立法會 Legislative Council

LC Paper No. CB(1)1950/06-07 (These minutes have been seen by the Administration)

Ref: CB1/BC/1/06

Bills Committee on Housing (Amendment) Bill 2007

Minutes of eighth meeting on Thursday, 10 May 2007, at 8:30 am in Chamber of the Legislative Council Building

Members present: Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP (Chairman)

Hon Albert HO Chun-yan

Hon LEE Cheuk-yan

Hon CHAN Kam-lam, SBS, JP

Hon LEUNG Yiu-chung Hon WONG Yung-kan, JP

Hon Miriam LAU Kin-yee, GBS, JP

Hon Emily LAU Wai-hing, JP Hon Abraham SHEK Lai-him, JP Hon Tommy CHEUNG Yu-yan, JP

Hon Albert CHAN Wai-yip Hon WONG Kwok-hing, MH Hon LI Kwok-ying, MH, JP Dr Hon Joseph LEE Kok-long, JP Hon Alan LEONG Kah-kit, SC Hon LEUNG Kwok-hung

Hon WONG Ting-kwong, BBS

Prof Hon Patrick LAU Sau-shing, SBS, JP

Members absent: Hon Fred LI Wah-ming, JP

Hon CHAN Yuen-han, JP

Hon Frederick FUNG Kin-kee, SBS, JP

Hon LEE Wing-tat

Hon Daniel LAM Wai-keung, SBS, JP Dr Hon Fernando CHEUNG Chiu-hung Hon CHEUNG Hok-ming, SBS, JP Hon Ronny TONG Ka-wah, SC

Public Officers attending

: Miss Mary CHOW Shuk-ching, JP
Deputy Secretary for Housing, Planning and Lands
(Housing)

Ms Cora HO Assistant Director (Strategic Planning) Housing Department

Mr Raymond WU Senior Administrative Officer (Strategic Planning) 2 Housing Department

Mr Francis YIU Senior Statistician Housing Department

Mr Lawrence S Y PENG Senior Assistant Law Draftsman Department of Justice

Miss Emma WONG Government Counsel Department of Justice

Attendance by invitation

: Oi Man Estate Kar Man House Mutual Aid Committee

Mr LAI Ming-hung Chairman

Democratic Party

Mr Nelson WONG Vice-Spokesman of Housing Policy

Associate Professor, City University of Hong Kong

Dr YIP Ngai-ming
Department of Public and Social Administration

Neighbourhood and Worker's Service Centre

Mr Andrew WAN Siu-kin General Secretary

Alliance for Defending Grassroots Housing Rights

Ms WONG Ling-hei Member

Ms CHEUNG Man-wai Member

Tsuen Wan District Councillor

Mr CHIU Ka-po District Councillor

Professor, Hong Kong Polytechnic University

Dr Eddie HUI Chi-man Department of Building and Real Estate

Kowloon Choi Hung Estate Residents Association

Mr LAU Kar-wah Chairman

Chinese Grey Power

Ms LO Siu-lan Member

Mr NG Kin-wing Organizer

Reasonable Housing Rights Concern Group

Mr LEUNG Wing Member

Ms LEE Tsui-king Member

Kwai Chung Estate Resident's Right Concern Group

Mr NG Wing-chak Chairman

Mr CHANG Bill Member

Kwai Fong Residents' Association

Mr CHUNG Hau-ping

Member

Lee On Estate Lee Wah House Mutual-Aid Committee

Ms YIM Pik-fan Representative

Sham Shui Po Community Association

Ms WU Ka-ling Member

Mr YEUNG Hiu-fai Member

Shek Lei Estate Resident's Right Concern Group

陳冬妹女士 Member

Clerk in attendance: Ms Connie SZETO

Chief Council Secretary (1)6

Staff in attendance: Mr Kelvin LEE

Assistant Legal Adviser 1

Ms Debbie YAU

Senior Council Secretary (1)1

Ms Michelle NIEN

Legislative Assistant (1)9

Action

I Meeting with deputations and the Administration

Submissions

(LC Paper No. CB(1)1570/06-07(05) -- Submission from Oi Man Estate Kar Man House Mutual Aid Committee (Chinese version only)

LC Paper no. CB(1)1575/06-07(01) -- Submission from Democratic Party (subsequently issued on 10 May (Chinese version only) 2007)

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(subsequently issued on 10 May Estate Housing Problem Concern Group (Chinese version only) 2007) LC Paper No. CB(1)1570/06-07(06) -- Submission from Alliance Defending Grassroots Housing Rights (Chinese version only) LC Paper No. CB(1)1570/06-07(07) -- Submission from Mr CHIU Ka-po, Tsuen Wan District Councillor (Chinese version only) LC Paper No. CB(1)1570/06-07(08) -- Submission from Kowloon Choi Hung Estate Residents Association (Chinese version only) LC Paper No. CB(1)1575/06-07(03) -- Submission from Chinese Grey (tabled and subsequently issued on Power (Chinese version only) 10 May 2007) LC Paper No. CB(1)1575/06-07(04) -- Submission from Reasonable Housing Rights Concern Group (tabled and subsequently issued on 10 May 2007) (Chinese version only) LC Paper No. CB(1)1575/06-07(05) --Submission from Kwai Chung (tabled and subsequently issued on Estate Resident's Right Concern 10 May 2007) Group (Chinese version only)) Papers for this meeting (LC Paper No. CB(1)1570/06-07(01) -- List of follow-up actions arising from the discussion on 4 May 2007 prepared by the Legislative Council Secretariat LC Paper No. CB(1)1570/06-07(02) -- The Administration's responses to Members' concerns raised at the meetings on 17 and 26 April 2007 LC Paper No. CB(1)1508/06-07(01) -- List of follow-up actions arising from the discussion on 17 April 2007 prepared by the Legislative Council Secretariat LC Paper No. CB(1)1508/06-07(02) -- List of follow-up actions arising from the discussion on 26 April 2007 prepared by the Legislative

Council Secretariat

LC Paper no. CB(1)1575/06-07(02) -- Submission from Kwai Chung

LC Paper No. CB(1)1570/06-07(03) -- Summary of deputations' views expressed at the meeting on 8 March 2007 and the Administration's response

LC Paper No. CB(1)1570/06-07(04) -- Summary of views/concern raised by the Bills Committee prepared by the Legislative Council Secretariat (as at 9 May 2007))

The Bills Committee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions to be taken by the Administration

Rent level cap

- 2. Deputations and members considered that the existing 10% median rent-to-income ratio (MRIR) cap was a statutory safeguard for public rental housing (PRH) tenants against excessive rent increases by the Housing Authority (HA). In particular, the cap was a statutory safeguard for the low-income tenants ensuring that the rents they paid were within their affordability. As the Bill sought to remove this cap, deputations and members considered it imperative to introduce a rent level cap under the proposed rent adjustment mechanism. In connection with the proposals put forward by members at the meeting held on 17 April 2007 (item 1 of LC Paper No. CB(1)1508/06-07(01)), the Administration was requested to consider the following views/proposals:
 - (a) To introduce a rent level cap for all PRH tenants in law so that HA could not increase rents for those PRH tenants whose rents, after rent adjustment, had exceeded a certain percentage of their income. The level of the cap could be further discussed; and
 - (b) To improve the Rent Assistance Scheme by relaxing the eligibility criteria and requirements so that tenants with genuine needs could benefit from the Scheme.

Date of next meeting

3. <u>The Chairman</u> reminded members that the next meeting of the Bills Committee would be held on 17 May 2007 at 10:45 am to consider the Administration's responses to the views/concerns raised by members (LC Paper No. CB(1)1507/06-07(04)) and the Committee Stage amendments proposed by the Administration.

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II Any other business

4. There being no other business, the meeting ended at 10:30 am.

Council Business Division 1
<u>Legislative Council Secretariat</u>
21 June 2007

Proceedings of eighth meeting of Bills Committee on Housing (Amendment) Bill 2007 on Thursday, 10 May 2007, at 8:30 am in Chamber of the Legislative Council Building

Time marker	Speaker	Subject(s)	Action required
000509 - 000654	Chairman	Welcoming remarks by the Chairman	
000655 – 000947	Chairman Oi Man Estate Kar Man House Mutual Aid Committee	Meeting with deputations Presentation of views (LC Paper No. CB(1)1570/06-07(05))	
000948 - 001320	Chairman Democratic Party	Presentation of views (LC Paper No. CB(1)1575/06-07(01))	
001321 - 001632	Chairman Neighbourhood and Worker's Service Centre	Presentation of views as follows: (a) Objection to repeal the median rent-to-income ratio (MRIR) provisions. By removing the 10% MRIR cap, the Housing Authority (HA) could increase rents without limitation; (b) Urge for Legislative Council (LegCo) Members not to support the Bill as the proposed mechanism for rent adjustments was unclear and confusing; (c) Objection to exclude the "well-off" tenants and Comprehensive Social Security Assistance (CSSA) households from the calculation of the income index as this would distort the general affordability of public rental housing (PRH) tenants and was unfair to them; and (d) The provision of PRH was a form of redistribution of wealth in society. The mission of PRH would be undermined by the Bill.	
001633 - 002024	Chairman Alliance for Defending Grassroots Housing Rights	Presentation of views (LC Paper No. CB(1)1570/06-07(06))	
002025 - 002319	Chairman Mr CHIU Ka-po, Tsuen Wan District Councillor	Presentation of views (LC Paper No. CB(1)1570/06-07(07))	

Time marker	Speaker	Subject(s)	Action required
002320 - 002644	Chairman Dr Eddie HUI Chi-man, Professor, Department of Building and Real Estate, Hong Kong Polytechnic University (Poly U)	Presentation of views as follows: (a) Welcomed the proposed rent adjustment mechanism which allowed both upward and downward adjustments in PRH rents; (b) Given that income reflected tenants' affordability directly, tracking the changes in household income would help determine the extent of rent adjustment. The income-based index was a simple-and-easy way to measure tenants' rental affordability; (c) As the extent of increase in households income might not correspond with rises in the Consumer Price Index (CPI), the impact of inflation should also be taken into account when assessing PRH tenants' affordability; and (d) Under the new rent adjustment mechanism, HA needed to ensure availability of a "safety net" to provide rental assistance for the low-income households.	
002645 – 002930	Chairman Kowloon Choi Hung Estate Residents Association	Presentation of views (LC Paper No. CB(1)1570/06-07(08))	
002931 - 003242	Chairman Chinese Grey Power	Presentation of views (LC Paper No. CB(1)1575/06-07(03))	
003243 – 003617	Chairman Reasonable Housing Rights Concern Group	Presentation of views (LC Paper No. CB(1)1575/06-07(04))	
003618 - 003903	Chairman Kwai Chung Estate Resident's Right Concern Group	Presentation of views (LC Paper No. CB(1)1575/06-07(05))	
003904 – 004153	Chairman Kwai Fong Residents' Association	Presentation of views as follows: (a) Objection to repeal the MRIR provisions which were enacted to safeguard the interests of PRH tenants; and (b) Urge for LegCo Members not to support the Bill.	

Time marker	Speaker	Subject(s)	Action required
004154 - 004536	Chairman Lee On Estate Lee Wah House Mutual-Aid Committee	Presentation of views as follows: (a) The increase in the number of small and elderly households was the consequence of HA's "well-off" tenants policy. Under the policy, household members with high income had moved out from the PRH flats, leaving behind elderly tenants to live by themselves; and (b) Objection to the mandatory declaration system. According to the existing policy, PRH tenants were required to declare their incomes and assets regularly. It would be a nuisance to PRH tenants if they were required to declare their incomes again for the purpose of compiling the income index.	
004537 - 004903	Chairman Sham Shui Po Community Association	Presentation of views as follows: (a) Objection to repeal the MRIR provisions; (b) Objection to exclude "well-off" tenants and CSSA households from the calculation of the income index as this would bring about division among PRH residents and distort the general affordability of PRH tenants; and (c) Given that HA had a fiscal reserve of over \$50 billion and a surplus in its rental operating account, it could still balance its book under the existing MRIR rent adjustment regime.	
004904 - 005218	Chairman Shek Lei Estate Resident's Right Concern Group	Presentation of views as follows: (a) Objection to repeal the 10% MRIR provisions in exchange for a rent reduction. In fact, HA should have reduced PRH rents by 10% immediately after conclusion of the judicial review in 2005 concerning deferral of rent reviews; and (b) The fiscal deficit of HA in previous years was caused by the breach of duty of government officials.	
005219 – 005537	Chairman Dr YIP Ngai-ming, Associate Professor, Department of Public and Social Administration, City University of Hong Kong (City U)	Presentation of views as follows: (a) MRIR could not reflect tenants' affordability and the 10% MRIR regime was not sustainable; and (b) The 10% MRIR cap failed to protect the interests of low-income households. HA should formulate a fair domestic rent policy by exploring other mechanisms which could truly reflect the rental affordability of tenants and address concerns of needy tenants in particular.	

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005538 - 010053	Chairman Administration	Preliminary response by the Administration (a) The rationale behind LegCo's enactment of the private members' bill to introduce the statutory MRIR cap was to ensure that PRH rents would remain within tenants' affordability. However, it had clearly been shown that past movements in MRIR were affected by a number of extraneous factors other than the income of PRH households and the rent they paid. Hence, the MRIR provisions could not serve as an appropriate and accurate indicator for measuring tenants' affordability;	
		(b) The 10% MRIR cap was not relevant to individual PRH households since by definition, there were always 50% of households with their rent-to-income ratios (RIRs) above any given MRIR figures. The MRIR cap also provided no clear guidelines or placed restriction on the extent of rent increase within the prescribed cap;	
		(c) Individual PRH tenants with financial difficulties might seek assistance from the Rent Assistance Scheme (RAS) which had already undergone two major enhancements in recent years in 2002 and 2005. HA was considering members' request to lower the income limit of 20% RIR to 15% under RAS, and would revert to the Bills Committee;	
		(d) Under the new rent adjustment mechanism, PRH rent would be adjusted strictly in accordance with the change in income index and the extent of any increase in PRH rent could not be higher than the extent of increase in PRH tenants' household income;	
		(e) The purpose of not including CSSA and additional rent paying households in the coverage of the income index was because changes in their "income" might not be in line with changes in normal income of general PRH tenants. Including these households in the coverage might distort the outcome of the computation. To ensure representativeness of the income index, households with outlying income levels (estimated to be the top 1% household income in each household size group based on the current profile of PRH tenants' household income) would also be excluded; and	
		(f) Under the existing policy, only PRH tenants who	

Time marker	Speaker	Subject(s)	Action required
		had been living in PRH for 10 years or more were required to declare household income biennially. This could not provide the necessary data for compiling the income index for all PRH households. For general statistical purpose, HA had put in place a mandatory declaration system to collect monthly household income data from 2 000 sampled PRH households each month. It was important to use representative and reliable data for the calculation of the income index. The arrangement was specifically designed to suit the needs of HA and circumstances of PRH households, the data so collected would be used to calculate the income index. To mitigate the reporting burden on sampled households, no PRH household would be selected more than once within a period of 12 months. To address tenants' concern about providing income information for the entire household, individual members of a PRH household could choose to declare income separately.	
010437 - 011029	Chairman Mr WONG Kwok-hing Administration	 (a) Mr WONG Kwok-hing's views as follows: (i) The Administration should address deputations' concern on the need to provide a statutory rent increase cap; and (ii) According to the judgment of Lord Millett made at the Court of Final Appeal (CFA), "the meaning of "variation of rent" depended on the legislative intent Its purpose and effect was to limit both the frequency with which and the amount by which the HA might vary rents It protected tenants from rent increases which were too frequent or too great." It was thus misleading to say that the MRIR cap could not meet the legislative intent of the Housing (Amendment) Ordinance 1997. (b) The Administration's response as follows: (i) Under the new rent adjustment mechanism, the extent of any increase in PRH rent could not exceed the extent of increase in PRH tenants' household income as reflected in the income index and rent variation could only take place not more than once every two years; 	
		(ii) The 10% MRIR cap was not relevant to individual PRH households. In fact, CFA had ruled that 10% MRIR was not a	

Time marker	Speaker	Subject(s)	Action required
		statutory definition of affordability; and (iii) Individual PRH tenants with financial difficulties might seek assistance from RAS.	
011030 - 011710	Chairman Mr LEUNG Kwok-hung Administration	(a) Mr LEUNG Kwok-hung's views as follows: (i) The 10% MRIR cap was a statutory safeguard and any amendments to the Housing Ordinance (HO) (Cap. 283) without putting in place an alternative safeguard should not be supported; and (ii) To ensure the PRH rent was affordable to the low-income tenants, the income index should also take into account the changes in CPI and Gross Domestic Product.	
		(b) The Administration's response that the new rent adjustment mechanism would be more reasonable and could better reflect PRH tenants' rental affordability. Alternative indicators such as CPI were included in the consultation document on rent policy review and were not preferred by respondents	
011711 - 012511	Chairman Mr LEUNG Yiu-chung Dr YIP Ngai-ming, CityU	(a) Mr LEUNG Yiu-chung's views as follows: (i) The purpose of Housing (Amendment) Ordinance 1997 was to limit excessive rent increases by HA by imposing the 10% MRIR statutory cap and extending the rent review cycle to three-year. The main purpose was to smooth out rent increase pressure on PRH tenants. As such, the 10% MRIR was not a rent adjustment mechanism but a tool to restrict rent increases at a specified cap; and	
		(ii) Should the new rent adjustment mechanism were adopted in 1996 and according to the re-scaled series of income index for 1996-2006 (section E to Appendix II of the Administration's paper (LC Paper No CB(1)1114/06-07(01)), it might be necessary to increase rent in 1998 by 10.2% which was not affordable to many PRH tenants. Hence, a rent increase cap should be provided.	
		(b) Dr YIP Ngai-ming's views that if the legislative intent of the Housing (Amendment) Ordinance 1997 was to provide a rent level cap for all PRH	

Time marker	Speaker	Subject(s)	Action required
marker			required
		tenants, MRIR was a very indirect means. Tenants' rental affordability could not be reflected accurately by MRIR because its movement was subject to many extraneous factors	
		(c) The Administration's view as follows: (i) Under the Housing (Amendment) (No. 3) Bill 1996, CPI, rather than MRIR, was proposed to be used in capping rent increases. However, increase in CPI might not necessarily lead to increase in income of PRH tenants and thus an income-based index was a better indicator in reflecting the rental affordability of tenants; and	
		(ii) According to the same re-scaled series of income index for 1996-2006 (section E to Appendix II of the Administration's paper (LC Paper No CB(1)1114/06-07(01)), a rent reduction of over 11% was possible between 2001 and 2003.	
012512 - 013118	Chairman Mr CHAN Kam-lam Dr YIP Ngai-ming, City U Administration	(a) Mr CHAN Kam-lam's view that the Housing (Amendment) (No. 3) Bill 1996 aimed to limit excessive rent increases by HA. The Administration should justify that the proposed income-based index was a better approach than MRIR for adjusting PRH rent	
		(b) Dr YIP Ngai-ming's suggestion to introduce in the new rent adjustment mechanism an RIR cap at individual household level or for household groups with similar income level	
		(c) The Administration's reservation about feasibility of the suggestion in (b). RAS with different RIR thresholds and income limits pitched at respective Waiting List Income Limits was available to address the needs of individual PRH tenants	
013119 – 013636	Chairman Ms Emily LAU Dr YIP Ngai-ming, City U Administration	(a) Ms Emily LAU's suggestion/enquiry as follows: (i) If necessary, the Bills Committee could meet with deputations again after the Administration revert to members on proposals on introducing a rent increase cap or rent level cap under the proposed rent adjustment mechanism; and	
		(ii) The effectiveness of the existing and new rent adjustment mechanism in safeguarding the interests of the low-income PRH	

Time marker	Speaker	Subject(s)	Action required
		tenants. (b) Dr YIP Ngai-ming's views as follows: (i) The 10% MRIR regime would not safeguard the interests of low-income PRH tenants whose RIRs were usually higher than 10%; and (ii) The situation of the low-income tenants would not deteriorate under the new rent mechanism by removing the MRIR cap. The Bill had also provided room and opportunities for the community to review and further improve HA's domestic rent policy. (c) The Administration's advice that RAS and CSSA were already in place to address the financial difficulties faced by low-income tenants	
013637 - 014144	Chairman Mr Albert CHAN Administration	 (a) Mr Albert CHAN's concern/request as follows: (i) How the new rent adjustment mechanism could protect low-income PRH tenants against excessive rent increase by HA; and (ii) To introduce a rent level cap for all PRH tenants in law so that HA could not increase rents for those PRH tenants whose rents, after rent adjustment, had exceeded a certain percentage of their income. Eligible PRH tenants should take initiative to declare their household income to HA. (b) The Administration's response that existing RAS could serve the same purpose to provide rent assistance to needy families and low-income PRH tenants 	The Admin to take follow-up action under para. 2(a) of the minutes
014145 - 015124	Chairman Mr LEE Cheuk-yan Alliance for Defending Grassroots Housing Rights Oi Man Estate Kar Man House Mutual Aid Committee Administration	 (a) Mr LEE Cheuk-yan's views that given only a small number of households with RIRs reaching 20% or above had applied for RAS, the eligibility criteria and requirements of the Scheme might be too harsh and should be improved. There was also a need to introduce a statutory rent level cap to help the low-income tenants (b) The Administration's response as follows: (i) More than 20% of all PRH tenants were CSSA households. 36 500 applications for RAS had been approved since 1997; (ii) Since the introduction of RAS in 1992, only 	The Admin to take follow-up action under para. 2(b) of the minutes

Time marker	Speaker	Subject(s)	Action required
		23 families had been requested to move to more affordable flats in the same district; and (iii) HA had stepped up publicity on RAS and	
		would draw up more detailed guidelines for frontline staff to follow in implementing RAS.	
		 (c) The view of Alliance for Defending Grassroots Housing Rights as follows: (i) According to HA's information, when the eligibility criteria of RAS was relaxed in 2006, there were potentially 114 000 eligible households; 	
		(ii) Eligible households applying for RAS were persuaded by HA's staff to apply for CSSA so that HA could still receive rents from the PRH units concerned; and	
		(iii) The needs of low-income tenants could only be met by a rent level cap provided in HO.	
		(d) The view of Oi Man Estate Kar Man House Mutual Aid Committee that the requirement for households to move to flats with lower rent if they wished to continue to receive rent assistance after a continuous period of three years had driven away many applicants	
015125 - 015720	Chairman Mr Alan LEONG Dr YIP Ngai-ming, City U Dr Eddie HUI Chi-man, Poly U Administration	(a) Mr Alan LEONG's views/enquiry as follows: (i) To alleviate PRH tenants' concern that HA would impose excessive increase in rent under the new adjustment mechanism, a statutory rent level cap, such as linking to the income limit under RAS, should be provided; and	
		(ii) The direction for further development of HA's domestic rent policy.	
		(b) Dr YIP Ngai-ming's view as follows: (i) The proposed rent adjustment mechanism had improved the existing methodology to vary rent and provided a better safeguard than the 10% MRIR statutory cap for PRH tenants, in particular the low-income tenants; and	
		(ii) It was necessary to introduce a rent level cap at individual household level in the	

Time marker	Speaker	Subject(s)	Action required
		legislation. (c) Dr Eddie HUI's reiteration of his support for the proposed rent adjustment mechanism vis-à-vis the existing MRIR provisions with many limitations and the need to provide a "safety net" for the low-income tenants	
015721 - 020317	Chairman Mr Albert HO Chinese Grey Power Dr YIP Ngai-ming, City U Dr Eddie HUI Chi-man, Poly U Administration	 (a) Mr Albert HO's enquiry about deputations' views on the suggestions of providing a statutory rent level cap at individual household level and prescribing the income limit of RAS in law (b) The view of Chinese Grey Power that the law should provide a clear indicator, such as the 10% MRIR cap, to safeguard all PRH tenants while RAS, which addressed the needs of individual tenants, should be improved (c) Dr YIP Ngai-ming's view that unlike MRIR the movement of which was subject to many extraneous factors, PRH rent under the new adjustment mechanism would vary in accordance with only one factor, i.e. change in household income (d) Dr Eddie HUI's view that it was reasonable to link rent to income as the latter was a better reflection of PRH tenants' rental affordability 	
020318 - 020429	Chairman	Date of next meeting and matter for discussion	

Council Business Division 1 <u>Legislative Council Secretariat</u> 21 June 2007