considered. Some of the quarters were identified for reprovisioning because the relevant site plot ratios were under-utilized. It was expected that the sites so released could be put to better uses. As to Mr CHAN's question on whether departmental quarters of similar age had all been selected for reprovisioning, he pointed out that there were limitations in

selection because the HOS flats concerned could not be used for reprovisioning senior staff quarters, which were larger in size.

17. In response to the Chairman on the plan for disposal of the departmental quarters identified for reprovisioning, DD of H(S) advised that they would be demolished and the sites so released would be returned to the Government for alternative uses and, where appropriate, for sale for private residential development.

18. Mr CHAN Kam-lam opined that instead of demolishing the quarters, the Administration should consider allocating them to staff on the waiting list for departmental quarters. This would increase the supply of departmental quarters to reduce the waiting time. In reply, PMSO(S) stressed the need to maintain a balance in resource allocation. The principle adopted in working out the proposal was that reprovisioning should be done on a one-to-one basis. Moreover, at present the waiting time for departmental quarters in some departments was only two to three years. He further pointed out that some of the quarters to be reprovisioned had been left vacant for a long time because they were substandard and unwanted.

Staff consultation and relocation arrangements

19. Ms LI Fung-ying supported the proposal in principle as it could relieve the HA from the burden of managing and maintaining the HOS flats concerned. She was however keen to ensure that the affected staff had been thoroughly consulted. In response, PMSO(S) reported that when the option of converting some surplus HOS flats for reprovisioning existing departmental quarters for the disciplined services was first explored, the Security Bureau had carried out consultation with the disciplined services staff associations with favourable feedback. When formal negotiation with the HA was started, the two relevant consultative councils were also consulted and they supported the proposal.

20. Miss CHAN Yuen-han said that although as a matter of principle she was opposed to the cessation of HOS sale, The Hong Kong Federation of Trade Unions (HKFTU) supported the proposal because it could make beneficial use of the otherwise idling surplus HOS flats. She enquired whether the consultation had been made with the affected staff, or only with relevant staff associations as a general exercise. She noted that the to-be-reprovisioned departmental quarters were located in more convenient districts but the HOS flats concerned were situated in less central locations. She recalled that the LegCo Secretariat had received complaints on relocation arrangements in the past, and expressed concern that the affected staff might not be willing to move away from their current locality. At her request for details of the consultation, PMSO(S) responded that the Police Force Council and the Disciplined Services Consultative Council had been consulted. It was believed that they would consult their respective members.

21. Ms LI Fung-ying also recalled that there were complaints lodged with the LegCo Secretariat from disciplined services staff on relocation of quarters in the past, and enquired about the availability of contingency plans in the event that the affected staff refused to move into the converted quarters. In reply, DD of H(S) stressed that the affected staff would welcome the proposal, since the HOS flats concerned, though less centrally located, were well provisioned and conveniently linked to other parts of Hong Kong with good transportation facilities. Moreover, many of the departmental quarters identified for reprovisioning were old and substandard. PMSO(S) supplemented that due to the need to facilitate staff deployment, the disciplined services had always sought to ensure that their departmental quarters were conveniently and evenly situated in different districts. The selected HOS flats from four developments, which were all conveniently located, could meet this criterion.

22. In reply to Ms LI Fung-ying on whether staff would be forced to move out from their quarters, PMSO(S) assured members that there was established mechanism regarding relocation of staff to different quarters, such as granting of removal allowance to the staff concerned. Removal exercises in the past had also been conducted smoothly. The Administration did not envisage much difficulty with the present proposal because staff would be willing to move into quarters of a higher standard. Moreover, there would be a full year's time for making the relocation arrangements. He further pointed out that apart from moving into the HOS flats concerned, the affected staff could also opt to move into other departmental quarters vacated by staff who applied for transfer to the converted quarters.

23. Miss CHAN Yuen-han remained concerned about the staff response, and called upon the Administration to ensure that the affected staff would be kept well informed of the developments of the proposal to avoid any possible conflicts that might arise from the reprovisioning exercise. In response, PMSO(S) reiterated that the affected staff could opt to move into quarters in other districts vacated by staff who applied to move into the converted quarters. It was expected that about a quarter of the converted quarters would be allocated to staff who were not occupying the identified departmental quarters for reprovisioning. DD of H(S) said that the Administration would take necessary follow-up action if there was any complaint in this respect.

24. Mr Fred LI Wah-ming stated that members of the Democratic Party supported the proposal, which was long overdue. He urged for expeditious implementation of the proposal as commercial tenants of the HOS courts concerned were looking forward to occupation of the HOS flats for a long time to boost up the pedestrian flow and hence businesses. Early implementation of the proposal would also relieve the HA of the financial burden of having to manage and maintain the HOS flats concerned. In reply to him on the intake timetable, PMSO(S) advised that the initial plan was to start moving into the converted quarters in the second quarter of 2005 because of the need to tender out the fitting out works required and

to work out the implementation details, such as the method of allocation of the new departmental quarters.

Other concerns

25. Mr Howard YOUNG sought information on the progress of the option to convert surplus HOS blocks to guesthouses. He pointed out that the option was controversial. While hotel operators objected to it, tourist agency operators welcomed it. In consideration of such diverse views, he urged the Administration to conduct thorough consultation on the option so as to reach a win-win situation. In particular, he urged the Administration to draw the attention of the operators of large hotels, who were also property developers, to the fact that if the remaining HOS flats were put up for sale, the property market would be adversely affected. DD of H(S) thanked and noted his views.

26. Mr Fred LI saw a need to dispose of those unsold and returned flats in partially sold/occupied HOS courts to minimize adverse impact on the management and development of these HOS courts. In reply, DD of H(S) pointed out that when the Government announced its decision to withdraw from the property market, the undertaking was that HOS sale would be suspended until end of 2006, after which the cessation would be reviewed. As such, the HA did not have any plan on how to dispose of those flats until the end of 2006.

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27. In reply to Mr Fred LI on whether the HOS flats in partially sold/occupied HOS courts could be sold to green form applicants, DD of H(S) confirmed that there were at present no such plans. He however undertook to relay Mr LI's views to the HA for consideration.

28. Mr LAU Ping-cheung asked whether the maintenance services of the converted quarters would be provided by the Architectural Services Department (ASD) to make full use of ASD staff's expertise and experience, to provide staff with job security as well as to ensure a consistently high service standard. In reply, the Project Director, ASD confirmed that in the foreseeable future, ASD would still be responsible for providing the relevant maintenance services. However, ASD was reviewing the relevant policy and departments might take up their minor maintenance themselves in future.

29. Noting the above reply, Mr LAU Ping-cheung quoted an unsuccessful example of the School Improvement Programme under which the department concerned took up the maintenance responsibility. He emphasized the merits of entrusting ASD with the maintenance service to ensure quality and cost effectiveness.

30. Miss CHAN Yuen-han highlighted the shortage of commercial facilities in the public housing estates close to the HOS blocks identified for conversion, and enquired whether the commercial premises on the ground floors of these HOS

blocks would be let to commercial tenants to address the shortage problem. In response, DD of H (S) undertook to ascertain the relevant details and report back.

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Council Business Division 1
Legislative Council Secretariat
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