

立法會
Legislative Council

LC Paper No. CB(1) 2843/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

**Minutes of special meeting
held on Friday, 8 April 2011, at 3:15 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon LEE Wing-tat (Chairman)
Hon WONG Kwok-hing, MH (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
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 Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
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
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
- Member attending** : Hon Ronny TONG Ka-wah, SC
- Member absent** : Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
- Public officers attending** : Ms Eva CHENG, JP
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 Ada FUNG, JP
Deputy Director (Development & Construction)
Housing Department

Ms Gracie FOO, JP
Deputy Secretary for Development (Planning & Lands)1
Development Bureau

Mr Jeff LAM
Deputy Director (General) (Lands Administration Office
Headquarters)
Lands Department

Mr Raymond WONG
Assistant Director of Planning/Territorial
Planning Department

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

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

Miss Mandy POON
Legislative Assistant (1)1

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- I. An overview of the existing housing policy**
(LC Paper No. CB(1) 1786/10-11(01) — Administration's paper on an overview of the existing housing policy
LC Paper No. CB(1) 1822/10-11(01) — Questions raised by Hon LEE Wing-tat (Chinese version only))

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The Chairman said that the special meeting was held in response to members' request for an overview of the existing housing policy following the announcement of the 2011-2012 Budget. To facilitate discussion, he had raised a number of questions on the existing housing policies and trends in the property market (LC Paper No. CB(1) 1822/10-11(01)) and was awaiting the Administration's response. The Secretary for Transport and Housing (STH) said that the Administration would provide a written response to the questions raised. The Deputy Secretary for Transport and Housing (DSTH(H)) gave a power-point presentation on the existing housing policy and the steps taken by the Administration to ensure a stable and adequate supply of land for both public and private housing.

(Post-meeting note: A set of power-point presentation materials was circulated to members vide LC Paper No. CB(1) 1867/10-11(01) on 9 April 2011.)

Land supply for housing

2. Mr LEUNG Yiu-chung stressed the need for the Administration to provide more land for housing. Mr CHAN Kam-lam also held the view that the Administration should optimize the land which had remained on the Application List (AL) for a long time. Consideration should be given to allocating such land to the Hong Kong Housing Society for housing development. The Deputy Secretary for Development (Planning & Lands)¹ (DSDev(P&L)) said that a number of measures had been introduced to increase land supply for housing. In the previous financial year, about 10 sites were sold by auction. It was estimated that housing land supply would be capable of producing some 35 000 private housing flats in the coming year. Among various supply sources, MTR Corporation Limited would be an important source of land supply for residential developments. She added that the Administration would review the usage of land on AL from time to time to ensure optimal utilization of land resources. For example, the site at the Hospital Road originally earmarked for residential purposes on the 2009-10 AL had been designated for university hostels. In addition, two sites on the 2010-11 AL, one in Mui Wo and another in Chai Wan, had not been rolled over, and had been re-designated for public rental housing (PRH) development. Also, the use of a site in Tung Tau, Yuen Long would be changed from business to residential development for the construction of small and medium-sized flats. Meanwhile, readily available sites at Kai Tak Development had been used for PRH development to ensure the timely delivery of PRH flats.

3. Mr Frederick FUNG noted that of the average 15 000 PRH units to be produced under the five-year rolling Public Housing Construction Programme (PHCP) for the period from 2011-2012 to 2015-2016, about 60% would be

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located in the urban and extended urban areas. As only few new PRH estates would be built on newly developed land, this showed that not much effort had been made on the part of the Administration to develop new land and associated infrastructure to meet the housing need of the community. STH confirmed that efforts had been made to develop new land. In fact, there were plans for development of three new towns in the New Territories. DSDev(P&L) supplemented that the planning for two new towns, one in North East New Territories (NENT) and another in Ku Tung North, were underway. The new towns to be developed would provide housing as well as employment opportunities for the community. The associated transport infrastructure would also tie in with the transport developments across the border. The intake of residents for the new town in NENT would be about 2020-2021. She added that there were both medium and long-term plans on land supply to meet housing and other needs of the community. Planning studies on quarry sites and the mine site at Cha Kwo Ling would be conducted to see if the land would be suitable for residential use. Feasibility studies on the use of the remaining development in Tung Chung for public and private housing would also be carried out. At the Chairman's request, the Administration agreed to provide further information on the land supply in new towns as well as the timeframe for the delivery of housing units in these areas.

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Public housing

4. Referring to the power-point presentation which indicated that there were about 145 000 applicants on the Waiting List (WL) as at December 2010 while there were 131 100 non-owner-occupied households in the private sector who were eligible for PRH, Mr Ronny TONG sought clarification on the actual number of applicants on WL. The Permanent Secretary for Transport and Housing (Housing) (PSTH(H)) clarified that the 131 100 non-owner-occupied households in the private sector were potentially eligible for PRH. Given that only some 42 000 PRH flats would be produced in the next three years, Mr TONG failed to see how the pledge of maintaining the average waiting time (AWT) at about three years could be met. Mr James TO was concerned that in order to meet the pledge, less popular flats would be provided to general WL applicants as first offers. Mr LEUNG Kwok-hung concurred with other members that there was a serious imbalance between supply and demand of PRH. STH said that there were separate queues on WL, one for general WL applicants and another for non-elderly one-person applicants. Past statistics had shown that AWT for general WL applicants could meet the target of maintaining AWT at about three years. At present, AWT for general WL applicants and elderly singleton applicants were about two years and 1.1 years respectively. Waiting time for younger non-elderly one-person applicants was longer. Many of them were young people living with their families. To ensure fair and rational allocation of the scarce public housing resources, a Quota and Points System

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(QPS) was introduced to reprioritize the allocation for non-elderly one-person applicants for PRH.

5. Mr LEUNG Yiu-chung however pointed out that there were cases where WL applicants had to wait for five years before allocation. He enquired about the waiting times for the first, second and third offers of housing. STH said that the first, second and third offers were made by way of random computer batching according to family size and allocation standards depending on the resources available when WL applicants were due for their turn of allocation. These offers would be made in accordance with the District choice chosen by applicants. It would be for the applicants to decide whether they would accept the offers. Past records revealed that about 30% of WL applicants had accepted the first offers, 40% accepted the second offers, and the remaining 30% accepted the third offers. To provide an avenue for earlier rehousing to PRH for WL applicants, less popular flats would be offered for application under the Express Flat Allocation Scheme which was launched once a year. However, the Administration did not have a list of less popular flats which had been provided as first offers. STH added that while AWT for general WL applicants had been kept at around two years, the demand for PRH might increase as a result of an increase in the number of eligible households following the relaxation of the income and asset limits. There was also a need to continue with the existing QPS. Compassionate rehousing would be considered for genuine hardship cases upon recommendation by the Social Welfare Department. At members' request, the Administration agreed to provide the waiting times for the first, second and third offers of PRH flats for general WL applicants.

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6. Mr Ronny TONG opined that AWT for general WL applicants should be the waiting time from the date of registration on WL to the date of allocation rather than the date of first offer of an unwanted unit. DSTH(H) explained that AWT was calculated in accordance with an established formula from the date of registration on WL to the date of first offer of a PRH flat and applied to general applicants. The Administration would closely monitor the situation and adjust PHCP to meet the demand. At members' request, the Administration agreed to examine whether more information could be provided to explain how AWT could be maintained at about three years.

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7. Mr LEUNG Yiu-chung opined that instead of an annual average of 15 000 PRH flat, consideration should be given to producing more PRH flats, say between 25 000 to 30 000 per year, to meet the increase in demand and to reduce AWT for PRH. Noting that only 2 000 of the 15 000 PRH units produced each year were allocated to non-elderly singleton applicants on WL, he considered that more PRH flats should be allocated to non-elderly singleton applicants as many of them low-income earners in their twenties and thirties living in cubicles and bedspace apartments. Prof Patrick LAU was concerned that the scale of PRH

development might be reduced as a result of the restrictions imposed by the principle of optimal utilization of land resources to maintain cost-effective and sustainable development to prevent the wall effect. The Deputy Director of Housing (Development & Construction) said that effect of adopting the principle of optimal utilization of land resources on PRH development would be minimal. STH added that efforts would be made to abide by the principle as far as possible to enable a better living environment.

Private housing

8. Given the surge in property prices mainly due to speculative activities, Mr Alan LEONG questioned how the Administration could ensure the healthy and stable development of the private residential property market. He considered it necessary for the Administration to enable a sufficient supply of no frills flats in the market for genuine home buyers. STH said that to ensure the healthy and stable development of the property market, the Administration had set a target of making available land for an average of some 20 000 private residential flats per annum in the next 10 years. It was estimated that the land for private housing developments could provide about 35 000 flats in the coming year.

9. Mr LEUNG Kwok-hung expressed concern about timely development of the land into residential flats to meet demand. He pointed out that the surge in rentals as a result of the rise in property prices had made it more difficult for tenants to save for the purchase of their own homes. The Chairman echoed that many families with a monthly household income of around \$20,000 had to pay 30% to 40% of their income on rents. These households were not eligible for PRH and could not afford to buy even second-hand Home Ownership Scheme (HOS) flats in the open market which cost as much as \$4,000 to \$5,000 per square foot if located in urban areas, let alone those in the private market since not many flats in the private market cost less than \$2 million. STH said that in 2010, there were about 51 000 transactions of private residential properties valued below \$2 million. There were also many second-hand HOS flats available for sale in the open market with value below \$2 million.

10. While acknowledging that there was an average of 53 000 transactions of private properties of less than \$2 million per year, Mr Frederick FUNG pointed out that the number could not reflect the adequate supply of these flats as there could be several transactions of the same flat within a year. Based on available information, these flats had appreciated by about 1.1 folds over the past nine years whereas flats of value over \$3 million, \$5 million and \$10 million had appreciated by three, five and nine folds respectively.

Special stamp duty

11. Prof Patrick LAU enquired about the efficacy of the special stamp duty (SSD) in curbing property speculation. STH said that the drop in confirmor sales was an indication on the reduction in speculative activities. The purpose of SSD was to increase the cost of speculation on short-term resale. Besides, the ultra-low interest rate environment was not expected to last for a very long time.

12. Mr Ronny TONG opined that the introduction of SSD was not able to stop speculation as evidenced by the surging property prices. He enquired about the further measures which the Administration would take to curbing property speculation. STH said that the Administration had been closely monitoring the property market and would take measures as appropriate to ensure the stable and healthy development of the property market. The introduction of SSD was able to achieve the desired objective of curbing speculation as seen by the drop in confirmor sales by over 50%. It appeared that the present property market was dominated by users rather than speculators. Mr James TO was concerned that the property bubble was about to burst if the continued rise in property prices was not due to speculation but the prevailing low interest environment. He considered it necessary for the Administration to address the situation.

Sales restrictions on private residential properties

13. The Chairman said that while confirmor sales had dropped significantly following the announcement of SSD, property prices had continued to rise by 5% to 10% in the past few months. He noted from the information provided by major estate agencies that 30% of purchasers of properties in the higher end market were Mainland investors. Given the decrease in profit margin in the higher end market as a result of the surge in property prices, the exuberant state of the property market had spread to the mass market. According to statistics from the Rating and Valuation Department, the price levels of flats ranging from 40 square metres to 70 square metres had risen beyond 1997 levels by 11% to 21%. However, the continued rise in property prices was not matched with the corresponding increases in income levels. As a result, not many people could afford home ownership. He held the view that as the official responsible for the housing policy, STH had not exercised due responsibility in regulating the property market. As an increase in speculative activities in the lower end market would have adverse impact on the local community, consideration should be given to introducing legislative measures to restrict the sales of certain types of properties in the lower end market to local residents. STH said that restricting sales of private residential flats to local residents would have implications on rights of ownership. There would also be difficulties in differentiating local from non-local residents as well as their sources of funding. The suggestion of imposing restrictions on sales of properties to local residents through legislation

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raised many issues which required very careful consideration.

Steering Committee on Regulation of the Sale of First-hand Residential Properties by Legislation

14. Mr Alan LEONG recalled that when the work progress of the Steering Committee on Regulation of the Sale of First-hand Residential Properties by Legislation (the Steering Committee) was discussed at the last meeting on 4 April 2011, members noted that the Steering Committee would submit its report to STH in October 2011 and consultation on the report would be in the form of a White Bill with a view to expediting the introduction of the Blue Bill. To enable completion of the legislative process of the Blue Bill within the current legislative term, he enquired if the report and the White Bill could be completed in parallel. STH said that the legislative process would be an inter-active one and its progress would depend on the feedback on the regulatory framework to be proposed. To enable early formulation of the White Bill, drafting had been commenced for some of the provisions in which consensus had been reached. Further discussion was however required on other issues. Subsequent consultation would be taken forward in the form of a White Bill to expedite the consultation process. The time-table for introducing the legislation had yet to be decided. Mr LEUNG Kwok-hung remained concerned if the legislative process of the Blue Bill could be completed within the current legislative term. As the Administration had not ruled out the possibility of introducing regulation on the sale of first-hand residential properties within the current legislative term, the Chairman suggested that consideration could be given to introducing a framework legislation.

Meeting the aspiration for home ownership

15. Mr CHAN Kam-lam said that the rising property prices had been way beyond the affordability of the general public. While the Administration had indicated that there was a sufficient supply of small and medium-sized flats, including over 66 800 HOS flats in the secondary market, not all of them were available for sale. Besides, the prices of HOS flats were also on a rise under the prevailing situation. By way of illustration, a HOS flat in Shatin was recently sold at about \$4,600 per square foot. He considered that there was a need to address the aspiration for home ownership of low-income families. STH said that the secondary market constituted a significant source of supply as about 86% of flats were from the secondary market while only 14% were from the primary market. She agreed that there was a need to increase the supply of flats to meet the market demand.

My Home Purchase Plan

16. Mr CHAN Kam-lam noted that there were concerns about the adequacy of the Purchase Subsidy (equivalent to half of the net rental paid during the tenancy period) under the My Home Purchase Plan (MHPP) for the down payment of the MHPP flat. To remove the uncertainties associated with the selling prices of MHPP flats in five years' time, the Democratic Alliance for Betterment and Progress of Hong Kong had suggested that eligible applicants should be allowed to rent or to buy MHPP flats at the time of intake so that those who had sufficient savings for down payment could choose to buy the MHPP flats. Consideration could also be given to setting the selling prices of MHPP flats at 70% of the market value, such that the remaining 30% would be payable to the Administration as land premium upon resale. To meet the demand of the sandwich class, efforts should be made to increase the supply of MHPP flats from 1 000 to 3 000 by 2014. He hoped that the Administration would take on board the suggestions. Mr WONG Kwok-hing expressed support for the proposed "rent or buy option" for MHPP, and hoped that the Administration would give favourable consideration to the proposal. Prof Patrick LAU added that the Administration should make available the rents and selling prices for MHPP flats as soon as practicable.

17. In response, STH said that the Administration had undertaken to provide 5 000 MHPP flats in phases in Tsing Yi, Shatin and other areas. The land for MHPP would not come from AL or sites earmarked for PRH. MHPP aimed to allow potential home buyers who had the ability to pay mortgages in the long run, but who could not immediately afford the down payment in the face of short-term property price fluctuations to save up for their home purchase. Rents for MHPP flats would take into account the prevailing market rent at the time. If MHPP flats were to be sold at discounted prices, there would be a need to impose restrictions on their sale. Notwithstanding, the Administration would give due consideration to members' suggestions in enhancing MHPP.

18. Mr LEUNG Kwok-hung held the view that the introduction of MHPP was too little and too late. The provision of only 1 000 MHPP flats by 2014 would not be of much help in meeting the demand. More land should be made available for public housing to meet the different needs of the community.

Tenants Purchase Scheme

19. Mr WONG Kwok-hing reiterated that the Administration should seriously consider re-launching the Tenants Purchase Scheme (TPS) which was similar to MHPP in that both adopted a rent and buy arrangement. He pointed out that some PRH tenants had chosen to move to other estates, such as Fu Tai Estate in Tuen Mun, despite of the higher rents on the understanding that they could buy

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their own PRH units once the estates had been included under TPS at a later stage. Some well-off tenants wished to buy their own PRH units so that they could live with their grown-up children without paying additional rents. However, these tenants could no longer purchase their own units since the cessation of TPS. He questioned the propriety for the Administration to adopt a double standard for MHPP and TPS. STH said that tenants of TPS estates were still able to purchase their own units. The re-launching of TPS would inevitably affect the turnover of PRH flats and lengthen the AWT for general WL applicants, especially in view of the long list of WL applicants and the anticipated increase of some 25 000 eligible WL applicants following the recent relaxation of income and asset limits. PSTH(H) added that TPS and MHPP were two distinct schemes as the flats under MHPP were meant for sale to tenants. The sale of TPS flats would have adverse impact on the turnover of PRH flats as the sold flats could not be allocated to WL applicants. Besides, the mix of tenure in TPS estates with both tenants and owners had given rise to management problems.

20. Mr WONG Kwok-hing was not convinced that the Administration should use the excuse of management problem to reject re-launching of TPS. As a former member of the Subsidised Housing Committee of the Hong Kong Housing Authority (HA), he did not recall that the decision to shelve TPS was due to management problems. Given that the Legislative Council had not been consulted on the shelving of TPS, and that many PRH tenants would like to purchase their own PRH units as they could not afford home ownership in the private sector, he strongly urged the Administration to seriously consider re-launching of TPS to assist sitting tenants to achieve home ownership. STH said that apart from management problems, the sale of TPS flats would have impact on the turnover of PRH flats and the AWT for general WL applicants. PRH tenants who wished to achieve home ownership could consider buying HOS flats in the secondary market using Green Form status without having to pay land premium. PSTH(H) added that there were indeed management problems associated with the mix of tenure in TPS estates, particularly in the allocation of resources for maintenance and repair. Many tenants of TPS estates chose not to buy their PRH units because of the management problems encountered in TPS estates.

Home Ownership Scheme

21. Mr Ronny TONG enquired about the availability of HOS flats for sale in the secondary market as it appeared that very few owners of HOS flats were willing to sell their flats and move to the private market on account of the escalating property prices. STH said that HOS owners were reluctant to sell their flats in the open market as they had to pay a substantial amount of premium. In an attempt to revitalize the HOS secondary market and increase the turnover of HOS flats, assistance had been sought from the Hong Kong Mortgage

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Corporation in facilitating owners in the payment of premium. Meanwhile, HA would provide potential buyers of HOS flats with an extended mortgage default guarantee of up to 30 years.

II. Any other business

22. There being no other business, the meeting ended at 5:10 pm.

Council Business Division 1
Legislative Council Secretariat
29 July 2011