

立法會
Legislative Council

LC Paper No. CB(1) 2377/09-10
(These minutes have been seen
by the Administration)

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Panel on Housing

Minutes of meeting
held on Monday, 3 May 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
- Members attending** : Hon Ronny TONG Ka-wah, SC
Dr Hon Priscilla LEUNG Mei-fun
Hon Mrs Regina IP LAU suk-yee, GBS, JP
- Public officers attending** : **For item IV**

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

Mr D W PESCOD, JP
Permanent Secretary for Transport and Housing (Housing)

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

Ms Cora HO
Assistant Director (Strategic Planning)
Housing Department

**Attendance by
Invitation : For item IV**

Hong Kong Real Estate Agencies General Association

Mr LI Shun-hok
Chairman

Think Tank of New Territories Youth

Mr LI Sai-wing
Convenor

Democratic Alliance for Betterment and Progress of Hong
Kong

Mr Raymond LUK
Deputy Spokesperson for Housing Affairs

Hong Kong Chamber of Professional Property Consultants
Limited

Mr WONG Dun-king
President

The Civic Party

Ms Fanny LEUNG
Vice-Chairman of New Territories West Branch

Property Agencies Association

Mr Tony KWOK
Chairman

The Hong Kong Institute of Housing

Mr LAI Yew-cho
Secretary

Hong Kong Owners Club

Mr SHEA Hing-wan
President

Hong Kong Institute of Real Estate Administrators

Mr Stanley WONG

The Lion Rock Institute

Mr Simon LEE
Founder

City University of Hong Kong

Mr Hans MAHNCKE
Assistant Professor School of Law

蝸居部落

Mr YUEN Chi-kwong

Social Affairs Committee, Hong Kong Federation of Trade Unions

Mr MOK Kin-wing

Kwai Tsing Resident's Association

Ms Alice MAK

Individual

Mr LO Kin-hei

The Democratic Party

Mr CHEUNG Yin-tung
Convener of Housing Committee

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

I. Confirmation of minutes

(LC Paper No. CB(1) 1744/09-10 — Minutes of the meeting held on 1 March 2010)

The minutes of the meeting held on 1 March 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 Nos. CB(1) 1671/09-10(01) — Submission from Taxi & P.L.B. Concern Group together with the Administration's response on the cost of liquefied petroleum gas supplied in public housing estates (Chinese version only) (Restricted to Members)
and CB(1) 1671/09-10(02)

III. Items for discussion at the next meeting

(LC Paper No. CB(1) 1751/09-10(01) — List of follow-up actions

LC Paper No. CB(1) 1751/09-10(02) — List of outstanding items for discussion)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 7 June 2010, at 2:30 pm-

- (a) Setting up of Tenants Purchase Scheme Advisory Team;
- (b) Progress of Total Maintenance System; and
- (c) Continuous improvement in lighting design in public housing estates.

4. The Chairman reminded members of the special meeting scheduled for Monday, 24 May 2010, at 8:30 am.

IV. Re-launching of Home Ownership Scheme (HOS) and revitalization of the HOS Secondary Market

Meeting with Hong Kong Real Estate Agencies General Association (HKREAGA)
(LC Paper No. CB(1) 1751/09-10(03))

5. Mr LI Shun-hok, Chairman, highlighted the salient point in HKREAGA's submission. In gist, HKREAGA considered that -

- (a) a long-term housing policy should be worked out to address the housing needs of low to middle-income families;;
- (b) the Government should re-launch HOS so that developers could not manipulate the property market and push up property prices by controlling flat supply, thereby adversely affecting the livelihood of the community;
- (c) a flexible mechanism should be developed to provide land for HOS production should developers fail to apply land under the Application List; and
- (d) consideration should be given to revitalizing the HOS Secondary Market pending the re-launching of HOS as flat production would take years. The mortgage default guarantee period for HOS flats should be extended to 35 or 40 years to encourage more Green Form applicants to purchase HOS flats, which in turn would increase the turnover of public rental housing (PRH) flats and reduce the waiting time for applicants on the Waiting List (WL) for PRH.

Meeting with Think Tank of New Territories Youth
(LC Paper No. CB(1) 1751/09-10(04))

6. Mr LI Sai-wing, Convenor, said that it was the aspiration of the younger generation to have their own homes. Many of them had chosen to apply for HOS given the stringent eligibility criteria for PRH, but they could no longer do so since the cessation of HOS. As a result, many of the younger generation had deferred their marriage and family plans. It was disappointed that the Government had done nothing to ease the situation despite the 19-fold and 39-fold over-subscription for the last sale of surplus HOS flats and Sandwich Class Housing Scheme (SCHS) flats, which had demonstrated that the demand had far exceeded the supply of HOS and SCHS flats. He pointed out that the revitalization of the HOS Secondary Market could help increase the sales turnover only if there was an adequate supply of secondary HOS flats. Hence, there was a need to re-launch HOS. The Government should also make efforts to address the housing needs of the younger generation.

Meeting with Democratic Alliance for Betterment and Progress of Hong Kong (DAB)
(LC Paper No. CB(1) 1803/09-10(01))

7. Mr Raymond LUK, Deputy Spokesperson for Housing Affairs, said that families with household income exceeding the WL income and asset limits would have to find accommodation in the private property market. However, the rising property prices had made it difficult for them to find affordable accommodation. The crux of the problem was the limited supply of land for housing production. Given that fluctuations in property prices would affect the overall economy as well as the interest of property owners, the Government should play a significant role in housing supply and should not entrust this responsibility to developers. Mr LUK added that DAB welcomed the proposed revitalization of the HOS Secondary Market as this

would increase the sales turnover of HOS flats. However, the proposal could not resolve the problems of surging property prices nor inadequate housing supply, given the limited number of HOS flats for sale in the secondary market as most of the flats were owner-occupied and not for sale. Besides, the prices of secondary HOS flats were also on the rise as a result of property speculation. To stabilize the property market, DAB held the view that the Government should increase housing supply and allow an annual production of 5 000 HOS flats. It should also review the existing situation with a view to working out a sustainable land and housing policy.

Meeting with Hong Kong Chamber of Professional Property Consultants Limited (HKCPPC)

(LC Paper No. CB(1) 1751/09-10(05))

8. Mr WONG Dun-king, President, said that HKCPPC supported the re-launching of HOS to allow for the production of a suitable number of HOS flats. In view of the long lead time for HOS production, HKCPPC supported the revitalization of the HOS Secondary Market to facilitate White Form applicants to purchase secondary HOS flats (the prices of secondary HOS flats in Wong Tai Sin and Tin Shui Wai cost only \$2,200 and \$1,000 per square feet respectively). He further pointed out that the removal of rent control had pushed up the rents of flats in the urban areas which had become unaffordable to the low-income families while many flats at affordable rents in the suburban areas had been left vacant.

Meeting with The Civic Party

(LC Paper No. CB(1) 1803/09-10(03))

9. Ms Fanny LEUNG, Vice-Chairman of New Territories West Branch, said that the Civic Party supported the re-launching of HOS to allow the production of a suitable number of HOS flats. The high demand for HOS flats was evidenced by the over-subscription at the last sale of surplus HOS flats. She pointed out that HOS had its historical role in that the proceeds from sale of HOS had been used to subsidize the production of PRH. HOS had also enabled the recovery of PRH flats as Green Form applicants were required to surrender their PRH flats upon purchase of HOS flats, thereby significantly reducing the waiting time for WL applicants. The cessation of HOS had deprived PRH tenants of their aspiration for home ownership to improve their living conditions as they could not afford to purchase flats in the private sector. Low income families with household income exceeding the WL income limits would have no choice but to rent cubicles and bedspace apartments or other aged developments. Hence, there was a need for the production of a suitable number of HOS flats to meet the housing needs of low to middle-income families without affecting the private property market.

Meeting with Property Agencies Association (PAA)

10. Mr Tony KWOK, Chairman, said that the re-launching of HOS would affect the economy as well as the interests of the two million property owners. Given the long lead time of three to four years for flat production, the re-launching of HOS would not be able to curb the recent surge in property prices. Besides, the provision

of a small number of HOS flats could not help ease the demand, while the provision of a large number of HOS flats might have adverse impacts on the property market, such as over-supply and negative equity, as seen from previous experience. Being an international city, Hong Kong should maintain its free market and Government intervention should be avoided as far as practicable. To assist the younger generation to achieve home ownership, consideration should be given to -

- (a) re-launching the Home Starter Loan Scheme;
- (b) deferring payment of premium to facilitate White Form applicants to purchase secondary HOS flats;
- (c) acting as guarantor to enable eligible White Form applicants to secure 90% mortgage from the Hong Kong Mortgage Corporation in the purchase of HOS flats; and
- (d) assisting eligible White Form applicants in identifying suitable secondary HOS flats.

On means to revitalize the HOS Secondary Market, PAA considered that efforts should be made to streamline the conveyancing procedures for HOS flats, extend the mortgage default guarantee period for HOS flats from 25 to 35 years, and allow White Form applicants to purchase HOS flats in the secondary market.

Meeting with The Hong Kong Institute of Housing (HKIH)

11. Mr LAI Yew-cho, President, said that HKIH supported re-launching HOS to provide a suitable number of HOS flats to meet the housing needs of the general public on the one hand and to help stabilize the property market on the other. The re-launching of HOS would enable low-income families to achieve home ownership. Given the long lead time for identifying suitable land for HOS production, consideration could be given to utilizing some of the sites earmarked for PRH for the production of HOS flats. HKIH would support the revitalization of the HOS Secondary Market and the proposal to allow payment of premium by installments. There was a need to streamline the conveyancing procedures and extend the mortgage default guarantee period for HOS flats. It was hoped that more land would be provided for the development of PRH and HOS. Meanwhile, HKIH would not support the Tenant Purchase Scheme (TPS) on account of the problems associated with the management of TPS estates where there was a mixture of rented and purchased units.

Meeting with Hong Kong Owners Club (HKOC)

(LC Paper No. CB(1) 1803/09-10(04))

12. Mr SHEA Hing-wan, President, said that HKOC was opposed to the re-launching of HOS. He questioned whether HOS could effectively curb rising property prices, given that the sales prices of some surplus HOS flats cost about \$2 million which were comparable to flats in the private sector, the number of owners who had been prosecuted for not paying the land premium before selling or leasing

their HOS flats, as well as the party who should bear the repair and maintenance cost of the surplus HOS flats. He held the view that the Government should build more PRH flats rather than HOS flats, extend the mortgage ceiling for genuine first time home buyers from 70% to 90%, and allow a cooling period for home purchase.

Meeting with Hong Kong Institute of Real Estate Administrators (HKIREA)

13. Mr Stanley WONG, said that HKIREA agreed that home ownership would help improve living conditions, increase sense of belonging, and anchor social stability. He recalled that HOS, when first implemented, was meant to encourage better-off PRH tenants to achieve home ownership so that they could surrender their PRH flats for re-allocation to other needy families. HOS had also assisted low to middle-income households not eligible for PRH to own their own homes. As HOS and private housing were essentially two distinct markets, it was the Government's responsibility to explain clearly the objectives of HOS to avoid any confusion to the market. While supporting the re-launching of HOS having regard to the current imbalance of demand and supply in the private property market, HKIREA stressed that the number of HOS flats to be built should be subject to a detailed assessment. It also supported measures to revitalize the HOS Secondary Market, including streamlining the process to facilitate the resale of HOS flats. However, these proposed measures might not boost the supply of housing as most of these flats were self occupied. Meanwhile, the Government should review the land disposal arrangement through the Application List, and consider selling land by public auction or open tender. A more sustainable and long-term policy on housing should also be worked out.

Meeting with The Lion Rock Institute

14. Mr Simon LEE, Founder, said that housing was a basic necessity but home ownership was not. While agreeing that the Government should ensure that no one was rendered homeless, it did not have the responsibility to assist people to achieve home ownership which remained a matter of personal choice and affordability. The experience of the sub-prime lending crisis in the United States had illustrated the adverse effects of providing housing loans to those who could not afford home ownership. The same also applied to the Home Starter Loan Scheme under which about 40% applicants had defaulted in loan repayments while 5% had either declared bankrupt or delayed repayment by six months during the period from 1998 to 2002. This had shown that some recipients of the housing loans did not have the means to repay the loans.

Meeting with City University of Hong Kong (LC Paper No. CB(1) 1803/09-10(05))

15. Mr Hans MAHNCKE, Assistant Professor School of Law, highlighted the salient points in his submission. In gist, housing had become unaffordable to most people in Hong Kong because of Government's artificial restriction on land supply and its collusion with property developers who had monopolized flat supply market. Government interference with the land distribution and allocation system had often

led to catastrophic consequences for ordinary Hong Kong citizens. These interferences, including auction of leases to certain plots of land in an unpredictable manner from time to time, the so-called land premium system which was highly non-transparent and conducive to favoritism, and the provision of heavily subsidized public housing to 3.3 million people, roughly half of the population, had indeed undermined the operation of a free market. He therefore supported the reinstatement of the 1997 housing policy with a very high home ownership target of 70%. If most people had their own properties, the rental market would shrink and there would be far less opportunities for speculators. This should be seen as a good thing given that housing was a basic human necessity. He also supported the introduction of capital gains tax for those who treated properties as tradable commodities rather than a place to live, with few exemptions such as the first home for a family and resale of properties after three or more years.

Meeting with 蝸居部落

16. Mr YUEN Chi-kwong, said that 蝸居部落 was set up to fight for the housing rights of the post-80s generation, i.e. those born in the 1980s, who were not able to afford home ownership. Although housing was a basic right, the escalating property prices had deprived low-income families of their right to housing. Properties had now become tradable commodities and thus not easily affordable by the general community. Much of the wealth in Hong Kong had been amassed by developers. He said that members of 蝸居部落 had been camping outside the Legislative Council Building last night, in an attempt to arouse public awareness on the frustration being faced by the post-80s generation who could not afford home ownership. If the Government did not formulate a long-term housing policy, the post-80s generation would be rendered homeless. 蝸居部落 urged the Government to provide a suitable number of HOS flats and to re-vitalize the HOS Secondary Market.

Meeting with Social Affairs Committee, Hong Kong Federation of Trade Unions (HKFDU)

17. Mr MOK Kin-wing, said that housing was a basic necessity and not a luxury. However, most of the properties being built were very luxurious and unaffordable to the general community. The Government's reiteration of its policy not to assist in home ownership was contrary to the practice of many overseas countries which sought to ensure that their people were well-housed. By way of illustration, the Mainland had introduced measures to prevent speculative activities and to ensure adequate housing supply, failing which the responsible officials would be removed from office. In Singapore, about 85% of residents were living in Government subsidized flats and only 15% were living in private properties. Based on a recent survey, over 80% of Hong Kong people wished to achieve home ownership but many of them could not afford to do so because of the high property prices, which was a result of the land policy. Therefore, HKFDU supported the re-launch of HOS to provide a suitable number of HOS flats to meet housing needs. It also supported the reinstatement of the Home Starter Loan Scheme to assist the younger generation to

achieve home ownership. Efforts should also be made to meet the housing needs of non-elderly singletons who had to wait for a long time for PRH and HOS flats.

Meeting with Kwai Tsing Resident's Association

18. Ms Alice MAK, said that while it was the aspiration of many people in Hong Kong to achieve home ownership, they could not afford to do so under the prevailing economy. The younger generation, in particular, had much difficulty in acquiring their own properties given the high property prices. By way of illustration, the price of a 500 square foot unit in Kwai Tsing was about \$2 million while the rental was around \$9,000 to \$10,000 per month. A university graduate couple with a total monthly income of around \$20,000 would need to spend half of their income on housing expenses. There were also many others who were neither eligible for PRH nor could afford to rent properties in the private sector. An example was a young couple who had to live with their own parents after having married for three years. As the provision of HOS in the 1970s and 1980s had resolved the housing problem of the general community, Kwai Tsing Resident's Association urged the Administration to re-launch HOS and Home Starter Loan Scheme as well as to relax the eligibility criteria for PRH to meet the housing needs of the general community.

Meeting with Mr LO Kin-hei

19. Mr LO Kin-hei expressed concern about the long waiting time for PRH given that housing was a basic necessity. This was possibly due to the shortage of PRH flats which had been made worse following the cessation of HOS since PRH tenants could no longer improve their living conditions through purchase of HOS flats, resulting in the decrease in recovery of PRH units and hence a longer waiting time. There was a need for the Government to meet the housing needs of the general public. He did not agree that some deputations should make a direct comparison between Hong Kong and the sub-prime lending crisis in the United States, the latter of which involved a number of complicated factors which might not be applicable to the Hong Kong situation. More thoughts should be given to re-launching HOS and Home Starter Loan Scheme to assist low-income families to achieve home ownership. There was also a need to relax the overly stringent eligibility criteria for HOS.

Meeting with The Democratic Party (DP) (LC Paper No. CB(1) 1803/09-10(02))

20. Mr CHEUNG Yin-tung, Convener of Housing Committee, said that DP had all along been supporting the re-launching of HOS, which in its view would not have a significant impact on the private property market, as most of the new units in the market were on the luxurious end and beyond the affordability of low to middle-income families. Given that 80% interviewees of the recent surveys were supportive of the re-launching of HOS, the Government should review its decision on non-interference with the property market by ceasing HOS production. In fact, the Government had all along been interfering with the property market through controlling land supply which had led to the under-provision of housing. Therefore, the Government should consider re-launching HOS to meet the housing needs of the

general public. DP also supported the proposed revitalization of the HOS Secondary Market as this would allow greater flexibility for owners to sell or lease their HOS flats. Consideration should also be given to allowing White Form applicants to buy HOS flats in the secondary market.

21. Members also noted the following submissions from deputations not attending the meeting -

LC Paper No. CB(1) 1775/09-10(01) — Submission from Mr Dennis LEUNG, member of the Kwai Tsing District Council (Chinese version only)

LC Paper No. CB(1) 1751/09-10(06) — Submission from Dr Yang Mo, member of the Southern District Council (Chinese version only)

LC Paper No. CB(1) 1751/09-10(07) — Submission from Ms WONG Mo-tai, MH, JP, member of the Sha Tin District Council (Chinese version only)

LC Paper No. CB(1) 1751/09-10(08) — Submission from Mr WAN Yuet-cheung, MH, member of the Sai Kung District Council (Chinese version only)

LC Paper No. CB(1) 1751/09-10(09) — Submission from The Hong Kong Institute of Surveyors (English version only)

LC Paper No. CB(1) 1775/09-10(02) — Submission from Professor K W CHAU, The University of Hong Kong (English version only))

LC Paper No. CB(1) 1803/09-10(06) — Submission from Prof Hon Patrick LAU, SBS, JP (Chinese version only))

LC Paper No. CB(1) 1803/09-10(07) — Submission from Mr W S YEUNG, MH, member of the Eastern District Council (Chinese version only))

Meeting with the Administration

(LC Paper No. CB(1) 1751/09-10(10) — Administration's paper on re-launching of HOS and revitalization of the HOS Secondary Market

LC Paper No. CB(1) 1751/09-10(11) — Paper on proposal to re-launch HOS and Tenants Purchase Scheme prepared by the Legislative Council Secretariat (updated background brief))

22. The Acting Secretary for Transport and Housing (Atg STH) said that in formulating major housing policies, the Government had to adopt measures to cater for the overall interest of the community, and examine whether the new measures would be beneficial to the long-term development of the property market. The Government's current housing policy aimed at providing subsidized PRH for those low-income families who could not afford private rental accommodation. It should concentrate resources on the provision of subsidized PRH and minimize intervention in the market. In repositioning the housing policy in 2002, the Government had indicated that it was unnecessary to continue to hang on to the long-term target of achieving 70% home ownership rate, and that home ownership should be a matter of personal choice and affordability. This however did not mean that the Government disregarded the home ownership needs of the public. Its role was to target at the supply end, so that the residential property market could develop in a steady and healthy manner. In this connection, the Financial Secretary had proposed four measures in the 2010-2011 Budget to provide more land and increase the supply of small to medium domestic flats, enhance market transparency, curb speculative activities and prevent excessive borrowing.

23. As regards the views expressed by deputations at the meeting, Atg STH said that these were consistent with the recent public debate on the re-launching of HOS and revitalization of the HOS Secondary Market. There were diverse views in the society on the issue of subsidizing home ownership. As any such scheme would inevitably affect every stratum of society and the whole economy, the Government would have to be extremely careful in considering the matter. In view of the recent surge in property prices of private properties which might lead to the risk of a property bubble, efforts were being made to ensure the steady development of the property market by increasing the supply of flats. In this connection, the Hong Kong Housing Authority (HA) intended to put up the remaining surplus HOS flats for sale in June 2010 the earliest. In addition, the Hong Kong Housing Society had put up the remaining Sandwich Class Housing Scheme units for sale. Meanwhile, the Housing Department (HD) was actively exploring measures to revitalize the HOS Secondary Market with a view to reviving the property market. Since the proposed measures would involve a considerable amount of public resources, the Administration would need to carefully consider whether these could really help those who could afford in the long run and were in genuine need of purchasing their own homes, whether the supply and demand in the HOS market could be effectively matched, as well as HA's financial liabilities and risks. HD was actively collecting relevant information on the proposed measures which would be submitted to HA for

discussion in mid-May.

Re-launching of HOS

24. With the escalating prices of properties in both urban and suburban areas, Mr LEUNG Yiu-chung held the view that the property market could no longer be described as being healthy and stable. He recalled that the Secretary for Transport and Housing had said in 2007 that there were at least three factors which were relevant in considering whether HOS should be re-launched, viz. whether there was a serious imbalance in the private property market making it difficult for the low and middle classes to purchase flats, whether the turnover of PRH flats was so low that the waiting time for PRH had been seriously affected, and whether there was public consensus to revise the existing housing policy. He asked if these considerations were still valid, given that there was already a serious imbalance in the private property market with an insufficient supply of middle and lower-priced residential flats for sale or lease, and that the waiting time for WL applicants had been lengthened as a result of low turnover rate of PRH for re-allocation because better-off tenants were no longer able to afford to buy flats in the private market. While supporting that resources should be focused on the provision of PRH for the needy families, Mr LEUNG considered it necessary for the Administration to address the needs of the sandwich class who was ineligible for PRH and not able to afford accommodation in the private sector. Extensive public consultation should be held to see if there was a consensus on the re-launching of HOS. Atg STH reiterated that the Government had the responsibility to meet the housing needs of the community, but not through home ownership. The Government's housing policy was to provide PRH to low-income people who could not afford private rental accommodation. To meet the housing need, HA would produce on average 15 000 new PRH flats each year over the next five years.

25. Mr LEE Wing-tat said that the Government should be reprimanded for not considering the re-launching of HOS at this stage when over 80% of the people in Hong Kong, including property owners, had indicated support for re-launching HOS. He asked whether the Administration was prepared to conduct a review of the feasibility of re-launching HOS only if the property prices were above 1997 levels, there were endless demonstrations on the streets, and a motion of no confidence against the Secretary for Transport and Housing was moved at a Council meeting. Atg STH said that past trends of the property market had demonstrated that HOS could not help curb property prices. At present, the focus of the Government was to provide PRH to the needy. The question of whether the precious land resources should be used to provide HOS would need to be carefully considered, taking into account the impact on the property market.

26. Mr LEE Wing-tat however pointed out that the re-launching of HOS was not meant to curb property prices but to stabilize the property market and to assist low-income families to achieve home ownership. He recalled that the Government had all along set targets for home ownership and provided assistance in this respect. However, the 70% home ownership target had been abandoned in 2002 without consulting the public. He also noted that unlike earlier days when large plots of land

were earmarked for the development of PRH, only small plots of land were available nowadays. He held the view that the present land and housing policy was not conducive to stability or fostering a sense of belonging within the community. Expressing similar views, Mr WONG Kwok-kin was concerned about the housing needs of the sandwich class. By way of illustration, a three-person household with monthly income exceeding the WL income limit of \$13,130 per month would have to seek accommodation in the private sector. However, they had much difficulty in finding affordable accommodation given the high rent levels in the prevailing property market. He held the view that the cessation of HOS in 2002 was not well thought out and without detailed consultation. It was just a stop gap measure to ease the property slump. As HOS and private flats were two distinct markets, private property owners could be rest assured that the re-launching of HOS production would not adversely affect the property market, which had flourished in the 1980s and 1990s despite the existence of HOS. He enquired about the justifications for not considering the re-launch of HOS. Dr Joseph LI opined that even if a large number of HOS flats were built, the sandwich class with a monthly income of \$20,000 to \$30,000 could not enjoy the benefit unless the income limits for HOS were revised upwards. Otherwise, only PRH tenants would be able to improve their living conditions through the re-launching of HOS. He asked if the Government was aware of the respective percentage of sandwich class living in rented flats and their own properties, and whether the Government was prepared to devise a special housing scheme for the benefit of the sandwich class.

27. In response, Atg STH said that the repositioning of housing policy, including the abolition of the 70% home ownership target, was introduced in 2002 taking into account the role of Government in housing development. The use of public resources to provide housing for the benefit of a certain category of people would involve a major policy decision which would require very careful consideration. To meet the housing needs of the general community as well as the steady and stable development of the property market, efforts would be made to increase the supply of small and medium-sized flats. The revitalization of the HOS Secondary Market would also serve to increase the supply of small and medium-sized flats. The Deputy Secretary for Transport and Housing (Housing) added that the income limit for sale of surplus HOS Phase 5 was \$23,000 per month and the number of households within this income category which lived in private rental accommodation were about 80 000.

28. Mr Fred LI said that Government policies should be subject to change taking into account latest developments. Many eligible HOS applicants were not able to purchase HOS flats because of the limited supply. They would have no alternatives but to rent or purchase flats in the private sector, the prices of which had reached the 1997 levels. According to the three surveys conducted by DP in June 2005, October 2009 and March 2010, 55%, 80.4% and 82.2% of interviewees supported the re-launching of HOS respectively. Despite the majority support, the Government insisted that there was no consensus on the subject and only heeded to the views of developers. He questioned if the Government had gauged public views on the need to re-launch HOS. Atg STH said that in formulating policies, the Government would take into account public views and the latest economic development. He said

that the surge in property prices was attributed to increased global liquidity and very low interest rate environment. As these factors would be subject to change, the Government had to be prudent in formulating housing policies. Past experience had shown that not well implemented housing policies had led to serious consequences.

Revitalization of the HOS Secondary Market

29. Mr Frederick FUNG was concerned that the revitalization of the HOS Secondary Market might encourage speculation. There was also a need to alert HOS owners that they would not be eligible for subsidized housing in future once they sold their flats.

Supply of small-and medium sized flats

30. Given the difficulty in achieving home ownership, Mr CHAN Kam-lam stressed the need for the Government to provide more land for housing development in order to address the shortage of housing supply. He also considered the concern that the re-launching of HOS might lead to negative equities and mortgage default unfounded as the latter would only occur in times of economic downturn which was unrelated to HOS. To ensure a healthy and stable development of the property market, he enquired about the measures which the Government would take in addition to those aimed at tightening the sales of first-hand properties flat sales to curb property speculation. Atg STH agreed to the need to target at the supply end, so that the residential property market could develop in a steady and healthy manner. According to the latest figures, some 55 000 new flats would be made available in the next three or four years. In addition to making available land for sale through the Application List, land auction would also be carried out from time to time. At present, four land auctions were being planned. Furthermore, the Government was prepared to sell by open tender a site in Yuen Long for private residential purpose. It would also actively consider the revitalization of the HOS Secondary Market with a view to increasing the supply of small and medium-sized flats.

31. Mr Frederick FUNG said that the Government would not have to intervene in the market if there was a sufficient supply of housing to meet the needs of different classes. However, if the market failed to provide an adequate supply of housing, the Government should endeavour to meet the housing needs of the community rather than relying on market forces. The problems which Hong Kong was facing were not only the high property prices, but also the overly luxurious new residential developments. By way of illustration, flats in a new development in Sham Shui Po cost over \$9,000 per square feet which was unaffordable to most families, the average income of which was around \$18,000 per month. Given that only 15 000 PRH flats would be produced per year over the next few years, which was way below that of earlier years, the 110 000 WL applicants would have to wait a long time before allocation of PRH flats. On the other hand, the Government should provide more land for development of small and medium-sized flats. Consideration should also be given to re-launching HOS to enable the sandwich class to have their own homes.

32. Mr Ronny TONG said that different political parties and most people in Hong Kong supported the re-launching of HOS so that a suitable number of HOS flats could be provided to meet the housing needs of low to middle-income families. While the Financial Secretary had agreed to provide more land for housing development, the land being sold to developers would not be developed to meet the housing needs of low to middle-income families as they would not be able to afford the prices of these flats. There was a need for subsidized housing in order to meet the housing aspiration of these families. He asked whether the Government would review the need for re-launching of HOS within this year and if not, whether practical measures were available to address the serious imbalance between supply and demand for subsidized housing for low to middle-income families. Dr Priscilla LEUNG echoed that statistics had indicated that there was a serious imbalance between supply and demand for housing. She enquired about the feasibility of setting aside certain land for housing units which were more affordable to the public. Consideration could also be given to increasing the land supply by 20% to 30% for the development of small and medium-sized flats. With a steady flat supply, the rising trend of property prices could be curbed. To assess the future housing needs, the Government should also assess the demographic changes taking into account the influx of immigrants over the next 10 years. Based on the study, the Government would have a better idea on the types of flats which should be built. It should also consider the development of new towns to meet the aspiration for home ownership of the younger generation.

33. In response, Atg STH said that measures had been taken to increase the supply of small and medium-sized flats and such would include specifying in the land sale conditions of the site near the West Rail Long Ping Station in Yuen Long the minimum number of flats and the range of the size of the flats to be built. The Government would also liaise with the Mass Transit Railway Corporation and the Urban Renewal Authority to increase the supply of small and medium-sized flats. On Mr TONG's further enquiry on the means to ensure that the flats produced by developers would meet the needs of and were affordable to low to middle-income families, Atg STH reiterated that the Government had already taken steps to facilitate the supply of small to medium size flats as mentioned above.

34. Referring to the Government's plan of using the PRH site near the West Rail Long Ping Station in Yuen Long for the development of small and medium-sized flats, the Chairman opined that this might not be fair to WL applicants as they had been awaiting allocation of PRH flats for a long time. There were also concerns about the lack of public consultation on the proposal, and whether restrictions could be imposed on the price of flats to be built on the site. Atg STH said that the Government would endeavour to optimize the use of the scarce land resources to ensure a balanced supply and demand for housing. The 1.2-hectare site near the West Rail Long Ping Station in Yuen Long was intended to be a pilot project on the development of small and medium-sized flats. Given that the Yuen Long site was to be disposed of by open tender, Mr Ronny TONG said that developers would be free to set the prices for the flats. Also, they would probably seek to develop the site in a luxurious manner so as to fetch a much higher price. Hence, the proposal could not help resolve the housing problem, which could only be tackled through the

Admin re-launching of HOS as supported by the community at large. To facilitate better understanding, the Chairman requested the Administration to provide an information paper to explain the justifications for the sale by open tender the ex-PRH site near the West Rail Long Ping Station in Yuen Long for private residential purpose, and how this could increase the supply of small and medium-sized flats.

Tenants Purchase Scheme (TPS)

35. The Chairman enquired if consideration could be given to re-launching TPS so that well-off tenants paying double rents could purchase their own PRH flats. Atg STH said that HA would not consider re-launching TPS given the difficulties in managing PRH estates with rented and sold units. Besides, the sale of PRH flats to sitting tenants under TPS would inevitably affect the recovery of PRH flats for reallocation, thereby lengthening the average waiting time for WL applicants.

Public consultation

36. Given the limited land supply and the fact that developers tended to build luxurious flats beyond the affordability of the general community, Mr CHAN Kam-lam opined that the supply of housing in the residential market would not be sufficient to meet the demand. The revitalization of HOS Secondary Market also could not help assist low income families to achieve home ownership. Hence, there was a need for the Government to conduct a public consultation to gauge views on the re-launching of HOS and if so, the number of HOS flats to be built. Atg STH said that home ownership should be a matter of personal choice and affordability. The Government would need to be prudent in deciding whether public money should be used to subsidize investment in residential properties. Given the diversified views on the re-launching of HOS, the Government would need to listen to the views of the public to try to identify a consensus on a way forward.

37. Mr LEE Wing-tat was disappointed at the Administration's negative response to members' requests for re-launching HOS, providing housing at affordable rents for the sandwich class, and imposing restrictions on the prices of housing units. It also had failed to take measures to address the housing needs of the general community, apart from increasing the supply of small and medium-sized flats through the pilot project at Yuen Long.

38. In concluding, the Chairman said that of the 16 deputations attending the meeting, 12 supported the re-launching of HOS while four objected to it. Together with the nine members who had spoken at the meeting, there was majority support for the re-launching of HOS. It was regretted that despite the majority views, the Administration remained of the view that there were diverse views on the subject. He said that he would raise questions at the upcoming Chief Executive's Question and Answer session on why the Government had not taken heed of the majority view to re-launch HOS, and why it had refused to conduct a survey to gauge public views on the subject. Meanwhile, he hoped that the Government would seriously consider conducting public consultation on the re-launching of HOS.

V. Any other business

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

Council Business Division 1
Legislative Council Secretariat
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