

where the workload is not so heavy, to the district that has a greater need of them. That is what is meant by "strategic move-up".

**PRESIDENT** (in Cantonese): We have already spent 16 minutes on this question. Last supplementary question.

**DR TANG SIU-TONG** (in Cantonese): *Madam President, it is mentioned in part (b) of the main reply that the Braemar Hill and Penny's Bay Depots will be commissioned this year. May I know how many ambulancemen will be required on their commissioning?*

**SECRETARY FOR SECURITY** (in Cantonese): Madam President, I will give a written reply to the Honourable Member. (Appendix V)

**PRESIDENT** (in Cantonese): Fourth question.

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### **Unoccupied HOS Flats**

4. **MR ALBERT HO** (in Cantonese): *Madam President, the authorities concerned have ceased selling Home Ownership Scheme (HOS) flats since 2003, and indicated in October the same year that no unsold and returned HOS flats would be offered for sale as subsidized housing before the end of 2006. They also invited Expression of Interest from the public on the option of converting into hostels two unoccupied HOS blocks which have never been offered for sale. In this connection, will the Government inform this Council:*

- (a) *of the respective overall amounts of maintenance fees, management fees, and other expenses pertaining to the unsold and returned HOS flats since their completion to date, and from now to the end of 2006;*
- (b) *other than selling unsold and returned HOS flats to Green Form applicants in the future, whether the authorities concerned have*

*other specific plans to dispose of these flats; if so, of the details of the plans; if not, the reasons for that; and*

- (c) *of the concrete proposals raised in the Expression of Interest received by the authorities concerned on the conversion of two HOS blocks into hostels; whether they have shelved this disposal option for unoccupied HOS flats; if so, the reasons for that?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese):  
Madam President, my reply to the three-part question is as follows:

- (a) In the light of the increasing overlapping between the private property market and the subsidized housing market, the Government and the Housing Authority (HA) decided to cease the sale of HOS flats in November 2002 to address the imbalance between demand and supply of residential flats in the market. The HA has to pay management fees and government rents for the surplus HOS flats. We also envisage that some costs may be incurred for touching up some of the flats before their resale to Green Form applicants. It should be noted that the costs for maintaining the surplus HOS flats differ according to their nature and the manner of their future disposal.

Up to March 2004, the management fees and government rents incurred by surplus HOS flats were in the region of \$120 million. Since no unsold or returned flats in existing HOS courts had been put up for sale during the period, no touching-up costs had been incurred.

From April 2004 to end 2006, it is envisaged that the management fees and government rents incurred by returned and unsold flats in existing HOS courts will be in the region of \$230 million. Moreover, before the new flats in existing HOS courts are put up for sale in future, a one-off cost of about \$5 million will be required for touching-up works. Returned flats require more substantial refurbishment due to previous occupation. However, given that

refurbishment is necessary for them irrespective of the timing of their resale, such cost is not a holding cost for surplus HOS flats. As for the flats in unsold HOS developments, we are considering various options to dispose of them. Practicable options will be implemented expeditiously. Therefore, we have not made any projections of their future holding costs. A detailed breakdown of the cost estimates is at Annex.

- (b) We consulted the Legislative Council Panel on Housing in March and November 2003 on proposed disposal arrangements for the surplus HOS flats. Apart from some 11 000 unsold and returned flats in existing HOS courts which would be sold to Green Form applicants in future, three main options have been put forward for disposing of some 12 000 flats in eight unsold HOS developments. Progress to date is outlined in the following paragraphs.

First, some 2 100 HOS flats of Hiu Lam Court in Sau Mau Ping were transferred to public rental housing last year. We will seek the HA's approval to transfer another 3 000 flats to public rental housing. About half of the surplus HOS flats will ultimately be used as public rental housing.

Second, we plan to use about 4 000-odd HOS flats for reprovisioning aged staff quarters of the disciplined services and the land released could be put to alternative uses. Our discussion on financial and administrative arrangements with the relevant government departments is underway and now at a final stage.

Third, we have suggested to convert about 700 HOS flats into guesthouse or similar uses. We invited expression of interest in October 2003 to ascertain the feasibility of the proposal. We are examining in greater detail proposals which appear to be practicable.

We will expedite follow-up actions along the directions mentioned above and will continue to explore other disposal options for the remaining flats.

- (c) As mentioned above, we invited expression of interest last year on the proposal to convert some HOS flats into guesthouses. The invitation was couched in open terms so as to allow a greater scope for interested parties to put forward innovative and commercially viable proposals. A total of eight proposals were received from organizations of different natures and scales. Proposals put forward included hostels, hotels and guesthouses, as well as bulk purchase of surplus HOS flats for use as "time-share" holiday homes. We have examined the feasibility of the proposals with a view to devising a unified implementation arrangement. In reply to an oral question raised by Mr Abraham SHEK in December 2003, I advised the Council that the HA had sought in-house and external legal advice on the feasibility of the proposal to transfer HOS flats into guesthouses. While the advice indicated that the proposal is generally feasible, it is necessary to examine the detailed arrangements carefully from a legal perspective to ensure that the proposal is legally sound in all aspects.

We note that some sectors of the community take the view that use of surplus HOS flats as "time-share" holiday homes for mainland visitors is conducive to tourism and economic development of Hong Kong. However, there has been concern about possible impact of the proposal on the hotel industry. We sounded out the industry recently and it seems that its previous concerns have somewhat lessened. We will therefore explore the disposal arrangement for the remaining 3 000-odd surplus HOS flats along this direction. Given that "time-sharing" is a relatively new concept in Hong Kong and in the absence of legislation to define or regulate "time-sharing" operations, we need to examine the proposal from both practical and legal perspectives with relevant Policy Bureaux and government departments. Issues to be considered include lease control, regulation of "time-sharing" operations as well as impact on the hotel industry. I wish to emphasize that if it is decided to implement this proposal, the flats will be sold by way of open tender to ensure that they are disposed of at reasonable market price. We will also consult the HA on the detailed proposal.

## Estimated Costs for Withholding HOS Flats from Sale (as at 29 February 2004)

Type of Flats	No. of Flats	Disposal Option	Costs incurred (in \$ Million)			Expected costs (in \$ Million)		
			From date of completion/buy-back to March 2004			From April 2004 to December 2006		
			Management Fee	Government Rent	Touching-up Costs	Management Fee	Government Rent	Touching-up Costs
Returned flats	5 095	For sale to Green Form applicants after 2006	19.4 M <sup>(1)</sup>	7.6 M	N. A.	75.3 M <sup>(1)</sup>	30.7 M	N. A. <sup>(3)</sup>
Unsold flats in sold/partially sold HOS courts	6 082		52.0 M <sup>(1)</sup>	20.7 M	N. A.	90.4 M <sup>(1)</sup>	32.4 M	5.0 M <sup>(3)</sup>
Flats in unsold HOS developments <sup>(4)</sup>	10 264	Different disposal options are being considered for implementation as and when ready	18.1 M <sup>(2)</sup>	4.4 M	N. A.	N. A.	N. A.	N. A.
Total No. of Surplus Flats	21 441	Total Costs	89.5 M	32.7 M	-	165.7 M	63.1 M	5.0 M
			122.2 M			233.8 M		

- (1) The management fees for returned and unsold flats in sold/partially sold HOS courts are calculated on the basis of the management fees charged under the terms of the Deed of Mutual Covenants executed for the various courts. As the flats, whether in sold blocks or unsold blocks, form part of existing HOS courts, the Housing Authority as their owner is obliged to pay the full amount of management fees for them in accordance with the Deed of Mutual Covenants. The average management fees is \$450 per flat per month.
- (2) The average cost of managing the flats in unsold HOS developments is about \$150 per flat per month, mainly used for security services.
- (3) New flats in sold/partially sold HOS courts only require simple maintenance works such as surface and occasional minor repairs. The average estimated touching-up cost for each flat is around \$820. With 6 082 flats in this category, the total one-off touching-up cost is about \$5 million. On the other hand, the 5 000-odd returned flats would require more substantial refurbishment due to previous occupation, at about \$7,500 per flat. Given that this cost item is necessary irrespective of timing of sale, it is not a withholding cost. For flats in unsold HOS developments, no refurbishment is required pending decision on disposal arrangements.
- (4) The figure has excluded the 2 100 flats in Hiu Lam Court in Sau Mau Ping which have been converted to public rental housing.

**MR ALBERT HO** (in Cantonese): *Madam President, the losses incurred by the full-scale suspension of the sale of public housing units will not be as small as some \$200 million as mentioned by the Secretary in his main reply, for the 20 000-odd units may lead to a loss of rental close to \$1 billion each year and this sum has not been factored into the calculation. Madam President, the proposed disposal options for the unoccupied HOS flats as mentioned in the main reply have not been implemented. These included converting these flats into staff quarters for civil servants or guesthouses, and even turning most of them into public rental housing units. This gives people an impression that the Government only discusses the issue but does not make any decisions and even if decisions are made, they are not put into practice. Therefore, it leads to losses in public coffers and aggravates the deficits of the HA. May I ask the Secretary if he would, as an accountable principal official, think that he should bear some responsibility in this matter personally?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, as regards matters of housing policy, I would certainly bear all the responsibilities personally. However, as I have explained on various occasions, the suspension of the sale of HOS flats in 2002 was part of the general policy, an integral part to it. We had to consider the conditions at that time as we had to reposition our housing policy so that people would know why there were confusions. Then we tried to address the problem. At that time, our prime consideration was to introduce a policy which would stabilize the property market in Hong Kong and to arrest the incessant fall in property prices at that time. Seen from this perspective now, it seems that the stabilizing effect of our policy and the impact from various external factors have served to revitalize the property market. For many owners of negative equity assets, their situation has improved. And for the many issues which we used to worry very much, they are no longer deteriorating and some have even shown signs of improvement.

I would therefore think that all these events would have to be examined as an integral whole and we should not isolate any part or an important link of policy and to view it from a narrow perspective and determine how much loss has been incurred in this particular part of the housing policy. If we are to

make such an assessment, should we not do this from the overall situation of Hong Kong, that is, how much of the market value lost has been recovered now? Of course, some people would hold a different view, but I think that if we are to measure the effectiveness of government policies, a fair approach must be taken and from a holistic perspective too. Having said that, I know that if our policy had managed to achieve the desired goals and results on a macro front, and if various details on a micro front were well taken care of, then Members would not have asked me these questions today. I think that would be most desirable. And when we go about with our work, we must ensure that all those undesirable and unfavourable elements are reduced to the minimum. From this perspective, it would not be true to say that cutting our losses in this regard would be entirely out of the question. For example, the market may take a turn for the better after we have sold the flats in future or if these flats are sold at a better price than before, that is, last year. All the things we are saying now are purely speculative. And before the final result appears, we cannot say with dead certainty that it will be a failure or a success.

**PRESIDENT** (in Cantonese): Honourable Members, as the two questions raised by Mr Albert HO and the two replies given by the Secretary have taken up 12 minutes, so I would use my discretion to extend the length of the time for this question, for there are eight Members waiting for their turn to ask supplementary questions.

**MR FREDERICK FUNG** (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply three proposed disposal arrangements for surplus HOS flats. May I ask the Secretary whether a comparison can be given in figures, that is, a comparison between the revenue from these flats if they are sold by the HA vis-à-vis if they are disposed of according to these three arrangements? That is to say, the annual rentals receivable if the HA leases these 2 100 flats originally scheduled for sale, or if these flats are converted into staff quarters for civil servants, the amount of income receivable from the Government per annum. Ultimately, would these two arrangements bring more income to the HA or less? If less income is expected, would the Government give any subsidies to the HA?*

**PRESIDENT** (in Cantonese): Secretary, this supplementary question is somewhat hypothetical as Mr FUNG would like you to make some prediction. Please answer this to the best of your ability.

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Secretary, as I have said earlier, as we are not able to predict the trend of property prices with sufficient accuracy, that would affect the selling price when these flats are put up for sale. As I said in reply to Mr Albert HO's question, if things went well, a higher price could be fetched, that is, if the property market continues to fare well or if property prices continue to rise. Even if property prices can rise to a level at several tens of percentage points of the prices in the past, that would mean a great rise as compared to prices at present. But we will never know what will happen in the next few years. So it would be very difficult for me to give a concrete reply to Mr Frederick FUNG's question. But I can put it this way and most members of the public would agree with me and that is, we hope very much that this boom in the property market will not be short-lived and that it can be consistent with the pace of economic development in Hong Kong. Granting this, we may be able to sell these flats at better prices.

**MR ABRAHAM SHEK** (in Cantonese): *Madam President, the Secretary said in the last sentence of the last paragraph in his main reply that the HOS flats would be sold for "time-sharing" purposes, I oppose this on behalf of the sector.....*

**PRESIDENT** (in Cantonese): Mr SHEK, please raise your supplementary question instead of giving your opinion.

**MR ABRAHAM SHEK** (in Cantonese): *I was explaining why I opposed this proposal. If the Government really tries to do that, we hope that it will do as it said in the last sentence of the main reply, that an open tender would be adopted so that the property sector could be invited to take part and no conditions would be imposed on this for some specific purposes.....*



**PRESIDENT** (in Cantonese): Mr SHEK, you should be raising your supplementary question instead of saying what you are hoping for.

**MR ABRAHAM SHEK** (in Cantonese): *May I ask if the Government is under any political pressure from any mainland units that it must go ahead with this?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, we are not under any political pressure to do this. Maybe Members can note from my main reply that we are aware of the concern of the sector about this issue. However, when we discussed this with the sector recently, as I pointed out in the main reply, we found that the concern seemed to have abated. That is the message we got from the sector recently. In this regard, we can assure Mr SHEK that if we are to put this proposal into practice, and as I said in the main reply, we will adopt the open tender approach. We will not impose any restrictions on any party and bar Hong Kong companies from taking part.

**PRESIDENT** (in Cantonese): Mr Abraham SHEK, has your supplementary question not been answered?

**MR ABRAHAM SHEK** (in Cantonese): *Yes, Madam President. As he mentioned my sector, I would have to make a clarification, for I am a representative of my sector.....*

**PRESIDENT** (in Cantonese): Sorry, Mr SHEK, please sit down. Members can only raise questions during question time.

**DR YEUNG SUM** (in Cantonese): *Madam President, the Government in a hasty attempt to sell the Hunghom Peninsular did not mind agreeing on a price of just a few hundred million dollars at a time last year when property prices were surging. However, the Government has not yet come up with any concrete plans to dispose*

*of unoccupied HOS flats. Would this not be unreasonable and would it not lead to a wastage of public resources?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, Members must be aware that we have held two special panel meetings for the Hunghom Peninsular case where we explained why that issue had to be resolved as a matter of urgency. It is because we are under time constraints and litigation is involved. As I already gave an account on the issue in detail at these two meetings, so I would not waste Members' time in going over this again. About the proposals we have raised here, Members may note that with respect to, for example, staff quarters for the disciplined forces, we have already held discussions within the Government and some problems have been identified, such as pricing and availability of funds. Take the Security Bureau as an example, as it has limited financial resources, so such financial arrangements would have to be made with great care. And as I said in the main reply, the relevant discussion has come to a new stage which is close to conclusion. We need to take time to handle this.

As for other disposal proposals such as by way of tender, these will have to undergo some procedure. We need to consider the response of the sector and when we have received their submissions, we will analyse them. If the sector thinks there are some problems with this, we will consult the sector. This process is still in progress.

As for converting these flats into public rental housing, actually work in this regard is being carried out gradually. Now 2 100 of these flats have been turned into public rental housing and 3 000 others are being prepared for conversion. So we must adjust our policy in the light of the overall situation.

**MR HOWARD YOUNG** (in Cantonese): *Madam President, the issue of converting HOS flats into guesthouses was already mentioned by Mr Abraham SHEK earlier. That is a very controversial issue and I do not wish to talk about what the sector thinks about it for the travel agencies and the hotels have different views. I would like to ask a question on the "time-sharing" concept. As the Secretary says, there is no legislation on this in Hong Kong, but I would like to ask the Secretary this question. Has the Government looked into the case*

*in some countries where there are "time-sharing" operations to see if there are examples of success? As the mode of "time-sharing" usually involves a whole holiday resort or a block of building, would the Government consider the concept along this line? For if only half a block of building is used for such a mode, then it would simply be chaotic.*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, I can confirm that we are beginning work in this respect, such as making reference to relevant laws in other countries, and so on. As to whether or not this mode of operation will be used on whole blocks of buildings, we are certainly considering that instead of adopting a mode of operation in which just half a block of building is used. The main reason is to minimize the problem implied by the Member just now.

**PRESIDENT** (in Cantonese): We have spent more than 21 minutes on this question. Last supplementary question.

**MR SIN CHUNG-KAI** (in Cantonese): *Madam President, with respect to "time-sharing" holiday homes, as far as I have learnt from newspapers or related organizations, the scale of such projects would be quite large. But for the 18 000 unoccupied flats available at present, the number would drop to just a few thousand if some flats are converted for other purposes. The actual number remaining may be far less than what people have initially expected. As far as I know, the relevant units on the Mainland say that they accept the approach of open tender. But will this be a prompt move to take as they have expressed their interest for so long and we are responding so late? Another point is that these mainland units may want to have some 10 000 flats for that purpose, but now there are only a few thousand of these flats available. That may make them lose their interest in the project. Would you think that this has made Hong Kong miss an opportunity to attract an inward investment?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): Madam President, as I tried to explain a while ago, when we are to begin work on this, especially when it is such a novel venture, we would need time for

careful consideration. At the beginning, these organizations said that they wanted tens of thousands of these flats. Then they said they could make do with some 10 000. We have told them the latest developments and also the many policy considerations that we should make, as well as the practical needs. Now only a few thousand flats are available for that purpose and we have asked these organizations if they are still interested in the project. The message we got from them is that they are still interested.

**PRESIDENT** (in Cantonese): Fifth question.

### **Elderly Property Owners of Tenement Buildings**

5. **MR TAM YIU-CHUNG** (in Cantonese): *Madam President, a number of elderly property owners living in tenement buildings in old districts have reflected to me that there are no lifts in their buildings, which makes it difficult for them to go up and down. The rates and government rent of these properties also pose a heavy burden on them and drive them into straitened conditions. In this connection, will the Government inform this Council:*

- (a) *of the number of elderly property owners living with their elderly spouse or alone in old tenement buildings of over 30 years;*
- (b) *whether it has plans to provide assistance to those elderly owners in tenement buildings who have difficulties getting about, so as to solve their problems in daily life; if it has, of the details; if not, the reasons for that; and*
- (c) *whether it has plans to waive the rates and government rent for poor elderly owners in tenement buildings who do not receive Comprehensive Social Security Assistance (CSSA), so as to alleviate their financial burden; if it has, of the details; if not, the reasons for that?*

**SECRETARY FOR HOUSING, PLANNING AND LANDS** (in Cantonese): *Madam President, my reply to the three-part question is as follows:* \_\_\_\_\_