

立法會
Legislative Council

LC Paper No. CB(1) 1744/09-10
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Monday, 1 March 2010, at 2:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon WONG Kwok-hing, MH (Chairman)
Hon Frederick FUNG Kin-kee, SBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon CHAN Hak-kan
Hon WONG Kwok-kin, BBS

Public officers attending : **For item IV**

Mr Thomas C Y CHAN, JP
Permanent Secretary for Transport and Housing (Housing)

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Annette LEE, JP
Deputy Secretary for Transport and Housing (Housing)

Ms Cora HO
Assistant Director (Strategic Planning)
Housing Department

For item V

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Mr FUNG Hing-wang, JP
Commissioner for Census & Statistics

Ms Annette LEE, JP
Deputy Secretary for Transport and Housing (Housing)

Ms Cora HO
Assistant Director (Strategic Planning)
Housing Department

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

Staff in attendance : Mrs Mary TANG
Senior Council Secretary (1)2

Miss Mandy POON
Legislative Assistant (1)4

Action

- I. Confirmation of minutes**
(LC Paper No. CB(1) 1208/09-10 — Minutes of the meeting held on
7 January 2010)

The minutes of the meeting held on 7 January 2010 were confirmed.

II. Information paper issued since last meeting

2. Members noted that the following information paper had been issued since last meeting -

LC Paper No. CB(1) 1081/09-10(01) — Administration's paper on Land
Registry Statistics in
January 2010 (press release)

III. Items for discussion at the next meeting

- (LC Paper No. CB(1) 1210/09-10(01) — List of follow-up actions
LC Paper No. CB(1) 1210/09-10(02) — List of outstanding items for discussion)

3. Members agreed to reschedule the next meeting on 8 April 2010 to Friday, 16 April 2010, at 3:00 pm or immediately after the House Committee meeting, whichever the later. They also agreed to discuss the following items at the next meeting -

- (a) Proposed directorate staffing proposal in the Estate Management Division of the Housing Department; and
- (b) Provision and management of retail and car parking facilities in public housing estates after divestment of the facilities by the Housing Authority.

IV. Review of Waiting List Income and Asset Limits for 2010/11

- (LC Paper No. CB(1) 1210/09-10(03) — Administration's paper on review of Waiting List Income and Asset Limits for 2010/11
LC Paper No. CB(1) 1210/09-10(04) — Paper on Waiting List Income and Asset Limits prepared by the Legislative Council Secretariat (updated background brief))

4. The Permanent Secretary for Transport and Housing (Housing) (PSTH) briefed members on the findings of the review of the Waiting List (WL) income and asset limits for 2010-11. In gist, the income and asset limits for 2010-11 would increase by an average of 1.2% and 2.5% respectively over those for 2009-10. If the proposed limits were adopted, some 119 200 non-owner occupied households in the private sector would be eligible for public rental housing (PRH). The Assistant Director of Housing (Strategic Planning) (ADH(SP)) gave a power-point presentation on the methodology for assessing the WL income and asset limits and the findings of the review.

(Post-meeting note: A copy of the power-point presentation materials were circulated under LC Paper No. CB(1) 1385/09-10(01) on 15 March 2010.)

Review*Differential unit rents of private flats*

5. Mr LEE Wing-tat noted that according to the Administration, the overall differential unit rents of private flats in the fourth quarter of 2009 had increased by 1.3% as compared with the same period in 2008. This was at variance with the statistics of some property agencies which indicated that rents of private flats had

increased by 20% to 30% upon renewal of tenancies as a result of the rise of 27% of property prices in 2009. Referring to the information on the website of Midland Realty Company, Mr Fred LI pointed out that the average rents of private flats in December 2008 and December 2009 were \$14.13 per square feet and \$17.32 per square feet respectively, representing an increase of 22.5% which was much higher than that of 1.3% in the Administration's paper. He also questioned why the unit rents of two-person private flats were on the rise while that for one-person flats remained unchanged.

6. PSTH said that the 22.5% increase worked out by the Midland Realty Company might have included in the calculation all sizes of private flats in Hong Kong. ADH(SP) added that the average unit rents of private flats referred to in the present review were derived from the data of the Rent Survey conducted by the Census and Statistics Department (C&SD), covering those private flats with flat size of 69.9 square metres (m²) saleable area or below, with adjustment to unit rent per Internal Floor Area. The Rent Survey covered both new and existing tenancies of private flats. Meanwhile, the survey conducted by Midland Realty Company would have probably also included flats of much larger sizes. Taking one-person tenant household as an example, the percentage changes of the average unit rents of these households in Hong Kong Island, Kowloon and New Territories between the fourth quarters of 2008 and 2009 were -5.8%, 0%, and +2.3% respectively. Hence, the overall percentage change was 0% for one-person households. While acknowledging that the increase in rents might not be able to catch up with the surging property prices, Mr LEE Wing-tat found it hard to believe that the rents of private flats in Hong Kong Island in 2009 had dropped by 5% as compared to 2008. This was quite contrary to the latest developments of the rental market. ADH(SP) said that the survey conducted by C&SD was based on the same parameters which had been used over the years, and the aforementioned figures referred to the average unit rents position of one-person households, with an increase in the overall average unit rent of all household sizes noted.

Reference flat size

7. Mr Frederick FUNG questioned the accuracy of the survey given that the unit rent per m² of smaller flats in Shamshuipo was much higher than that of \$168 for one-person flat as stated in the Administration's paper. He also queried the rationale for setting the reference flat size for one-person at 15.3 m² when one-person households could be allocated PRH flats of 22 m². Besides, all PRH flats in older estates like Oi Man Estate, Nan Shan Estate and Shek Kip Mei Estate were larger than 15.3 m². PSTH said that the average unit rent of private flats was an average rent worked out taking into account rents of the relevant private flats in all districts.. ADH(SP) explained that the reference flat size of 15.3 m² was not the minimum size but the average size of the PRH flats allocated to one-person WL applicants over the past three years, including both new and refurbished PRH flats. She added that the Rent Survey conducted by C&SD had indicated that there was not much change in the average rent of one-person private flats over the past year. Notwithstanding, PSTH agreed to relay to the Housing Authority (HA) Mr FUNG's request to adopt a larger reference size for one-person flat in future.

Proposed WL Income and Asset Limits for 2010-11

8. Mr WONG Kwok-kin noted that the average increase of 1.2% of the income limit for 2010-11 was much less than the inflation rate of 2.3% as announced by the Financial Secretary in his 2010-11 Budget. He opined that the income limits should be relaxed in line with the Harmonious Families Priority Scheme to encourage more young families to take care of the elderly parents/dependent relatives. PSTH said that this year's inflation rate would be reflected in the review of income limits in the following year. ADH(SP) explained that the income limits were derived using a "household expenditure" approach that comprised housing and non-housing costs. The housing cost referred to the average expenditure a household required to rent private accommodation with an average size comparable to a PRH unit. The non-housing cost was determined with reference to the latest Household Expenditure Survey which collected detailed information of the expenditure patterns and levels of different households, with adjustment according to the latest movement in Consumer Price Index (A) (excluding housing cost). The income limits for different household sizes were the respective sums of the housing and non-housing costs, plus as a 5% "contingency" provision. The income limits were derived according to established mechanism, which had been adopted over all these years and accepted by the public. Besides, HA had put in place enhanced measures, including credit waiting time, to encourage young families to take care of the elderly parents/dependent relatives. PSTH added that if the combined income and asset of young families and the elderly parents/dependent relatives had exceeded the prescribed limits, they could apply for separate nearby units for mutual care.

9. Noting that the income limits for one-person households had remained at \$7,400 for 2009-10 and 2010-11, Mr CHAN Hak-kan considered it very unfair to non-elderly singletons on WL who had been kept waiting for many years. There were also many non-elderly singletons who were not eligible for PRH but could not afford to live in private flats. The Administration should formulate suitable housing policies to meet the housing needs of this specific group. The Chairman also questioned why the income limit for one-person households had remained unchanged despite the increase of 1.7% in non-housing costs. He was skeptical that the stringent income limit was meant to deter non-elderly singletons from applying for PRH in view of the already long waiting list. He urged HA to increase the income limit for one-person household taking into account the increase of 1.7% in non-housing costs, amounting to \$75. PSTH clarified that there was no intention on the part of HA to deter non-elderly singletons from applying for PRH. The income limit was derived in accordance with the established mechanism, and the same methodology was adopted for the review of limits of households of different sizes. Besides, there was a need to prioritize the use of the limited housing resources to those in genuine housing needs. For the younger generation who had just started working, they could choose to live with their parents if they could not afford to live on their own. As such option might not be available for families with young children, they would have a more imminent need for public housing. Notwithstanding, a separate quota had been provided for non-elderly singletons on WL. At members' request, the Administration agreed to provide the number of non-elderly singletons on WL and the respective

waiting time of those rehoused into PRH, and relay members' concern about the income limit for one-person household to HA.

Admin 10. Professor Patrick LAU noted that if the proposed limits were adopted, some 119 200 non-owner occupied households would be eligible for PRH. Given that HA would only build 15 000 PRH units and recover some 16 000 units from existing stock every year, he questioned how the supply of PRH could meet the increasing demand as a result of the review of WL income and asset limits, thereby maintaining the average waiting time at around three years. PSTH said that while 119 200 non-owner occupied households who would become eligible for PRH, not all of them would apply for PRH. Continued efforts would be made to provide sufficient PRH units to maintain the average waiting time at around three years. At members' request, the Administration agreed to provide the total number of applicants on WL.

11. Mr Abraham SHEK said that more resources should be earmarked to increase the supply of PRH flats with a view to reducing the waiting time of WL applicants. The Government should review the housing policy to meet the changing circumstances so that more people could be eligible for PRH and would not have to pay the high rents of private flats. There was a need to relax the overly stringent income and asset limits since some people earning the proposed minimum wage would be ineligible for PRH. PSTH said that the Government was committed to identifying suitable and sufficient land for public housing. However, support from districts would be essential for the development of PRH. While the number of PRH flats that could be constructed might vary from one year to another, HA would endeavour to meet the demand for PRH and to maintain the average waiting time at around three years.

12. Given that priority and other concessions were accorded to families with elderly members, Mr Fred LI suggested that the same should be applied to families with disabled members as they would likely incur more expenses in taking care of the disabled. PSTH said that special consideration on compassionate grounds would be given to these families based on the recommendations of the Social Welfare Department.

13. To ascertain the accuracy of the findings of the review, Mr Frederick FUNG suggested arranging an informal meeting for interested members to meet with the Administration and the relevant property agencies to discuss the methodology for assessing the rents of private flats. As the findings of the review would be considered by the Subsidised Housing Committee of HA on 26 March 2010, the Chairman said that the meeting should be held before that day. He also instructed that the minutes of the current meeting should be forwarded to HA before 26 March so that HA members would be made aware of the concerns raised by the Panel. PSTH undertook to arrange for the meeting and would inform members of the arrangements in due course.

(Post-meeting note: An informal meeting was subsequently arranged to be held on Wednesday, 17 March 2010.)

V. New rent adjustment mechanism for public rental housing

(LC Paper No. CB(1) 1059/09-10(01) — Administration's paper on new rent adjustment mechanism for public rental housing

LC Paper No. CB(1) 1210/09-10(05) — Paper on the new rent adjustment mechanism prepared by the Legislative Council Secretariat (updated background brief))

Relevant paper

(LC Paper No. CB(1) 796/09-10(03) — Administration's paper on new rent adjustment mechanism for public rental housing)

14. USTH briefly outlined the framework for compiling the income index under the new rent adjustment mechanism and briefed members on progress of the first rent review (the Review). ADH(SP) gave a power-point presentation on the methodology and procedures involved, and the income data collection for the Review. The Commissioner for Census & Statistics (C for C&S) said that the Census & Statistics Department (C&SD) had adopted various quality control measures in the compilation of income data to ensure impartiality, objectiveness and reliability of the income survey exercise.

(Post-meeting note: A copy of the power-point presentation materials were circulated under LC Paper No. CB(1) 1385/09-10(02) on 15 March 2010.)

Data collection

15. Noting that PRH tenants were categorized by household size in the sampling process, Mr LEUNG Yiu-chung enquired about the household size distribution of different districts. Given the large PRH population, the random sampling of 24 000 households per year might not be able to reflect the actual situation. Besides, it would be difficult to obtain accurate data based on random sampling because the samples would differ in different districts. He asked how the public could be convinced that the income index was computed in an impartial, objective and accurate manner.

16. In response, C for C&S said that to assess the overall pure income change of PRH tenants, the household size distribution of PRH tenants in the rent review cycle should remain unchanged to eliminate the impact of variation in household size distribution on household income in the compilation of income index. In this connection, PRH tenants were divided into five categories (i.e. five strata) according to their household size in the sampling process, i.e. one-person household, two-person household, three-person household, four-person household, and household of five persons or more. Sampled households for a particular month were drawn from each category according to the actual proportion of PRH tenants of that month in that category, with households in each stratum drawn according to an appropriate interval after a start was randomly determined (i.e. proportionate stratified systematic random

sampling). C for C&S added that for the present survey, 24 000 sampled households were sufficient for the present purpose. To ensure the representativeness of the sample, C&SD conducted monthly checks on whether the household size distribution of the sampled households was in line with the overall household size distribution of PRH tenants. This was scientifically verified by applying the Chi-square test to the observed distribution of households and the expected distribution of households. To avoid manual input errors, HA had adopted the double data entry approach i.e. the same set of data was input into the computer by two staff members separately, thus enabling input error to be readily identified and rectified immediately. Moreover, about 5% of tenants who had declared income were randomly selected and requested to submit income documentary proof to support that the information declared was true and correct. So far, there had not been any cases of false declaration.

17. Noting that the response rate of the "Survey on Household Income of PRH tenants" for the first period of the Review was 98%, the Chairman enquired about the response rate for the second period. He was concerned that any difference in the response rates for the two periods might affect the accuracy of computation of the income index, thereby affecting the rate of rent adjustment. C for C&S said that the income declaration forms were served under section 25(1) of the Housing Ordinance (Cap 283) and declaration was mandatory. A comparable response rate was expected for the second period of the Review as failure to complete the income declaration would be against the law. So far, the only one tenant who refused to return the income declaration form was prosecuted and fined by the Court on conviction.

Data computation

18. Mr LEE Wing-tat noted that the mean monthly household income over the first period was \$13,233. This was computed by excluding well-off tenants, other households with high outlying income levels, and Comprehensive Social Security Assistance (CSSA) households. The reason for excluding CSSA households from the computation of income index was because CSSA was effectively social security allowance provided by Government rather than income. Given that about one out of five PRH households were CSSA households, and that CSSA households and well-off tenants comprised 24% and 3.9% of the completed sample respectively, the mean monthly household income could have been much lower if these households were included in the computation. USTH explained that the income index was meant to reflect the change in household income of PRH tenants. The Deputy Secretary for Transport and Housing (Housing) added that the Bills Committee on the Housing (Amendment) Bill 2007 (the Bills Committee) had deliberated in length the types of households to be included in the computation of the income index. It was concluded that "non-representative" households, such as CSSA households and well-off tenants, with income deviating considerably from the normal PRH households, would be excluded to minimize distortion to the income index.

19. Mr LEE Wing-tat said that he was opposed to the exclusion of "non-representative" households from computation of the income index when the subject was discussed by the Bills Committee. He remained of the view that the

mean monthly household income should be worked out taking into account CSSA households and well-off tenants. ADH(SP) said that the computation of income index was meant to reflect the change in household income and affordability of PRH tenants, and this was not applicable to CSSA households as CSSA was not a source of income. Hence, the majority of Bills Committee members agreed that CSSA households should be excluded from the computation of income index. C for C&S said that the mean monthly household income for the first period of the Review was computed in accordance with the mechanism agreed by the Bills Committee. As such, CSSA households had been and would be excluded from the computation of income indexes in both the first and second periods of the Review to enable a fair comparison. The same would apply to well-off tenants and other households with high "outlying" income. Mr Frederick FUNG enquired about the definition of households with high "outlying" income. ADH(SP) said that these referred to high-income households who were not required to declare income under the so-called "well-off tenants" policy (including those who had resided in PRH for less than 10 years).

20. Given that the 24 000 sampled households drawn and the number of "non-representative" in the first period of the Review would be different from that in the second period, the Chairman was concerned that this would affect the accuracy of computation of the income index. C for C&S said that in view of the large size of the sampled households, mean monthly household income so derived was highly reliable, as reflected by the coefficient of variation of the sample estimates. Members should rest assured about the reliability of the computation. As regards "non-representative" households with income deviating considerably from normal PRH households, C for C&S said that C&SD adopted the "John Tukey's Outliers Filter" method which was a robust statistical method for the treatment of outliers data commonly used in other countries as well as the United Nations and the European Union. Applying this methodology to delineate the upper and lower income limit for identifying the outliers of the income data in the "Survey on Household Income of PRH Tenants" would exclude PRH households with income exceeding the upper income limits, while households with low income levels were in the negative income zone. For the first period of the review, 513 households with income exceeding the upper income limits were excluded from computation of the income index. A great difference in the number of excluded high income households was not expected for the second period of the Review.

21. Mr LEUNG Yiu-chung remained concerned about the reliability of the methodology for computing the income index in the absence of any confirmation from an independent third party, such as academics from the relevant fields. He also questioned the objectivity of the sampling process given the different income profiles in different districts. ADH(SP) said that to ensure impartiality, objectiveness and reliability of the income survey exercise, the Bills Committee had invited academics and experts from the relevant fields to give views on the methodology for computing the income index. It had also decided to specify in the Bill that C for C&S should be appointed to compute the income index in his independent capacity.

22. The Chairman asked if the methodology for computing the income index as well as the statistical data obtained from the survey (other than protected personal data under the Personal Data (Privacy) Ordinance (Cap. 486)) could be made available for public reference. Mr LEUNG Yiu-chung added that the number of households sampled from each districts should be set out to prove that the sampling process was fair and accurate. ADH(SP) said that the distribution of the sample highly resembled the actual distribution of PRH households. The Chairman enquired about the time frame for completion of the income survey exercise. USTH said that the income data collected by HA for the second period of the Review would be submitted for computation of the income index by C&SD as soon as practicable, which was expected to be completed around mid 2010, and the Administration would revert to the LegCo before the summer break.

23. In concluding, the Chairman stressed the need to ensure the impartiality, objectiveness and reliability of the income survey exercise as this would affect the rate of rent adjustment.

VI. Any other business

24. There being no other business, the meeting ended at 4:30 pm.