

立法會
Legislative Council

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by the Administration)

Ref: CB1/PL/HG/1

Panel on Housing

**Minutes of meeting
held on Monday, 3 November 2003, 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)
Dr Hon David CHU Yu-lin, JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing, JP
Hon James TO Kun-sun
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 SZETO Wah
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 absent : Hon Abraham SHEK Lai-him, JP

Public officers attending : Agenda Item IV

Mr Vincent TONG, JP
Deputy Director (Business Development)
Housing Department

Mr C S HO
Assistant Director (Estate Management)
Housing Department

Mr N M CHAN
Chief Manager (Business Development)
Housing Department

Agenda Item V

Mr Kenneth MAK, JP
Deputy Director (Corporate Services)
Housing Department

Ms L K LAM
Assistant Director (Divestment)
Housing Department

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

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

Ms Christina SHIU
Legislative Assistant

Action

- I. Confirmation of minutes**
(LC Paper No. CB(1)188/03-04 -- Minutes of meeting on
9 October 2003)

The minutes of the meeting held on 9 October 2003 were confirmed.

II. Information papers issued since last meeting

2. Members noted the following information papers issued since the last monthly regular meeting of the Panel on 7 July 2003 -

- LC Paper No. CB(1)2321/02-03(01) -- Procedures to be followed in processing application from councillors for the leasing of empty bays owned by the Housing Authority in Home Ownership Scheme Estates as councillors' offices
- LC Paper No. CB(1)2360/02-03 -- Brochure on Senior Citizen Residences, Launch of Jolly Place, and information on the required eligibility criteria and average entry contribution
- LC Paper No. CB(1)2377/02-03(01) -- Submission from a Ms FONG on the restrictions on keeping pets in public rental housing flats
- LC Paper No. CB(1)2394/02-03(01) -- Letter dated 25 August 2003 from the Public Housing Information Hotline (公屋諮詢熱線) on the fire resistance specifications for smoke doors in public housing blocks
- LC Paper No. CB(1)2395/02-03 -- Information paper provided by the Administration on the Vice-Chairmanship of the Housing Authority
- LC Paper No. CB(1)2549/02-03 -- Research Report on Rental Subsidy prepared by the Research and Library Services Division
- LC Paper No. CB(1)187/03-04 -- Information note provided by the Administration reporting progress of the foundation remedial works at Tin Chung Court)

III. Items for discussion at the next meeting

(LC Paper No. CB(1)190/03-04(01) -- List of outstanding items for discussion

LC Paper No. CB(1)190/03-04(02) -- List of follow-up actions)

3. The next regular meeting was scheduled for Monday, 1 December 2003, at 2:30 pm. Members agreed to discuss the following two items proposed by the Administration -

(a) Combating cooked food hawking in public housing estates; and

(b) Design for healthy living and enhancement of environmental sustainability.

IV. Disposal of overhung Home Ownership Scheme flats

(LC Paper No. CB(1)190/03-04(03) -- Information paper provided by the Administration)

4. The Chairman relayed to members the apologies offered by Mr C M LEUNG, Permanent Secretary for Housing, Planning and Lands (Housing)/Director of Housing, for his inability to attend the meeting due to other commitment.

5. The Deputy Director (Business Development), Housing Department (DD of H(BD)) briefed members on the Administration's paper on the progress of the proposed arrangements for disposing of the surplus flats under the Home Ownership Scheme (HOS) and the Private Sector Participation Scheme (PSPS).

Costs incurred for suspension of sale of Home Ownership Scheme flats

6. The Chairman enquired about the outstanding written information to be provided by the Administration on the costs incurred for withholding unsold and returned HOS flats from sale until the end of 2006 and not offering the completed HOS flats for sale. In reply, DD of H(BD) reported that it took time to calculate the relevant costs because the management costs of the partially sold HOS courts and of completely unsold HOS courts were different, and the determination of these costs was time-consuming. Mr Albert CHAN Wai-yip and the Chairman called for early provision of the information.

7. Members in general considered it a waste of resources to continue suspension of sale of HOS flats, the cost of which might amount to \$1.1 billion. Members were concerned that in addition to the loss of income from suspended sale of HOS flats, HA had to shoulder other losses and costs for not disposing of these flats. These included the following -

- (a) Management fees and rates for the unsold and returned HOS flats in partially sold HOS courts;
- (b) Costs for keeping the HOS flats and the associated facilities in good order. For example, there might be a need to upkeep or repair the long-time unused water pipes, water pumps, gas facilities, and electrical appliances in these flats to ensure they could function properly;
- (c) Loss in terms of the expiry of the defect warranty period and/or guarantee period for the structural integrity of overhung HOS flats and the facilities installed therein;
- (d) Costs for providing management and security services for completely unsold HOS courts;
- (e) Loss of interests from the income from sale of the overhung HOS flats; and
- (f) Loss of rental income if the overhung HOS flats had been converted to public rental housing (PRH) flats.

8. Mr Frederick FUNG Kin-kee considered it unfair to require HA to shoulder all these losses and costs because of a decision made by the Government to support the property market. In his view, it was the Government who should bear the losses and costs.

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9. At Mr CHAN Kam-lam's request, DD of H(BD) agreed to take paragraph 7(c) into account in calculating the costs. He and the Assistant Director (Estate Management), Housing Department explained that the following efforts had already been made to minimize the costs -

- (a) The management cost of completely unsold HOS courts could be minimized by locking up the flats, reducing the number of security guards, and turning off unnecessary public lighting where appropriate. To reduce maintenance cost, facilities that required and did not require regular attention were handled differently. Efforts were being made to further optimize the relevant maintenance programme. The maintenance arrangement on gas facilities in these courts would also be discussed with Towngas; and
- (b) A number of measures had already been taken to minimize maintenance problems that might arise from unoccupied HOS flats. For example, the security guards concerned were asked to open the doors and windows, activate the taps and the toilet flush of these flats,

and operate the lifts, water pumps and fire facilities of unoccupied blocks periodically. Electrical equipment in the whole blocks were maintained in an energized state, but put in idling mode to better maintain their operability and reduce the overall maintenance cost.

10. DD of H(BD) further assured members that the safety of overhung HOS flats and operability of the associated facilities would be ensured before their disposal.

Disposal options under consideration by the Administration

Use as Government departmental quarters

11. The Chairman and Dr YEUNG Sum enquired when the Administration could report on the progress of the option to convert HOS flats under List C in the Administration paper, namely, flats in completely unsold HOS courts, into Government departmental quarters for the disciplined services. In reply, DD of H(BD) advised that discussion with the concerned Government bureaux had been going on, although a conclusion was not yet reached. This was because there was a need to reach a consensus among all parties concerned. Apart from the cost issue, there were also issues relating to the suitability of the flats for the contemplated purpose. Some modification works might be required if the conversion was to be pursued. It was estimated that discussion might take a few more months before some form of agreement could be reached.

12. Mr IP Kwok-him was anxious to ensure timely disposal of overhung HOS flats. He pointed out that the departments and staff concerned supported the conversion of HOS flats as Government departmental quarters because some of the existing quarters were already very old. He called for expedition of the negotiation and flexibility in making the required financial arrangement as the money involved was public money although under different accounts. In response, DD of H(BD) said that it was HA's position that the costs of the HOS flats concerned should be recovered. There was hence a need to work out how this could be achieved and HA was open on the matter.

13. In response to Mr Fred LI on the parties involved in the negotiation, DD of H(BD) advised that they included the Security Bureau, the Civil Service Bureau, the Financial Services and the Treasury Bureau, and the Government Property Agency.

Admin 14. Noting that discussion had been prolonged because of the involvement of many parties, Mr Frederick FUNG opined that the Chief Secretary for the Administration should step in to take the matter forward. At the Chairman's request, DD of H(BD) undertook to convey to the relevant parties members' concern that the process had been dragged on for too long.

Use as guesthouses

15. In response to Mr IP Kwok-him on details of the option to convert the HOS blocks under List C to guesthouses, DD of H(BD) explained that proposals to purchase or hire the HOS blocks concerned were welcome and there were no restrictions on whether the guesthouses so converted should be let to individuals or families. The only condition to be imposed was that they should be let to visitors and not local residents. Moreover, there was a need to ensure compliance with the building and safety legislation relating to guesthouses.

16. As to Mr IP Kwok-him question on when a decision on the option would be made, DD of H(BD) reported that the deadline for response to the Invitation for Expression of Interest was 14 November 2003. Since it would require one month to analyze the response, the decision could be made in two to three months' time.

17. Mr LEE Cheuk-yan expressed concern about the impact of the conversion on the travel industry. In response to him on estimates of the supply of hotels against the demand, DD of H(BD) explained that the guesthouses so converted would be a new category of accommodation different from hotels and hence the conversion would not impact on the demand and supply of hotels. Mr LEE however pointed out that there would be an indirect impact because visitors would be provided with an alternative to hotels and the occupancy rate of hotels would inevitably be affected. In response, DD of H(BD) assured members that the Administration would not proceed with the option until it was satisfied that there was a capacity for the development of this new category of accommodation.

18. Mr LEE Cheuk-yan enquired whether the Administration had consulted and secured the consent of the travel industry. In response, DD of H(BD) clarified that the option was only being explored and the recent Invitation for Expression of Interest had been conducted for this purpose. He assured members that the Administration would maintain communication with the industry on the viability of the option but presently their views were diverse. Mr LEE and the Chairman were concerned that the consultation process would drag on and the HOS blocks concerned would be overhung for a further period of time.

19. Mr Howard YOUNG confirmed that there were diverse views within the travel industry on the proposed conversion. He supported the adoption of an open attitude on the part of the Administration regarding the option. Mr Tommy CHEUNG Yu-yan pointed out that there were diverse views because the interests

of hotel operators and tourist agency operators were different. He said that the scale of conversion would also affect the industry stance on the proposal.

20. In reply to Mr Tommy CHEUNG on the need for compliance with the safety requirements for converting overhung HOS flats to guesthouses, DD of H(BD) elaborated that the relevant licensing legislation including fire safety requirements had to be complied with. There was a need to set up sprinkler systems, emergency lighting, fire alarm systems, fire control centres and ensure sufficient means of escape.

21. Mr CHAN Kam-lam asked whether the lease conditions of overhung HOS flats under Lists A and B, namely, unsold or returned flats in HOS blocks and flats in unsold blocks in partially sold HOS courts, had any restriction on short-term leases. In reply, DD of H(BD) and the Chief Manager (Business Development), Housing Department explained that the relevant deeds of mutual covenant had stipulated the permitted use of the premises. According to legal advice, the use could be amended subject to modification of the deeds, which would require unanimous agreement of all the owners of the sold flats in the same development. There was thus practical difficulty in effecting modification of deeds.

Disposal options proposed by members

Conversion to PRH flats

22. Dr YEUNG Sum found it unacceptable that the Administration on the one hand endeavoured to cut costs and increase incomes but on the other hand suspended sale of HOS flats, forsaking a substantial amount of income. He urged the Administration to actively consider converting overhung HOS flats to PRH flats to expedite allocation of PRH to Waiting List applicants and/or for overcrowding relief. Miss CHAN Yuen-han and Mr LEE Cheuk-yan also supported the conversion of the HOS flats under List C to PRH flats. Mr Howard YOUNG called upon the Administration to convert some of the overhung HOS flats into PRH flats for the elderly to reduce the conflict arising from sharing a flat by two unrelated elderly.

23. In response, DD of H(BD) made the following points -

- (a) There was a difference between HOS and PRH flats in their layouts and designs. Most HOS flats and particularly those of Concord design were comparatively larger with three bedrooms. Most families on the Waiting List were not eligible for such large flats under the present allocation standards. Further relaxation of the PRH allocation standard was not recommended for rational use of resources. Owing to the larger size and better standard of HOS flats, the rental would inevitably be higher for the converted flats than the average PRH units. The Administration had taken into account the

prevailing PRH allocation standards and other factors just mentioned in deciding that Hiu Lam Court, whose New Cruciform design was similar to that of PRH, was the only HOS court suitable for conversion to PRH.

- (b) Besides, the demand for overcrowding relief was not as great as envisaged. HA conducted about two to three rounds of invitation every year for applications for overcrowding relief and the response was not good. The latest take-up rate was only 29% out of 1,000 applications.
- (c) No overhung HOS flats were single-room units. Old people already enjoyed priority when applying for PRH and shared tenancy in larger flats was not desirable. There was also no shortage of one-person PRH flats for allocation to the elderly.

24. Mr Fred LI Wah-ming was not convinced that only a small portion of overhung HOS flats could be converted to PRH and urged the Administration to actively pursue the option. He also opined that at least the recreational facilities of the HOS courts should be opened for use by residents of nearby PRH estates. Mr Frederick FUNG pointed out that the response to invitations for overcrowding relief applications was not good mainly because the location of the flats offered did not meet tenants' needs.

Resumption of sale of Home Ownership Scheme flats under Lists A and B

25. Mr Albert CHAN pointed out that most owners of the partially sold HOS courts strongly opposed to converting the overhung flats in their courts to PRH. He urged the Administration to sell these overhung flats to Green Form applicants by phases before 2006. In his view, sale of these flats in an orderly manner should not upset the property market. He further stated that as a matter of principle he was opposed to the suspended sale of HOS flats. He considered it unfair that in an attempt to boost the sale of private residential flats, low-income families should be deprived of the opportunity of owning home. He also considered that the suspended sale would not be of much help to the private property market because the potential purchasers of HOS flats and private flats were different.

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26. In response, DD of H(BD) agreed to convey the above views to the Housing, Planning and Lands Bureau (HPLB). He however reiterated that the purpose of not offering unsold and returned HOS flats for sale as subsidized housing before the end of 2006 was to give a clear signal of the Government's determination to withdraw from the property market and minimize intervention in it. Any deviation from such would be interpreted as a wavering housing policy.

27. Mr Frederick FUNG however opined that the lift of the moratorium on sale of HOS flats under Lists A and B should not constitute a deviation from the

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Government's stance to withdraw from the property market because it was only a matter of time before these flats would be sold. Mr Albert CHAN and the Chairman also called for resumption of sale of these flats and said that the impact of the sale on the property market should be small. They were concerned about the management and maintenance costs and problems in partially sold HOS blocks and courts under Lists A and B. Miss CHAN Yuen-han and Mr LEE Cheuk-yan echoed their views. In particular, Miss CHAN opined that the moratorium on sale of HOS flats also had the adverse effect of blocking the upward mobility of PRH tenants. Mr FUNG requested the Administration to provide the impact assessment on the basis of which the Administration had made its decision not to sell the HOS flats on Lists A and B as subsidized housing before the end of 2006.

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28. Mr FUNG Kin-kee asked on behalf of the Hong Kong People's Council on Housing Policy (香港房屋政策評議會) whether the Administration would consider the option to rent the overhung HOS flats as PRH flats to tenants who undertook to buy their flats upon the expiry of an agreed period. DD of H(BD) agreed to refer the proposal to the Administration for consideration.

Motions

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29. Dr YEUNG Sum stated that he was not against the proposal to dispose of overhung HOS flats as Government departmental quarters or to convert a small number of them to guesthouses. However, to avoid incurring further loss of public money, he was anxious to ensure that any option explored would be pursued expeditiously. Other members were also unhappy about the protracted time taken in considering the various options to dispose of the overhung HOS flats. In particular, Mr SZETO Wah said that a deadline should be imposed in this regard. In response, DD of H(BD) assured members that efforts were being made to speed up the process and agreed to convey members' views to HPLB.

30. Dr YEUNG Sum proposed to move the following two motions to expedite disposal of overhung HOS flats -

"(a) 本會要求房委會把立法會CB(1)190/03-04(03)號文件所提述的甲、乙類居屋分一至兩年售予綠表人士。

("That this Panel urges the Housing Authority to sell the Home Ownership Scheme (HOS) flats under Lists A and B referred to in LC Paper No. CB(1) 190/03-04(03) to Green Form applicants in one to two years' time.")

(b) 本會要求房委會把立法會CB(1)190/03-04(03)號文件所提述的丙類居屋(除用作政府宿舍和旅館用途的屋苑外)盡快以公屋形式出租。"

("That this Panel urges the Housing Authority to as soon as possible convert the HOS flats under List C referred to in LC Paper No. CB(1) 190/03-04(03) to public rental housing, with the exception of the flats in HOS courts to be used as government departmental quarters and guesthouses.")

31. Mr FUNG Kin-kee seconded the motions. Members agreed to proceed with the motions.

Motion (a)

32. Mr Tommy CHEUNG highlighted the Liberal Party's support for the suspended sale of HOS flats and said that he could not support the motion. Mr Howard YOUNG also commented that it might be necessary to sell the HOS flats under List A as soon as possible. This however did not apply to the flats under List B as the whole block concerned was unsold and, unlike partially sold blocks, there were few management problems.

33. Mr NG Leung-sing pointed out that motion (a) was at variance with the Government's pledge to withdraw from the property market by suspending the sale of HOS flats. The resumption of their sale would give people the impression of a wavering housing policy and would adversely impact on the property market. He therefore had reservation about the motion. Dr YEUNG Sum explained that the wording of the two motions had already made differentiation on ways to dispose of the HOS flats under Lists A, B and C.

34. Commenting on the wording of motion (a), Mr Fred LI said that to retain flexibility, it might be better to change the phrase "分一至兩年" (in one to two years' time) to "分階段" (by phases). Dr YEUNG Sum and Mr LEE Cheuk-yan did not find the proposed change necessary.

35. Mr Andrew WONG highlighted the management problems in partially sold HOS blocks and courts under Lists A and B, and said that the motion should seek to urge the Administration to sell the overhung HOS flats "as soon as possible". Mr CHAN Kam-lam however said that some indication of timing should be included in the motion instead of simply urging the Administration to act "as soon as possible". He also pointed out that since HA was suspending HOS sale at the Government's request, it might be more appropriate to urge "the Government" rather than "HA" to resume the sale of HOS flats.

36. In response to the comments of Messrs Andrew WONG and CHAN Kam-lam, Dr YEUNG Sum agreed to revise the wording of motion (a) to read as follows -

"本會促請政府盡快把立法會CB(1)190/03-04(03)號文件所提述的甲、乙類居屋售予綠表人士。"

("That this Panel urges the Government to sell the Home Ownership Scheme (HOS) flats under Lists A and B referred to in LC Paper No. CB(1) 190/03-04(03) to Green Form applicants as soon as possible.")

37. Mr FUNG Kin-kee seconded the motion. The Chairman put the motion to vote. Mr LEE Cheuk-yan, Mr Fred LI, Miss CHAN Yuen-han, Mr Andrew WONG, Dr YEUNG Sum, Mr SZETO Wah, Mr WONG Sing-chi and Mr Frederick FUNG voted for and Messrs Howard YOUNG, Tommy CHEUNG and LAU Ping-cheung voted against the motion. Messrs CHAN Kam-lam and Mr NG Leung-sing abstained from voting. The Chairman declared that the motion was carried.

Motion (b)

38. Mr Tommy CHEUNG expressed reservation about motion (b) on the ground that the HOS flats concerned were over-sized for conversion to PRH flats. Moreover, the rents charged for these converted flats would be high. Since there were pending judicial proceedings regarding HA's failure to comply with the median rent-to-income ratio (MRIR) for PRH, the motion, if passed, would further complicate the MRIR issue. He also pointed out that there were other feasible disposal options and it was inappropriate to restrict to only those options mentioned in the motion. He opined that motion (b) should be withdrawn.

39. Mr NG Leung-sing echoed Mr Tommy CHEUNG's views and called for prudence in proceeding with the motion. He said that the public would have the impression that the Panel on the one hand urged the Administration to comply with the MRIR but requested it to convert HOS flats into high-rental PRH flats on the other. He further pointed out that cost might be incurred if the HOS flats concerned were modified to suit PRH allocation standards. He also opined that there was a need to clearly state that the converted flats would not be sold under the Tenants Purchase Scheme or else the HOS flats concerned would in effect be sold indirectly.

40. DD of H(BD) shared the views of Messrs CHEUNG and NG and confirmed that if the HOS flats under List C were to be used as PRH, the overall level of PRH rents would inevitably increase and hence aggravate the MRIR. Moreover, it was also necessary to address the conversion problems highlighted in paragraph 23 (a) above.

41. Commenting on motion (b), Mr LEE Cheuk-yan said that he had yet to decide whether to support the guesthouse option. He further commented that the motion should impose a deadline on the consideration of the options for conversion to Government departmental quarters and guesthouses after which the HOS flats concerned should be converted to PRH.

42. Mr Andrew WONG opined that the words "盡量" (as far as possible) should be added to the motion to allow flexibility in exploring other uses of the HOS flats under List C. Dr YEUNG Sum however explained that sufficient flexibility had already been embodied in his proposed motion (b).

43. Mr CHAN Kam-lam pointed out that motion (b) might have the effect of excluding use of the flats for sale to the Hong Kong Housing Society for rehousing purposes. He therefore proposed that the motion be amended to urge the Government to "consider" converting certain HOS flats under List C to PRH. While having no objection to the word "consider", Dr YEUNG Sum said that a majority of such HOS flats should be converted to PRH.

44. Pointing out that some of the flats under List C were PSPS flats, Mr Andrew WONG cast doubt on whether such flats could be converted to PRH. In response, DD of H(BD) confirmed that some of the List C flats were PSPS flats which did not belong to HA. Disposal of PSPS flats in other way would have to be agreed by the developer and would necessitate the buy-back of the flats by HA first.

45. Noting the comments of members, Dr YEUNG Sum agreed to revise the motion to add "PSPS" to the bracketed words. The motion was read as follows -

"本會促請政府盡快考慮把立法會CB(1)190/03-04(03)號文件所提述的丙類居屋（除私人參建計劃屋苑及用作政府宿舍和旅館用途的屋苑外）以公屋形式出租。"

("That this Panel urges the Government to consider as soon as possible converting the HOS flats under List C referred to in LC Paper No. CB(1) 190/03-04(03) to public rental housing, with the exception of the flats in courts under the Private Sector Participation Scheme and in HOS courts to be used as government departmental quarters and guesthouses.")

46. Mr Frederick FUNG seconded the motion. The Chairman put the motion to vote. Mr CHAN Kam-lam, Mr LEE Cheuk-yan, Mr Fred LI, Miss CHAN Yuen-han, Mr Andrew WONG, Dr YEUNG Sum, Mr SZETO Wah, Mr WONG Sing-chi and Mr Frederick FUNG voted for and Mr NG Leung-sing voted against the motion. Messrs Howard YOUNG, Tommy CHEUNG and LAU Ping-cheung abstained from voting. The Chairman declared that the motion was carried.

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47. The Chairman requested the Administration to take the necessary follow-up actions in respect of the motions.

(Post-meeting note: A letter formally advising the Administration of the above motions was issued on 4 November 2003.)

- V. **Divestment of Housing Authority's retail and car-parking facilities**
(Ref: HD(CR)/(CS) Div/DV/3
- Legislative Council Brief on Divestment of Housing Authority's Retail and Car-parking Facilities
 - LC Paper No. CB(1)190/03-04(04) -- Information paper provided by the Administration
 - LC Paper No. CB(1)190/03-04(05) -- Fact sheet on Real Estate Investment Trusts prepared by the Research and Library Services Division)

48. The Deputy Director (Corporate Services), Housing Department (DD of H(CS)) briefed members on the Administration's paper on the proposed divestment of HA's retail and car-parking (RC) facilities.

49. Mr LAU Ping-cheung enquired whether the divestment would be conducted in one-go or by phases to tie in with the condition of the property market. In response, DD of H(CS) elaborated that the HA initial plan was to divest the RC facilities in one-go but would closely monitor the market situation. Where the situation warranted it, the HA did not rule out the possibility of adopting a phased approach to maximize the proceeds. He also said that the HA would seek advice from the Global Coordinators (GCs) and the Financial Adviser (FA) appointed for the divestment exercise. Mr LAU cautioned that the GCs and the FA's advice should be considered carefully because these appointed persons could benefit more if the divestment was conducted in one-go.

Staff arrangements

50. Mr LAU Ping-cheung proposed that HA should continue to provide maintenance and repair works for the RC facilities after divestment to capitalize on the operational knowledge and experience of the existing staff and to allay their concern about job security. In response, DD of H(CS) pointed out that the HA intended to impose as few restrictions as possible on the new company as imposing such restrictions would affect the attractiveness of the new company shares to potential investors, thus reducing the proceeds that could be realized. Nevertheless, the HA would recommend the new company to employ some of the existing staff and offer the maintenance services of HA to the new company but these would not be mandatory requirements.

51. Addressing Miss CHAN Yuen-han's concern about possible redundancies of HA staff as a result of the divestment, DD of H(CS) stressed that the HA had undertaken not to lay off the affected staff who wished to continue their career in the civil service. All possible means would be explored to redeploy surplus staff. In response to Miss CHAN, he also confirmed that staff consultation would be continued throughout the divestment process to address any problem that might

emerge. Mr LEE Cheuk-yan said that with reduced workload, there would inevitably be reducing demand for staff. He therefore remained concerned about possible lay-off of HA staff in future.

Need to conduct hearing to receive views

52. Mr Tommy CHEUNG, Miss CHAN Yuen-han, Mr LEE Cheuk-yan, Mr Andrew WONG and Dr YEUNG Sum considered it necessary to receive views from affected parties on the following grounds -

- (a) The proposed divestment would have significant implications on tenants of HA's RC facilities. The rental for these facilities might increase after divestment if the facilities were operated solely on a commercial basis. The financial burden might eventually be passed onto consumers in terms of higher prices for goods and services;
- (b) The proposed divestment would have serious implication on HA's staff in terms of job security; and
- (c) The proposed divestment would also have implication on PRH tenants. Rental income from the RC facilities constituted a significant source of HA's recurrent income. The loss of rental income from RC's facilities after the divestment would have impact on HA's financial position and might necessitate increase of rents for HA PRH units.

53. Mr NG Leung-sing expressed reservation about the suggestion to receive views at this stage. He opined that it was inappropriate to assume without any solid ground that the divestment would not be to the benefit of RC's tenants and PRH tenants. He considered it more appropriate to discuss and obtain more information about the divestment before hearing views from relevant parties. Mr LEE Cheuk-yan also agreed that the Panel should first examine whether the divestment should go ahead.

54. Addressing Mr LEE Cheuk-yan's question on whether a decision had been made to take forward the divestment, DD of H(CS) confirmed that both the Administration and HA had so decided, but at the present stage the divestment process was not irreversible. He however stressed the need to take forward the divestment expeditiously to meet HA's budget deficit and to take advantage of the present low-interest-rate environment which would be conducive to the initial public offering of shares of a Real Estate Investment Trust.

55. Members considered it necessary to further discuss the proposed divestment at the next regular meeting of the Panel. The Chairman asked members to relay their concerns, if any, in writing, to the Clerk. He also advised the Clerk to

liaise with the Administration to take out one of the proposed items for discussion at that meeting.

(Post-meeting note: It was agreed with the Administration that the item on "Combating cooked food hawking in public housing estates" would not be discussed at the December regular meeting.)

VI. Any other business

56. There being no other business, the meeting ended at 4:40 pm.

Council Business Division 1
Legislative Council Secretariat
28 November 2003
