

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 Thursday, 5 January 2006, at 2:30 pm
in the Chamber of the Legislative Council Building**

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

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

Mrs Doris MA KONG Zee-wan
Assistant Director (Independent Checking Unit)
Housing Department

Mr Gilbert KO
Assistant Director (Private Housing)
Housing Department

Agenda item V

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

Mr WONG Bay
Assistant Director (Estate Management)
Housing Department

Mr Ian LUK
Senior Maintenance Surveyor/Strategy Development
Housing Department

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Mr WONG Siu-yee
Senior Council Secretary (1)7

Miss Mandy POON
Legislative Assistant (1)4

Action

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IV Disposal of surplus Home Ownership Scheme flats
(LC Paper No. CB(1) 618/05-06(03) -- Referral arising from the meeting with the Wong Tai Sin District Council on 10 November 2005 regarding the resumption of sale of Tenants Purchase Scheme and Home Ownership Scheme flats

- LC Paper No. CB(1) 1218/04-05(04) -- Updated background brief on “Disposal of Hunghom Peninsula Private Sector Participation Scheme flats” prepared by the Legislative Council Secretariat
- LC Paper No. CB(1) 1218/04-05(05) -- Updated background brief on “Disposal of Kingsford Terrace Private Sector Participation Scheme flats” prepared by the Legislative Council Secretariat
- LC Paper No. CB(1) 618/05-06(04) -- Updated background brief on “Disposal of surplus Home Ownership Scheme and Private Sector Participation Scheme Flats” prepared by the Legislative Council Secretariat
- LC Paper No. CB(1) 618/05-06(05) -- Information paper provided by the Administration)

6. The Deputy Director (Strategy) (DD(S)) briefed members on the proposals for disposal of the surplus Home Ownership Scheme (HOS) flats. The Assistant Director (Independent Checking Unit) (AD(ICU)) then gave a power-point presentation on the details of the proposals.

7. Mr Albert HO requested to put on record his grave dissatisfaction on the Administration’s decision to cease the production and sale of HOS indefinitely due to pressure from private property developers. He pointed out that HOS had been highly regarded for its contribution to meet the aspiration of home ownership of the low-income group both locally and internationally since its inception over two decades ago. Some overseas delegations had visited Hong Kong just to learn the experience of HOS. Besides, the suspension of the sale of surplus HOS flats had not only resulted in loss of income but also incurred substantial costs for maintaining these flats, thereby further aggravating the already stringent financial situation of HA. It was estimated that the loss of income would be well over \$200 million and might reach over \$1 billion. He therefore urged the Administration to seriously re-consider resuming the sale of surplus HOS flats, particularly those returned HOS flats, before 2007 as repeatedly requested by the Panel.

8. Mr LEUNG Kwok-hung was opposed to the cessation of HOS. He said that HOS had helped many public rental housing (PRH) tenants to achieve home ownership so as to vacate PRH flats for re-allocation to the needy. The proceeds of sale of HOS flats had also provided the necessary funding for PRH construction so that HA would not have to raise rents to subsidize PRH production. Miss CHAN Yuen-han concurred that that HOS had helped improve the living condition of the low-income group. On behalf of Members of the Hong Kong Federation of Trade Unions (HKFTU) and the Wong Tai Sin District Council, she urged the Administration to resume sale of surplus HOS flats as soon as possible, particularly when property prices were on the rise. She also reiterated the views of HKFTU Members that the Government had a duty to assist

the low-income group in improving their living condition, and that it should endeavour to meet their housing needs in the order PRH, HOS and private housing.

9. Mrs Selina CHOW said that Members of the Liberal Party supported and welcomed the cessation of HOS to ensure free operation of the private residential property market. She stressed that the Administration should focus on the provision of PRH to those with genuine need of housing.

10. In response, DD(S) pointed out that the cessation of HOS was thoroughly deliberated at the Legislative Council. A motion on the resumption of sale of HOS flats before 2007 and construction of new HOS estates was also negated at the Council meeting on 29 June 2005. He emphasized that the cessation of HOS was part of the repositioned housing policy to address the overlap between the subsidized housing market and the private residential property market, and the imbalance between demand and supply in the latter. In line with the Housing Ordinance (Cap. 283), the main duty of HA was to provide PRH to those with genuine housing needs. The current average waiting time for PRH was maintained at about three years. Assisting the low-income group to achieve home ownership was no longer the Government's policy. As regards members' concern that HA might have to raise PRH rents after cessation of HOS, DD(S) said that PRH rents were determined with reference to tenants' affordability rather than the financial situation of HA. Following the conclusion of the judicial review of HA's decision to defer the rent review of PRH estates, HA was reviewing its rent policy and would consult the public in due course.

Options to dispose of surplus HOS flats

11. Expressing support for the repositioned housing policy, Mrs Selina CHOW held the view that unsold HOS developments should be converted to PRH flats rather than for sale. Mr Abraham SHEK echoed that converting surplus HOS flats to PRH flats would have the additional benefit of further shortening the waiting time for PRH to less than three years. DD(S) advised that surplus HOS flats which were suitable for conversion had already been converted to PRH. As the remaining surplus HOS flats were generally of larger size with a better standard of provision, they would inevitably attract higher rents upon conversion which might not be affordable by most of the PRH applicants. Deliberately setting lower rents for those surplus HOS flats would not be an appropriate way in handling HA's assets. Mrs CHOW said that consideration could be given to moving well-off tenants to these larger flats as they could afford the higher rentals and would welcome the better living conditions. In reply, DD(S) reiterated that under the repositioned housing policy, the core function of HA was to provide PRH for those with genuine housing needs. Hence, it was not appropriate to offer the surplus HOS flats for rent to well-off tenants who could afford to purchase the same and vacate their PRH flats for re-allocation to those with genuine housing need.

12. Noting that the option of selling surplus HOS flats in Tung Tao Court to the Hong Kong Housing Society (HS) was in vain because the price offered by HS fell far short of the estimated selling price, Mr Albert HO asked whether the Administration had requested HS to offer a more reasonable price with a view to discharging its duty as a statutory body. DD(S) clarified that HS was indeed a private organization so the

Administration should not and would not interfere with its operation. As the price offered by HS was very low, the Administration had dropped the option.

Proposed sale arrangements for surplus HOS flats

13. On *sale programme*, Mrs Selina CHOW noted that priority would be accorded to HOS courts with retail facilities. She recalled that there were requests for the Administration to convert retail space in surplus HOS developments to open space for the use of residents. DD(S) explained that as many retail facilities in HOS courts were already in business, these could not be converted for other uses unless through termination of existing tenancies. The sale of HOS courts with retail facilities first was proposed in the light of requests from existing commercial tenants since an early intake of residents would help to increase patronage and improve the business environment. By way of illustration, restaurateurs and retailers who had already commenced business in partially sold Yu Chui Court would benefit from an early intake.

14. On *target group*, Mr LEE Wing-tat opined that as the supply of PRH was quite adequate and the waiting time for PRH was maintained at about three years, the proposed split ratio of 4:1 between Green Form (GF) and White Form (WF) applicants for the sale of surplus HOS flats should be adjusted to ensure fairness to WF applicants. Mr Abraham SHEK enquired about the estimated number of GF applicants who would purchase the surplus HOS flats. DD(S) advised that it would be difficult to provide an estimate on the home ownership aspiration of existing PRH tenants because it had been a long time since the last HOS sale. Depending on the actual take-up situation, the Administration could adjust the split between GF and WF applicants.

15. The Chairman noted that for flat selection, priority in the GF queue would be given only to those affected by HA-initiated clearance programmes. He held the view that the Administration should consider extending the priority to other clearerees affected by the Urban Renewal Authority and HS so as to facilitate urban renewal. DD(S) took note of the Chairman's suggestion.

16. On *buyback arrangement*, Mr WONG Kwok-hing expressed concern that the proposed cessation of the buyback arrangement might encourage speculation as buyers who bought surplus HOS flats at discounted prices could sell the flats in the open market immediately for profiteering. This would defeat the purpose of HOS to meet the aspiration for home ownership. DD(S) explained that professional valuation would be taken into account in determining the prices of surplus HOS flats having regard to factors such as the view and locations of the flats. It was expected that the valuation would be very close to the market value. In line with past practice, a discount of 20% to 30% would be proposed to be offered to buyers of surplus HOS flats. He added that while the cessation of the buyback arrangement could enable HOS flat owners to sell their flats in the open market sooner than before, they would have to pay the premium before doing so, thereby not conducive to speculative activities unless there were drastic changes in the property market.

17. Mr Frederick FUNG was opposed to the cessation of the buyback arrangement, which in his view was a guarantee for buyers because they were rest assured that no loss

would be incurred if they had to return their HOS flats to HA in case of financial hardship. He asked whether the cessation was proposed in anticipation of a fall in property prices. Miss CHAN Yuen-han echoed that the proposed cessation would dampen the interest of the low-income group in buying surplus HOS flats. DD(S) clarified that the proposed cessation was not based on economic considerations. It aimed at ensuring that there was no need to dispose of returned flats again, hence putting an end to the legacy issue after completing the sale of surplus HOS flats. The low-income group's interest in buying surplus HOS flats was not a matter for the Government. Any home purchase decision should be made very carefully having regard to individual financial situation. He added that those who had sold their HOS flats but subsequently faced financial difficulties might apply for PRH either on financial grounds, such as bankruptcy and receiving Comprehensive Social Security Assistance etc, or through compassionate rehousing on medical or social grounds.

18. On *pre-sale maintenance programme*, Mr LAU Kong-wah said that while the surplus HOS flats were new, these had been left vacant for a long time and latent defects, in particular those related to public facilities, might have developed. He asked how the Administration could ensure that these flats were up to a reasonable standard before sale. He also considered it necessary for the Administration to inform buyers of the details of defects. DD(S) pointed out that HA had invited its members and the media to visit some of the surplus HOS flats with a view to showing them the conditions of the flats before and after pre-sale maintenance was carried out. The conditions of these flats were found to be satisfactory and with a reasonable standard. He assured members that every surplus flat would be inspected and defects would be rectified before it was put up for sale. AD(ICU) supplemented that a defects liability period of one year from the date of assignment of individual flats would be offered. As for public facilities, such as lifts, pumps and fire systems, AD(ICU) said that the management companies responsible for managing the HOS courts concerned had been maintaining these public facilities to ensure that they were in good condition.

19. Mr Frederick FUNG asked if the Administration would provide a checklist of repaired items for each surplus HOS flat so that prospective buyers could make an informed decision. He considered that this would be a fairer arrangement to protect their interest. DD(S) said that a checklist would be not be necessary as all the surplus HOS flats would be inspected and repaired if necessary to bring them to a reasonable standard before sale.

20. Mr Frederick FUNG further queried why HA had to bear the maintenance cost of surplus HOS flats since these would not have been left vacant for so many years if the Government had not repositioned its housing policy. The decision had indeed affected the already stringent financial position of HA. Mr LEUNG Kwok-hung said that as the decision to cease the production and sale of HOS flats indefinitely was intended to protect the interest of property developers, the Administration should provide funds for the maintenance of the surplus HOS flats. Consideration should be given to introducing a special stamp duty on property developers to provide funds for the maintenance of these flats. In reply, DD(S) said that HA could request additional funding injection from the Government if the maintenance of the surplus HOS flats had caused financial difficulties to HA. As regards the proposal of introducing a new stamp

duty, DD(S) said that he was not in a position to comment on the issue since it fell outside the purview of the Housing Department (HD).

21. On *defects liability period and structural safety guarantee*, Mr LEE Wing-tat said that while he had confidence in the structural safety of the surplus HOS flats, consideration should be given to extending the one-year defects liability period taking into account that these flats had been left vacant for a long time. A longer time should also be allowed for buyers to inspect and report defects at intake. DD(S) thanked Mr LEE for his confidence in the structural safety of the surplus HOS flats. He pointed out that a defects liability period of one year was appropriate and in line with the normal practice in the private market where some flats had also been left vacant for a long time before sale. As regards the time allowed for inspection and reporting of defects at intake, DD(S) said that flexibility would be exercised in processing the requests.

22. Mr Alan LEONG expressed concern that the structural safety guarantee (SSG) would be less than 10 years if this was counted from the completion date of the HOS development. The Chairman advised that HD had confirmed that for unsold blocks/developments, it would consider proposing to HA to offer SSG of 10 years from the first sale of the unsold blocks.

23. Mr Albert HO doubted that buyers would have enough confidence in the quality of the surplus HOS flats, particularly those in Tin Chung Court given the settlement problem. He asked what measures HA would take to address buyers' concern. In reply, DD(S) reiterated that defect rectification would be carried out at the surplus HOS flats to bring them to a reasonable standard before sale. He added that SSG for HOS projects in Tin Shiu Wai, including Tin Chung Court, had already been extended to 20 years taking into account relevant concerns.

24. Mr LEUNG Kwok-hung commented that the 10-year SSG was not enough as this could be easily done through underwriting by insurance companies, which could also save the financial cost and risk of HA. DD(S) advised that HA could provide the 10-year SSG by itself, and there was no need for engaging insurance underwriters.

Disposal of sites originally earmarked for HOS

25. Mr WONG Kwok-hing asked if HA could use the sites originally earmarked for HOS development to build PRH or it had to return the sites to the Government without compensation. He also enquired about the number of such sites still under the possession of HA. Miss CHAN Yuen-han also expressed concern that if HA had to return these sites to the Government, these would eventually fall into the hands of private property developers given the rise in property prices. In reply, DD(S) confirmed that the future use of the sites would be considered on an individual basis. There would not be compensation for sites to be returned to the Government because they were earmarked for building public housing only and no land premium had been paid by HA. DD(S) however assured members that an adequate supply of land would be given to HA for PRH production in order to maintain the average waiting time for PRH at about three years. He also undertook to provide the number of unused HOS sites which were still left in HA's possession.

26. Before concluding, Mr LEUNG Kwok-hung and Mr Albert HO requested that arrangements should be made for members to visit the surplus HOS flats of their choice to ascertain the quality of these flats. DD(S) confirmed that the request could be entertained.

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Council Business Division 1
Legislative Council Secretariat
3 February 2006