

立法會
Legislative Council

LC Paper No. CB(1)2259/05-06
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by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

**Minutes of special meeting
held on Thursday, 25 May 2006, at 2:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon LEE Wing-tat (Deputy Chairman)
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHAN Yuen-han, JP
Hon LEUNG Yiu-chung
Dr Hon YEUNG Sum
Hon Abraham SHEK Lai-him, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon WONG Kwok-hing, MH
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
- Members attending** : Hon Margaret NG
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon Ronny TONG Ka-wah, SC
Hon TAM Heung-man

- Members absent** : Hon Albert HO Chun-yan
Dr Hon Joseph LEE Kok-long
- Public officers attending** : Mr Michael M Y SUEN, GBS, JP
Secretary for Housing, Planning and Lands
- Mr Thomas C Y CHAN, JP
Permanent Secretary for Housing, Planning and Lands
(Housing)
- Mr TAM Wing-pong, JP
Deputy Secretary for Housing, Planning and Lands (Housing)
- Mr Carlson CHAN
Assistant Director (Strategic Planning)
Housing Department
- Clerk in attendance** : Ms Connie SZETO
Chief Council Secretary (1)6
- Staff in attendance** : Ms Sarah YUEN
Senior Council Secretary (1)6
- Ms Michelle NIEN
Legislative Assistant (1)9

Action

- I. Discussion on the Consultation Paper on Review of Domestic Rent Policy**
(LC Paper No. CB(1)1571/05-06(01) — Summary of views presented to the
Panel prepared by the Legislative
Council Secretariat
- LC Paper No. CB(1)1571/05-06(02) — Administration's response to the
summary of views presented to the
Panel prepared by the Legislative
Council Secretariat
- LC Paper No. CB(1)1045/05-06 — Consultation Paper on Review of
Domestic Rent Policy and its
Executive Summary

LC Paper No. CB(1)1060/05-06(03) — Information paper provided by the Administration)

The Chairman advised that the purpose of the current meeting was for members to exchange views with the Administration on the Consultation Paper (the Consultation Paper) on Review of Domestic Rent Policy (the Review). At the Chairman's invitation, the Secretary for Housing, Planning and Lands (SHPL) briefed members on the progress of the consultation exercise, and expressed views on a number of issues which were of particular concern to the community. He highlighted the following points:

- (a) The Review was not intended in any way as a means to pave way for the Housing Authority (HA) to increase public rental housing (PRH) rents;
- (b) The call for HA to first reduce rents before reviewing the rent adjustment mechanism should be considered in a comprehensive and holistic manner. The Ad Hoc Committee on Review of Domestic Rent Policy (CDRP) remained of the view that HA should look into the establishment of a rent adjustment mechanism alongside the issue of how the current rents should be adjusted to a level that was considered suitable and acceptable to the community. The revised rent level should then form a new basis upon which the future rent adjustment mechanism would operate fairly and effectively;
- (c) The Government did not have the slightest intention of bypassing the Legislative Council (LegCo) and the existing legislation to introduce rent increase through administrative means. In order to establish a rational and sustainable rent adjustment mechanism that would allow both upward and downward rent adjustments in accordance with the actual circumstances of the society and tenants, it was apparent that suitable amendments to the relevant statutory provisions were warranted;
- (d) As to the proposal on differential rents, the main purpose of putting it forward was to provide more choices and flexibility to tenants. It was not HA's objective to introduce market principles into the public housing programme or increase its income through differential rents. Since views on the proposal were rather divided, HA would study these carefully before firming up its decision;
- (e) As regards the consultation period, over the past two months, different sectors of the community had already made known their views and positions through various consultation activities organized and participated by the Housing Department (HD). Taking account of the progress of the consultation exercise thus far, the Administration

believed there would be little material gain from extending the consultation period; and

- (f) CDRP would analyze carefully the views collected during the consultation exercise and put forward recommendations to HA. The Administration would then brief the Panel further.

(*Post-meeting note: SHPL's speech was issued to members vide LC Paper No. CB(1)1596/05-06 on 26 May 2006.*)

Discussion

Rent adjustment mechanism and rent level

2. Mr Albert CHAN commented that similar to the case of the proposed merger of the Mass Transit Railway and Kowloon-Canton Railway systems where the Administration had misled the public that the merger proposal would lead to fare reduction; in the case of the Review, the Administration was trying to convince PRH tenants of the need to put in place a new rent adjustment mechanism that could allow both downward and upward adjustment in rents, where in fact HA should have long reduced rents in consideration of deflation in the past years and given its improved financial position after the divestment of retail and carparking facilities. As such, Mr CHAN urged that HA should first reduce rents before conducting the Review, and ensure that the rent level was reasonable before implementing any new rent adjustment mechanism.

3. Mr WONG Kwok-hing expressed dissatisfaction that the Administration had refused to reduce PRH rents. He pointed out that there was strong call from PRH tenants for the Administration to first reduce rents before reviewing the rent adjustment mechanism in consideration of the undertaking given by SHPL that there would be measures to relieve the financial pressure of tenants (SHPL's undertaking) and the hardships of PRH tenants.

4. On the call for HA to first reduce rents before conducting the Review, SHPL explained that HA had established the CDRP in 2001 to conduct a comprehensive review of its domestic rent policy. However, the work of CDRP was adjourned due to the judicial review (JR) on HA's decision to defer rent review. The Court of Final Appeal's ruling on the JR case helped clarify the relevant provisions under the Housing Ordinance (the HO) (Cap. 283) relating to domestic rent policy. He stressed that there was an urgent need to put in place a more viable rent adjustment mechanism. He accepted that HA should look into the establishment of a rent adjustment mechanism alongside the issue of how the current rents should be adjusted to a level that was considered suitable and acceptable to the community taking into account the actual circumstances of the society, so that the revised rent level could form a new basis upon which the future rent adjustment mechanism would operate fairly and effectively.

5. Mr LEE Wing-tat considered that if the Administration was to pursue the Review and the adjustment of the current rents in parallel, HA should first reduce PRH rent by 10% to 15% in recognition of the decline in tenants' household incomes and deflation in Hong Kong since 1997, i.e. the year in which HA started to freeze rents, in order to convince tenants that the rent level was reasonable. In response, SHPL said that CDRP was analyzing the views received during the consultation exercise and would submit its recommendations to HA. He reiterated that the issues of establishing a more viable rent adjustment mechanism and identification of an appropriate rent level to provide a new starting point for the mechanism to operate should be considered in parallel. HA would welcome views on how and the extent to which the current rent levels were to be adjusted.

6. On the proposed rent adjustment mechanism, Mr LEE Wing-tat highlighted the volatility of the economy, and opined that when working out the mechanism, HA should note that household incomes might not necessarily increase with rises in consumer price. He therefore saw a need to cap the level of rent increase. SHPL noted Mr LEE's views and added that apart from movements in consumer price, the Consultation Paper had proposed making reference to other indices for rent adjustment purpose, such as median monthly household income and average monthly income index.

7. Mr CHEUNG Hok-ming said that as revealed from public forums he had organized for the Consultation Paper, while most tenants agreed on the need to introduce a rent adjustment mechanism, they stressed the need of first reducing rents to ensure fairness to tenants in view of deflation in Hong Kong in the past years. There was also concern that HA would only increase rents after putting in place the rent adjustment mechanism. In response, SHPL reiterated that there was a need to look into the establishment of an objective rent adjustment mechanism alongside the issue of how the current rents should be adjusted to a level that was considered suitable and acceptable to the community in a comprehensive and holistic manner. He assured members that HA would consider all the views collected during the consultation exercise and study relevant issues with care.

8. On behalf of the Civic Party (CP), Miss TAM Heung-man urged HA to first reduce PRH rents before seeking to introduce the proposed rent adjustment mechanism. CP considered that the proposed rent adjustment reference indices were complicated and difficult for the public to understand. Moreover, since the eligibility criteria of the Rent Assistance Scheme was still based on the median rent-to-income ratio (MRIR) of PRH households, the use of MRIR as an indicator in rent adjustment was more reliable, practicable and acceptable. The Administration noted the views.

9. On behalf of the Liberal Party (LP), Mrs Selina CHOW called upon the Administration to take on board the strong call from tenants to reduce PRH rents. While LP considered that the proposed rent adjustment mechanism appeared to be fair, it was necessary to note the difficulty PRH tenants faced in coping with rent

increases. As such, apart from exercising care to ensure the proposed mechanism would really allow reduction in rents, HA should exercise flexibility in rent review ensuring that any rent increase in future would be affordable to tenants. Mr Tommy CHEUNG concurred it would be fair to tenants for HA to first reduce PRH rents.

10. In response, SHPL reiterated that having considered all possible options, HA had decided to adopt a targeted approach to assist PRH tenants who were most in need. The recent relaxation of the eligibility criteria for the Rent Assistance Scheme was considered a more effective relief measure than reducing rents across the board. To benefit the majority of the tenants, HA had already implemented improvement measures to enhance the living environment of PRH estates, such as the installation of condensation drainpipes for air-conditioners, improvement programmes for lifts and water pipes works in estates.

11. Mr Abraham SHEK queried HA's motives for conducting the Review and cast doubt on the need to introduce a rent adjustment mechanism as the current mechanism could already allow for both increase and reduction in PRH rents. He further pointed out that notwithstanding the outcome of the JR, the Administration should pay due regard to the legislative intent of the Housing (Amendment) Ordinance 1997 (the Amendment Ordinance 1997) which provided for the 10% MRIR cap.

12. Mr LEUNG Yiu-chung, the proposer of the Housing (Amendment) (No.3) Bill 1996 (later enacted as the Amendment Ordinance 1997) said that the intention of the Bill was to restrain rent increases, which before enactment of the Amendment Ordinance 1997, were usually higher than the inflation rate and beyond the affordability of tenants. The MRIR cap was to ensure the social function of PRH in providing affordable housing to the low-income households. Given the above considerations, it would be inappropriate for HA to implement proposals of differential rents and exclusive rents in PRH, which were principles of the private rental market. These proposals would introduce fundamental changes in the function of PRH. Moreover, the four rent adjustment reference indices put forward in the Consultation Paper would all facilitate rent increase and not rent reduction because as revealed in past experience, deflation had rarely happened in Hong Kong. In this connection, Mr LEUNG indicated support for tenants' request for rent reduction before conducting the Review. He also expressed concern about adopting a targeted approach in providing rent assistance to PRH tenants and the lack of consultation on the measures and the target groups to benefit from the assistance. In fact, many tenants who were marginally ineligible for rent assistance would be denied help.

13. In response, SHPL said that there was no question about the need to ensure rents were affordable to PRH tenants. However, the surge in MRIR was attributed to a host of interwoven and complicated factors other than changes in rent levels and tenants' incomes. It was therefore questionable whether a 10% MRIR, given the way it was being assessed, was a suitable affordability ceiling and, least of all, a

mechanism to determine the extent of rent adjustment. He added that the Consultation Paper only set out the initial findings and the possible improvement measures identified by CDRP. HA would be guided by the outcome of the public consultation when taking a view on the way forward.

14. As regards the concern that the proposed rent adjustment mechanism would only lead to rent increases, SHPL said that the objective was to put in place a mechanism that would allow for both upward and downward rent adjustments based on some well-defined and objective indicators such as movements in consumer price or household income. Rents would have to be reduced should there be deflation or downward adjustment in tenants' income.

15. Miss CHAN Yuen-han reiterated that there had been strong calls from PRH tenants for HA to first reduce rents before conducting the Review. In her view, there should be rent reduction in PRH across the board. Relaxation of the Rent Assistance Scheme had fallen short of tenants' expectation. She also queried the real motive of the Review and expressed concern that it might be used as an excuse to increase PRH rents. Miss CHAN cautioned that rent increase could affect social stability and urged the Administration not to stir up conflicts among different classes in society.

16. SHPL stressed that CDRP had been established in March 2001 to undertake the Review but its work was intervened by the JR. HA had absolutely no intention whatsoever to make use of the current Review to pave the way for rent increase or raising HA's income. CDRP and HA would consider all the views received carefully before making any decisions. The Administration would ensure that the LegCo would have ample opportunity to discuss the relevant proposals and recommendations.

17. Mr Frederick FUNG opined that HA could already increase and reduce PRH rents under the HO. The main outstanding issue was to work out an objective and fair indicator for measuring tenants' affordability. He considered that the proposed rent adjustment mechanism not a good indicator of affordability. While the Consultation Paper had pointed out problems in the current rent policy, it had not clearly explained the motives and rationale behind the Review. As such, PRH tenants had inevitably raised suspicion that the purpose of the Review was to increase rents. Moreover, instead of honouring the undertaking to reduce rents, HA had implemented enhancement measures for the Rent Assistance Scheme, which had only benefited fewer than 10 000 households. Mr FUNG stressed the need for HA to show its sincerity by reducing PRH rents. Otherwise grievances could lead to further mistrust between HA and PRH tenants and objection to the Consultation Paper. Pointing out that the median monthly household income had already decreased by 20% since 1998, Mr FUNG urged that HA should first reduce rent by 20% and thereafter adjust rents according to changes in tenants' affordability. All in all, Mr FUNG considered that to successfully take forward the Review, the Administration should clearly set out the motives and objectives of the Review, as well as incorporate the proposed rent adjustment mechanism in the HO.

18. In response, SHPL said that the questions of establishing a rent adjustment mechanism and adjusting the current rents to a level that was considered suitable and acceptable should be considered concurrently. To provide an objective basis for determining the extent of rent adjustment warranted, it was necessary to first agree on a viable rent adjustment mechanism. In his view, the current approach adopted by HA did not differ too much from that being urged by Members.

19. Mr LEUNG Kwok-hung concurred that the function of PRH was to provide affordable housing to the low-income households. This had contributed to the stability and prosperity of Hong Kong. He considered that the statutory MRIR cap was to ensure PRH was affordable to tenants. He expressed disappointment that the Government had implemented a public housing policy with the aim of boosting the property market and without regard to the affordability of PRH tenants. This was evidenced by the proposals of introducing differential rents and exclusive rents in determining PRH rents. In this connection, Mr LEUNG urged the Administration to first reduce rents before conducting the Review.

20. Mr Alan LEONG cast doubt on the Administration's interpretation of the Court of Final Appeal's ruling on the JR. In his opinion, the ruling had pointed to the fact that there was no provision in the HO to prevent rent reduction. It also implied that the existing rent adjustment mechanism could already allow for both increase and reduction in PRH rents although the extent and formula of reduction were not provided in the HO. As section 4(1) of the HO provided that HA had the duty to secure the provision of housing to the needy, HA could reduce rents where necessary to ensure PRH was affordable to tenants. The ruling therefore had not imposed any restriction on rent reduction. While agreeing with Mr LEONG's analysis, SHPL said that the HO did not provide for any objective mechanism for determining the extent of rent adjustments warranted. The objective of the current Review aimed just to do that.

21. The Chairman pointed out that most PRH tenants found the proposal to guide rent adjustments by movements in tenants' household income more acceptable. Moreover, tenants all saw a need to explore the suitable rent level upon which the proposed rent adjustment mechanism should operate. He however noted that views on the suitable rent level were diverse and reduction of the current rents by 10% to over 30% had been proposed. He stressed that HA should discuss these issues in detail taking all relevant factors into consideration.

Rent relief measures

22. Dr Fernando CHEUNG pointed out that HA's refusal to reduce rents had aggravated the financial hardship of PRH tenants as tenants were still suffering from reduction in wages as a result of the economic downturn in the past few years. Despite SHPL's undertaking, no rent relief measures had been introduced. Against such background, it was inevitable that tenants had voiced their strong dissatisfaction with the Consultation Paper which in their views had aimed to increase rents. This was evidenced by proposals to exclude Comprehensive Social Security Assistance (CSSA) recipients and tenants paying additional rents from the calculation of MRIR with a view to dragging down the figure, compilation of MRIR based on net rents, i.e. excluding rates and management expenses, and introducing differential rents to apply the principles of the private rental market in determining PRH rents. In this connection, Dr CHEUNG considered it necessary for the Administration to take concrete measures to address tenants' concerns. In particular, he urged HA to implement more rent relief measures.

23. On the concern about rent relief measures for PRH tenants, SHPL said that HA had already introduced targeted rent relief measures to assist tenants in genuine need by way of relaxing the eligibility criteria for the Rent Assistance Scheme. As regards the proposals for rationalizing the calculation of MRIR, the rising MRIR in recent years was attributed to a host of factors including reduction in household size, replacement of old PRH estates with new ones, and a sharp growth in the number of tenants receiving CSSA, etc. As households receiving CSSA would have their rents fully covered by the Government in great majority of the cases, the question of whether rents were affordable to them was largely irrelevant. Including CSSA recipients in the calculation of MRIR had distorted the assessment of affordability. While the Consultation Paper had identified a number of proposals for improving the assessment of MRIR, MRIR was only a broad indicator of affordability. Future rent adjustments would be guided by the proposed index-linked rent adjustment mechanism based on movements in consumer price or household income rather than MRIR.

Improvements to the assessment of the MRIR

24. Dr YEUNG Sum considered the proposal of compiling MRIR based on net rents an excuse for increasing PRH rents. In his view, HA's financial difficulty was the direct result of the moratorium on the sale of Home Ownership Scheme (HOS) flats. To tackle the financial problem, HA should seek financial assistance from the Government and resume sale of HOS flats in due course instead of putting forward the concerned proposal. He further pointed out that should HA consider that the statutory 10% MRIR cap had imposed constraint upon its power to adjust rents, it should invite views on how legislative amendments should be introduced to remove the constraint instead of trying to evade from complying with the cap through administrative means, which had spurred wide concern and grievances from PRH

tenants. Dr YEUNG added that the Democratic Party was opposed to the proposals of excluding CSSA recipients and tenants paying additional rents from the calculation of MRIR and introducing exclusive rent on ground that they would increase the scope for rent increase.

25. In response, SHPL emphasized that the Administration had no intention to bypass the HO. He said that some of the proposals in the Consultation Paper might require legislative amendments for implementation. Should HA decide to adopt these proposals, the Administration would then pursue the necessary legislative process accordingly. The Administration was mindful of the need to duly follow the necessary legislative procedures and would put efforts to reach a consensus with LegCo on the legislative amendments.

26. Miss TAM Heung-man highlighted CP's view that CSSA recipients should not be excluded from the calculation of MRIR. As CSSA households made up about 20% of PRH households and having regard to their vulnerability, the affordability of CSSA households should be given due consideration. Pointing out that PRH was a safety net for the low-income people and played an important role in ensuring social stability, Miss TAM also stated CP's opposition to the proposal on exclusive rents. There was concern from tenants that they might be required to bear rates and management costs in the long run. In CP's view, it was the responsibility of HA to pay rates as the owner of PRH flats. CP had also requested HA to enhance the transparency of PRH management costs and conduct a comprehensive review on the subject. The Administration noted the views.

27. Mr Alan LEONG expressed reservation about the proposal to exclude CSSA recipients and tenants paying additional rents from the calculation of MRIR. It was because according to section 16(1A) of the HO, the 10% MRIR cap should apply to "all estates let for residential purposes" of HA. As such, the proposal might contravene the HO. Moreover, as CSSA households made up about 20% of PRH households, excluding CSSA households from the calculation of MRIR would lower MRIR from the present 14.6% to 12.7%. PRH tenants would be suspicious that the proposal was introduced to pave the way for rent increase.

28. In response, SHPL reiterated that the surge in MRIR had been attributed by many factors. The Consultation Paper had highlighted the problem of distortion in adopting MRIR as an indicator of affordability and identified possible options for improving its assessment. It also examined whether MRIR should continue to be the sole factor in rent adjustment or whether it should be replaced by other alternative rent adjustment mechanisms.

Differential rents

29. While noting that tenants had expressed diverse views on the proposal on differential rents, Mr Albert CHAN said that he was opposed to the proposal on grounds that it was undesirable from the political perspective and unnecessarily categorizing tenants into classes. Moreover, implementation of the proposal would entail high administrative costs and operational difficulties, and would run contrary to the objective of promoting a harmonious society.

30. Dr YEUNG Sum stated his opposition to the proposal on differential rents. In his view, with the Gini Coefficient already standing high at 0.525 in 2001, the problem of widening gap between the rich and the poor in Hong Kong was already very serious and could lead to social discords at any time. By offering accommodation to half of Hong Kong's population at comparatively low rents, PRH had played an important function in maintaining social stability as well as facilitating upward social mobility of the less privileged class. Given the above circumstances, the proposal to introduce differential rents was dangerous because it would affect social integration and unnecessarily categorize PRH tenants into classes. By creating conflicts among the poor, the proposal would have negative social impact and would make the society more divisive. As such, Dr YEUNG emphasized the need for the Administration to exercise great care in introducing changes to the current PRH policy, and pointed out that the proposal should not be taken forward merely for the sake of improving HA's financial situation. His views were shared by Dr Fernando CHEUNG, Miss CHAN Yuen-yan, Miss TAM Heung-man and Mr Abraham SHEK. Mr SHEK further commented that the existing arrangement for allocation of PRH flats by drawing lots was fair. The proposal to allow tenants to select flats that matched their preferences and affordability was divisive. Moreover, since PRH was a form of social welfare for the low-income people, the principles of the private rental market should not be applied in determining PRH rents. In addition, as the proposal would apply to new estates only, it would be unfair to treat sitting tenants and waiting list (WL) applicants differently.

31. Mr CHEUNG Hok-ming said that PRH tenants were mostly opposed to the proposal on differential rents on concern that sitting households would be subject to the proposal during transfers to other PRH flats.

32. Mrs Selina CHOW and Mr Tommy CHEUNG pointed out that while LP recognized differential rent, which was the approach adopted in the private rental market rents, would be a fairer framework for determining PRH rents with due regard to tenants' affordability; in view of tenants' grave concern about the proposal, it was necessary for the Administration to exercise care and strike a proper balance between the interests of relevant stakeholders before making a decision.

33. Mr Frederick FUNG pointed out that HA was already charging differential rents in PRH by setting higher rents for newly completed estates, and dividing the

territory into six geographic districts in setting rents taking into account the location and comparable estate values of the district concerned. The present proposal on differential rents was indeed aimed to apply the principles of the private rental market in determining PRH rents.

34. Mr LEUNG Kwok-hung stated his opposition to the proposal on differential rents on grounds that all WL applicants were equal as they had all passed the eligibility test of PRH. He also urged other members not to support the proposal.

35. The Chairman said that as revealed in the many residents' meetings he had organized and attended, PRH tenants were in general opposed to the proposal on differential rents.

36. Mr LEE Wing-tat opined that differential rents could be introduced by reducing the rents for those units in "unpopular" locations or vacated for a long time, such as old flats in Tuen Mun, to reflect their proper rental values and to improve the letting rate so as to ensure optimal utilization of PRH resources.

37. In reply, SHPL said that HA had no intention to increase rental income through differential rents. In fact, as pointed out in the Consultation Paper, implementation of the proposal would have neutral impact on the total rental income of a PRH block. He assured Members that tenants' affordability would continue to sit at the very heart of HA's domestic rent policy. The proposals set out in the Consultation Paper did not in any way imply that HA would introduce a market-oriented system in determining PRH rents.

The need of introducing legislative amendments

38. Mr Frederick FUNG urged the Administration to introduce legislative amendments instead of administrative measures to implement the proposed rent adjustment mechanism so as to allay tenants' concern about HA's intention to implement the mechanism for increasing rents.

39. SHPL reiterated the Administration's intention to introduce appropriate legislative amendments to enable implementation of the proposed rent adjustment mechanism. In response to Mr WONG Kwok-hing's enquiry about the relevant legislative timetable, SHPL said that subject to an early conclusion of the current review of domestic rent policy, he aimed to introduce the relevant amendment bill into LegCo within the 2006-07 session, and hopefully by March or April 2007 the earliest. In this regard, Dr YEUNG Sum suggested that the Administration should conduct public consultation on the proposed legislative amendments before introducing the relevant bill into LegCo.

40. Mr LEE Wing-tat opined that the Administration should take the opportunity to undertake an overall review of the HO to address other issues, such as the problem of hawker control in PRH estates where various departments including HD, the Food

and Environmental Hygiene Department and the Transport Department were involved for taking enforcement actions. In response, SHPL said that the overall review of the HO should be pursued in a separate exercise, lest it would delay introduction of the relevant amendment bill.

Public consultation period

41. Mr WONG Kwok-hing expressed regret that SHPL's introductory remarks in paragraph 1 had failed to address concerns expressed by the public. It was inevitable that PRH tenants had criticized the consultation exercise as cosmetic. He was dissatisfied that the Administration had not taken on board tenants' request to extend the consultation period. While it had taken CDRP five years to conduct the Review, a three-month consultation period was considered too short. Moreover, it was necessary for HA to organize more district public forums to solicit views on the Consultation Paper.

42. Mr CHEUNG Hok-ming pointed out that attendance of public forums on the Consultation Paper was low. In this regard, the Administration should review the need of extending the consultation period.

43. Miss TAM Heung-man concurred that the consultation period was too short. In addition, given that WL applicants would be affected by the various proposals, in particular the proposal on differential rents, HA should take the initiative to consult WL applicants.

44. SHPL said that HD staff had participated in most of the consultation activities organized by LegCo Members and District Councillors and were fully aware of the views of the local residents on the Consultation Paper. In addition, the Administration had attended two special meetings of the Panel held to receive public views, and had provided its detailed responses to the views received by the Panel. The public had been given ample opportunities to air their views. Moreover, HA was conducting a telephone opinion survey to collect views on the Consultation Paper from different quarters in the community. As such, there seemed to be little material gain from extending the consultation period.

Other views and concerns

45. The Chairman pointed out that PRH tenants had expressed opposition to the proposal of introducing fixed-term tenancy on concerns about negative impact on social stability and disruption to sitting tenants. In response, SHPL said that it had been pointed out in the Consultation Paper that the current system of monthly tenancy provided a flexible framework for HA to take effective tenancy enforcement actions and implement rent adjustments. Adopting fixed-term tenancy might compromise HA's flexibility in these areas. He assured members that CDRP would take note of tenants' concerns on the matter.

46. Miss CHAN Yuen-han said that as revealed in residents' meetings on the Consultation Paper, there were many problems associated with the current PRH policy which HA needed to address. For instance, the "well-off tenant policy", under which households with incomes exceeding the PRH income limit were required to pay higher rents or move out from PRH estates, had forced households to split up and resulted in elderly and family problems in PRH. Miss CHAN highlighted PRH's important contribution to the development of Hong Kong, and urged HA to refrain from introducing changes to PRH policy that aimed at forcing sitting tenants to leave PRH.

47. In response, SHPL pointed out that HA had been implementing the "well-off tenants policy" with great care and sensitivity. He cautioned against resolving all problems relating to PRH policy in the context of the current review, which aimed to improve its domestic rent policy. Issues like "well-off tenants" policy should be addressed at a later stage.

Motion

48. Mr LEUNG Kwok-hung sought to move the following motion:

“本委員會要求房委會立即按法例規定減租，以符合租金不超過公屋居民入息中位數十分之一規定。”

(Translation)

“That this Panel requests the Housing Authority to immediately reduce PRH rents to comply with the statutory 10% MRIR cap.”

49. The Chairman pointed out that in accordance with House Rules 22(p), a motion might be proposed if it was considered by the chairman of the Panel as directly related to the agenda item. In this regard, he considered that Mr LEUNG Kwok-hung's motion was not directly related to the agenda item because the motion sought to request HA to immediately reduce PRH rents, whereas the focus of the agenda item was on the Consultation Paper. The Chairman further pointed out that Mr LEUNG's motion would entail a lengthy debate as there were diverse views on the extent of rent reduction to be introduced. There would not be sufficient time for the Panel to conduct the debate before the appointed ending time of the meeting at 4:30 pm.

50. Mr LEUNG Kwok-hung disagreed that his motion was not directly related to the agenda item, pointing out that by moving the motion, he was attempting to urge the Administration to adopt a suitable rent level as the basis upon which to conduct the Review.

51. Miss CHAN Yuen-han considered that Mr LEUNG Kwok-hung's motion had reflected the majority view of the depositions that HA should first reduce rents before

conducting the Review. She indicated support for the meeting to deal with the motion.

52. Mr LEUNG Kwok-hung decided to withdraw his motion. Mr Frederick FUNG moved the following motion:

“本委員會要求房屋委員會立即接納本委員會意見，先減租後檢討租金調整機制。”

(Translation)

“That this Panel requests the Housing Authority to immediately accept the Panel’s view that rent reduction should be introduced first, followed by a review of the rent adjustment mechanism.”

Mr FUNG’s motion was seconded by Miss CHAN Yuen-han.

53. Mr Tommy CHEUNG did not consider it appropriate for the Panel to proceed with Mr FUNG’s motion at the current meeting because many members had already left the meeting. Moreover, given the limited time, members could not give views on the motion. As the consultation on the Review had yet to come to an end, Mr CHEUNG suggested that the Panel could deal with the motion at the next meeting.

54. Members agreed to put Mr Frederick FUNG’s motion to vote. Of the members present, six voted for the motion and three abstained. The Chairman declared that the motion was carried. Mrs Selina CHOW and Mr Tommy CHEUNG said that they had abstained from voting because while LegCo Members of LP supported rent reduction, they considered that the issues of rent reduction and the Review should be conducted in parallel with rent reduction to be introduced immediately upon operation of the proposed rent adjustment mechanism. The Chairman said that he had abstained from voting as he considered that the motion had not been thoroughly thought out.

(Post-meeting note: The wording of the motion was circulated to members vide LC Paper No. CB(1)1597/05-06(01) on 26 May 2006.)

II. Any other business

55. There being no other business, the meeting ended at 4:44 pm.

Council Business Division 1
Legislative Council Secretariat
25 September 2006