

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 69th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 3 June 2016, at 5:10 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP

Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon Alvin YEUNG Ngok-kiu

Members absent:

Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Dr Hon LEUNG Ka-lau
Hon WONG Yuk-man
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH

Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon SIN Chung-kai, SBS, JP
Hon CHUNG Kwok-pan

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Laurie LO Chi-hong, JP	Deputy Secretary for Home Affairs (1)
Mr Vincent FUNG Hao-yin	Principal Assistant Secretary for Home Affairs (Civic Affairs) 1
Mr Alan SIN Kwok-leung	Chief Technical Adviser (Subvented Projects), Architectural Services Department
Mr James CHAN Yum-min	Chief Executive Officer, Po Leung Kuk
Mrs Bridget YU CHAN Wai-ping	Principal Social Services Secretary (Family, Child Care, Children and Youth), Po Leung Kuk
Mr Eddie LEUNG Yu-cheung	Head of Property and Works, Po Leung Kuk
Ms Amy FUNG	Deputy Executive Director, The Hong Kong Federation of Youth Groups
Ms Phoenix NGAI	Supervisor, The Hong Kong Federation of Youth Groups
Mr C H NG	Managing Director, Handi Architects Limited

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Keith WONG	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

Action

Item No. 2 – FCR(2016-17)33

**RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 4 MAY 2016**

PWSC(2015-16)60

**HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND
EQUIPMENT**

Subventions – Miscellaneous

**44QJ – Youth Hostel Scheme – Construction works by Po Leung Kuk for
the youth hostel project in Ma Tin Pok, Yuen Long**

Item No. 3 – FCR(2016-17)34

**RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 18 MAY 2016**

PWSC(2016-17)10

**HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND
EQUIPMENT**

Subventions – Miscellaneous

**41QJ – Youth Hostel Scheme – Construction by The Hong Kong
Federation of Youth Groups**

When the meeting began, the Chairman declared that this Finance Committee ("FC") meeting would be chaired by the Deputy Chairman. The Deputy Chairman then took over from the Chairman to chair the meeting.

Relaxing the eligibility criteria for youth hostel tenants in joining the application queue for public rental housing

2. Mr LEE Cheuk-yan, Mr WONG Kwok-hing and Dr CHIANG Lai-wan urged the Administration to consider relaxing the terms of allocating public rental housing (PRH) units to tenants living in youth hostels. Mr LEE said that the Administration should allow two-person household applicants for PRH who were both allocated youth hostel units to continue staying in the PRH waiting queue even after being offered tenancy by youth hostels.

3. Deputy Secretary for Home Affairs (1) ("DSHA1") responded that eligible young applicants for youth hostels, including two-person household applicants for PRH could apply for both PRH and youth hostels at the same time. However, once they accepted a tenancy offered by youth hostel or a PRH unit, they had to withdraw the other application. As youth hostel and PRH were both subsidized with public money, allowing youth hostel tenants to remain in the waiting queue for PRH would be unfair to other young PRH applicants who were not youth hostel tenants.

Number of youth hostel units provided

4. Mr WONG Kwok-hing noted that the two proposed projects would provide a total of 2 142 units, the number was below the target of providing a first batch of 3 000 hostel units as set by the Administration in 2012. He enquired when the Administration expected the target could be achieved.

5. DSHA1 clarified that the above-mentioned target was expressed in terms of the number of tenants who had moved into the hostels. Some of the units provided by the two proposed projects were double units, thus the two projects could accommodate more than 2 700 tenants. At the same time, the Administration would continue to communicate with other suitable non-profit-making organizations ("NGOs") for their participation in the Youth Hostel Scheme. It was expected that the target of 3 000 tenants living in youth hostels could be achieved soon.

Mode of developing youth hostels

6. Ms Emily LAU enquired that as sites held by NGOs were private land, how the Administration could achieve the target of unleashing "the potential of these under-utilized sites" through the Youth Hostel Scheme. She believed that only the development of PRH could solve the housing problem in the long term.

7. DSHA1 explained that land was a precious resource in Hong Kong, and some sites acquired by NGOs in their early years of operations had the potential of being further developed into youth hostels. Regarding the development of youth hostels, the Administration would sign a Grant and Operation Agreement ("GOA") and a land lease with each NGO individually specifying that during the 40 years of service contract period, the service operator could not demolish the youth hostel, and the land uses thereafter would continue to be bound by the land lease.

8. DSHA1 added that the land obtained by Po Leung Kuk ("PLK") from a private developer was owned by PLK. The Administration was of the view that as it was impossible to determine whether housing problem of the young people would be the most pressing social needs of Hong Kong 40 years later, so flexibility of the service agreement must be maintained, so that the Government could discuss the optimum land use with the service operator by then. The present proposal of requiring the youth hostels to go on operating for 40 years could ensure that the youth hostels, of which the construction fees were funded by public money, were made full use of.

9. Dr Fernando CHEUNG noted that before the private developer donated the site to PLK for developing a youth hostel, it had suggested donating the site for constructing PRH and applied for changing its land use to build low-density residential units, but the applications were rejected. Dr CHEUNG asked whether the developer held any land or had any development projects in the vicinity of the site, because this might affect the development of the youth hostel.

10. In response, DSHA1 mentioned that the Home Affairs Bureau ("HAB") did not have any relevant information, nor it had any knowledge of the previous considerations the private developer had in donating the site. The site was currently designated as "government, institution or community facilities" site, which was suitable for the development of youth hostels.

Disposal of operating surplus

11. Mr LEE Cheuk-yan and Ms Cyd HO considered that the Administration should monitor the disposal of surpluses from operating youth hostels by the service operators and requested them to devote the operating surpluses to youth hostels. Mr LEE worried that service operators might set the rentals at the upper limit as allowed by policy or hire contract staff to save costs, for the purpose of maximizing their operating surpluses.

12. DSHA1 remarked that under the policy, service operators might transfer the operating surpluses to services other than provision of youth hostels as more people might be benefited. Therefore, the Administration would not set the restriction that the operating surpluses could only be used on the youth hostels.

13. Mr CHAN Chi-chuen enquired about the criteria HAB might base on in exercising the final discretion to refuse participating service operators' request of transferring any surplus from the operation of youth hostels to other uses.

14. DSHA1 responded that, when deciding whether it should exercise the final discretion, HAB would consider factors such as the operating conditions of a service operator, the amount of operating surplus, the adequacy of mandatory reserve, the number of users who could benefit from the proposed use, and whether the proposed use overlapped with the services receiving regular government subsidies.

15. Mr CHAN Chi-chuen requested The Hong Kong Federation of Youth Groups ("HKFYG") to specify on which aspect of its youth hostel in Tai Po it would spend the entire amount of its operating surplus. Deputy Executive Director, The Hong Kong Federation of Youth Groups ("DED, HKFYG") responded that the operating surplus would mainly be spent on services of assisting the development of young people, and the service targets would be the tenants of the youth hostel.

Monitoring the way of spending public funds

16. Mr Alan LEONG worried that as NGOs would be handed over the operation of youth hostels which were constructed with the costs fully funded by public money, this might give the public an impression that the Administration tilted towards such institutions, and such a practice was not compatible with public policy principles. Mr Albert CHAN queried that while youth hostels would be run by NGOs, the construction costs and engineering consultancy fees were to be paid by public funds, he considered such a practice inappropriate.

17. DSHA1 responded that the Youth Hostel Scheme was not established for any individual NGOs. Apart from the existing service operators, there were other NGOs holding lands conducting discussion with the Administration for participation in the Youth Hostel Scheme. The participating NGOs must be non-profit-making, have good track records, and would be subject to the regulation of a 40-year service contract.

Rental levels of youth hostels

18. Dr CHIANG Lai-wan considered that the rental levels of youth hostels, which were set at a level not exceeding 60% of the market rents, were too high. She asked the Administration how the rental levels were set. Mr Albert CHAN said that service operators still charged high rents, even though they did not have to pay for the construction costs of the youth hostels. Mr LEUNG Kwok-hung opined that youth hostel tenants could not benefit from the Scheme as the rental levels were high.

19. DSHA1 responded that service operators based on the market rents of private residential flats of similar sizes and with non-luxury designs in nearby areas, and set 60% of the market rents of such private flats as the ceiling rental level of the youth hostel units. Besides, basing on the median monthly employment earnings of \$13,000 as at 2015 of employed persons eligible for applying for youth hostel units, the calculations showed that the rentals would be \$2,300 and \$1,700 for units at the HKFYG and the PLK hostels respectively, which would account for about 18% and 14% of the median monthly employment earnings. It was believed that such rents should be within the affordable levels of young tenants. If the rental levels were reduced further, the service operators might not be able to pay for the operating expenses, and it would be difficult to attract NGOs to participate in the Youth Hostel Scheme. DSHA1 added that 60% of the market rents of similar residential flats in the same district was set as the rental ceiling of youth hostels, and PLK had said that the referencing level of the rents of its youth hostels would be set at 50% of the relevant market rents of similar flats in the same district. This was confirmed by Chief Executive Officer, Po Leung Kuk.

20. Dr CHIANG Lai-wan suggested the Administration first clarify details of the Youth Hostel Scheme, and then submit a paper to FC for discussion.

Motion to adjourn discussion on the item FCR(2016-17)33

21. At 6:11 pm, Mr LEUNG Kwok-hung moved, without notice, a motion under paragraph 39 of the Finance Committee Procedure ("FCP") that discussion on the item FCR(2016-17)33 be then adjourned.

22. The Deputy Chairman then put the question on the motion to adjourn discussion on the item FCR(2016-17)33 to FC. He directed that, when speaking on the question, each member could speak once for not more than three minutes.

23. Mr LEUNG Kwok-hung spoke on his motion, suggested contacting and requesting the private developers who donated the land to make further downward adjustments to the rental levels. Furthermore, the Government's supervision of the service operators running the youth hostels was insufficient. Although the construction costs were funded by the Government, the Government refused to run the youth hostels and it was also incapable of monitoring the service operators. It could neither impose penalties on operators with poor performance in their management, nor could it recover the construction costs. Youth hostels were to be owned by the service operators, and the Government would be trapped in a dilemma if such operators chose to demolish the hostels or had them reconstructed.

24. Mr WONG Ting-kwong declared that he served on the PLK Advisory Board as a member.

25. Dr Fernando CHEUNG, Mr CHAN Chi-chuen, Mr Albert CHAN and Ms Emily LAU supported the motion. In brief, these members opined that the details of the Youth Hostel Scheme had yet to be clarified, and that the rental levels of youth hostels, being set at a level not exceeding 60% of the market rents, were too high. Ms Cyd HO was dissatisfied that PLK did not commit to using the entire operating surplus on youth hostel.

26. Mr IP Kwok-him indicated that the Democratic Alliance for the Betterment and Progress of Hong Kong was against the motion. Dr CHIANG Lai-wan and Mr WONG Ting-kwong spoke against the motion, but agreed that there was room for downward adjustment of the rents.

27. DSHA1 responded that land uses of the sites occupied by youth hostels would be governed by land leases, and the Administration would not acquire lands from the NGOs for the development of youth hostels. Furthermore, rentals of the two proposed youth hostels would account for only about 14% to 18% of the median monthly employment earnings of the young people, which should be within the affordable levels of young tenants. Furthermore, the participating NGOs were required to submit their financial reports of operating the youth hostels to the Government each year and the documents would be made public, which would facilitate public monitoring.

28. Mr LEUNG Kwok-hung replied in respect of his motion. The Deputy Chairman put the motion to vote. At the request of members, the Deputy Chairman ordered a division and the division bell was rung for five minutes. The Deputy Chairman declared that 14 members voted in favour of and 22 members voted against the motion. The votes of individual members were as follows –

For:

Mr LEE Cheuk-yan	Ms Emily LAU Wai-hing
Mr Frederick FUNG Kin-kee	Ms Cyd HO Sau-lan
Mr CHEUNG Kwok-che	Mr LEUNG Kwok-hung
Mr Albert CHAN Wai-yip	Ms Claudia MO
Mr CHAN Chi-chuen	Dr Kenneth CHAN Ka-lok
Dr Fernando CHEUNG Chiu-hung	Dr Helena WONG Pik-wan
Mr IP Kin-yuen	Mr Alvin YEUNG Ngok-kiu
(14 members)	

Against:

Mr TAM Yiu-chung	Mr Tommy CHEUNG Yu-yan
Mr WONG Kwok-hing	Mr Jeffrey LAM Kin-fung
Mr Andrew LEUNG Kwan-yuen	Mr WONG Ting-kwong
Mr WONG Kwok-kin	Mr IP Kwok-him
Mr James TIEN Pei-chun	Mr NG Leung-sing
Mr YIU Si-wing	Mr MA Fung-kwok
Miss CHAN Yuen-han	Miss Alice MAK Mei-kuen
Mr Christopher CHEUNG Wah-fung	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Mr TANG Ka-piu	Dr CHIANG Lai-wan
Ir Dr LO Wai-kwok	Mr Christopher CHUNG Shu-kun
(22 members)	

29. The Deputy Chairman declared that the motion of Mr LEUNG Kwok-hung was negated.

30. The Committee continued its discussion on agenda item FCR(2016-17)33 and 34.

Arrangements after the expiration of the operation agreement

31. Ms Cyd HO enquired whether the youth hostels would be owned by the service operators after the agreement of operating youth hostel for 40 years expired. Ms HO requested the Administration to submit the land leases and the GOAs signed with service operators for review by FC as soon as possible, and said that she would vote against the item FCR (2016-17)34.

32. DSHA1 responded that based on the prevailing depreciation rate, the construction costs paid by the Administration would be fully offset in the account after 40 years. On the other hand, despite the current strong demand for housing and youth hostels by young people, it was difficult for the Government to accurately predict the social conditions after 40 years. Therefore, the term of the operation agreements was fixed at 40 years so as to maintain the flexibility that the Government could, having regard to the social conditions then, discuss the optimum land use with the service operators when the agreements were approaching their expiration. However, the provisions relating to land uses and non-transferability in the land leases of youth hostels would remain valid even after the lapse of 40 years.

Costs involved and units provided by the HKFYG project

33. Mr CHAN Chi-chuen noted that apart from the construction of a youth hostel, the HKFYG's project comprised the demolition and reprovisioning of the Youth S.P.O.T.. While the construction cost of the youth hostel would be funded by the Capital Works Reserve Fund, funding for the latter had been sought from the Lotteries Fund ("LF"). He enquired whether the estimated project cost of \$150.9 million for the HKFYG youth hostel included both the construction costs of the youth hostel and the Youth S.P.O.T., and of which, the amount funded by LF.

34. DSHA1 responded that the estimated cost of \$150.9 million was only for funding the construction of the youth hostel. Chief Technical Adviser (Subvented Projects), Architectural Services Department responded that LF would provide a funding of about \$24 million for reprovisioning of the Youth S.P.O.T..

35. Mr CHAN Chi-chuen enquired whether the 78 units in the HKFYG youth hostel were all single units, and about the number of units on each floor. Mr CHAN requested the Administration to provide the floor plan of the youth hostel in order to understand the layouts of the units.

36. DED, HKFYG responded that there would be on average 5 units on each floor of the youth hostel; and of the 78 units, two units were designed to suit people with special needs and disabilities, and the rest were single units.

37. Mr Albert CHAN requested the Administration to consider purchasing the sites for development of youth hostels to develop youth hostels on its own, so as to ensure future ownership of the hostels. In response, DSHA1 remarked that the Administration currently did not have such a policy.

Motion to adjourn further proceedings of the Committee

38. At 6:59 pm, Mr Albert CHAN moved a motion under paragraph 39 of the FCP that further proceedings of the Committee be then adjourned.

39. The Deputy Chairman then put the question on the motion to adjourn further proceedings of the Committee. He directed that, when speaking on the question, each member could speak once for not more than three minutes.

40. Mr Albert CHAN spoke on his motion. Mr CHAN was dissatisfied with the Administration for its lack of supervision on the operating surpluses while the costs of design, construction and so on were paid by public funds. This was, in effect, transferring benefits to NGOs operating youth hostels.

41. Dr CHIANG Lai-wan, Mr LEUNG Kwok-hung and Mr CHAN Chi-chuen spoke in support of the motion.

42. The meeting was adjourned at 7:10 pm.