

立法會
Legislative Council

LC Paper No. CB(1)578/18-19

(These minutes have been
seen by the Administration)

Ref : CB1/PL/HG/1

Panel on Housing

Minutes of meeting
held on Tuesday, 10 July 2018, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Alice MAK Mei-kuen, BBS, JP (Chairman)
Hon Andrew WAN Siu-kin (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon CHAN Kin-por, GBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon WU Chi-wai, MH
Hon MA Fung-kwok, SBS, JP
Hon CHAN Chi-chuen
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan

Hon Tanya CHAN
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

Members absent : Hon Abraham SHEK Lai-him, GBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon CHEUNG Kwok-kwan, JP

Public Officers attending : Agenda Item III

Dr Raymond SO, BBS, JP
Acting Secretary for Transport and Housing

Mr Stanley YING, JP
Permanent Secretary for Transport and Housing (Housing)

Ms Esther LEUNG, JP
Deputy Secretary for Transport and Housing (Housing)

Mr Alfred LEE
Assistant Director (Strategic Planning)
Housing Department

Mr Leslie TANG, JP
Commissioner for Census and Statistics

Agenda Item IV

Miss Rosaline WONG
Deputy Director (Estate Management)
Housing Department

Mr Ricky YEUNG
Assistant Director (Estate Management) 2
Housing Department

Ms Josephine SHU
Chief Estate Surveyor / Commercial Properties
Housing Department

Agenda Item V

Miss Rosaline WONG
Deputy Director (Estate Management)
Housing Department

Mr Martin TSOI
Assistant Director (Estate Management) 1
Housing Department

Mrs Helen CHEUNG
Chief Manager/Management
(Hong Kong Island & Islands)
Housing Department

Clerk in attendance : Mr Derek LO
Chief Council Secretary (1)5

Staff in attendance : Mr Fred PANG
Senior Council Secretary (1)5

Ms Michelle NIEN
Legislative Assistant (1)5

Action

I. Confirmation of minutes

(LC Paper No. CB(1)1214/17-18 — Minutes of meeting held on
5 March 2018)

The minutes of the meeting held on 5 March 2018 were confirmed.

II. Information papers issued since last meeting

2. Members noted that the following papers had been issued since the last regular meeting –

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- LC Paper No. CB(1)1093/17-18(01) — Land Registry Statistics for May 2018 provided by the Administration (press release)
- LC Paper No. CB(1)1125/17-18(01) — Letter dated 13 June 2018 from Hon CHAN Chi-chuen regarding the maintenance of gas pipes located in the common areas within the Tenants Purchase Scheme estates (Chinese version only)
- LC Paper No. CB(1)1141/17-18(01) — Referral arising from the meeting between Legislative Council members and Southern District Council members on 12 January 2018 regarding the concerns and suggestions about the redevelopment of Wah Fu Estate and associated traffic issues (Chinese version only) (Restricted to Members)
- LC Paper No. CB(1)1149/17-18(01) — Letter dated 15 June 2018 from Hon HO Kai-ming regarding the maintenance of gas facilities in Tenants Purchase Scheme estates (Chinese version only)
- LC Paper No. CB(1)1210/17-18(01) — Administration's paper on Government's New Initiatives on Housing
- LC Paper No. CB(1)1229/17-18(01) — Land Registry Statistics for June 2018 provided by the Administration (press release)

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III. 2018 Rent review of public rental housing

(LC Paper No. CB(1)1220/17-18(01) — Administration's paper on 2018 Rent review of public rental housing

LC Paper No. CB(1)1220/17-18(02) — Paper on rent review for public rental housing prepared by the Legislative Council Secretariat (updated background brief))

3. Acting Secretary for Transport and Housing ("Atg STH") briefed members on the outcome of the 2018 rent review conducted under the rent adjustment mechanism for public rental housing ("PRH") as stipulated in the Housing Ordinance (Cap. 283). The Assistant Director (Strategic Planning), Housing Department then gave a PowerPoint presentation on the subject.

(*Post-meeting note:* Presentation materials (LC Paper No. CB(1)1254/17-18(01)) for the item were issued to members on 11 July 2018 in electronic form.)

2018 Rent review

4. Noting that the proposed rent adjustment under the 2018 PRH rent review was 10% with effect from 1 September 2018, Mr LUK Chung-hung asked whether the rates of rent increases in the review exercises since 2010 were all higher than the inflation rates for the relevant periods. Atg STH replied that rent increase was only one of the factors affecting inflation. Since the first review in 2010, while the rates of rent increases were higher than the relevant inflation rates, the rates of increases in PRH household income were also higher than the relevant inflation rates and were not lower than the rates of rent increases. This indicated that tenants' ability to afford rent had been improving.

5. In response to Mr Jeremy TAM's enquiry about the impact of PRH rent increase of 10% on Consumer Price Index (A), the Commissioner for Census and Statistics ("C for C&S") advised that as the expenditure weight of PRH rent in CPI(A) was about 5%, the proposed rent increase of 10% could push the CPI(A) up by about 0.5%.

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6. Mr SHIU Ka-chun and Mr Jeremy TAM expressed concern that the proposed rent increase would add further burden to grassroots tenants. Mr SHIU opined that since 2010, the rate of HA's PRH rent increase was higher than the rates of rent increase of the Hong Kong Housing Society's rental units, MTR fare increase and inflation. He noted the Administration's estimate that the proposed rent increase under the 2018 PRH rent review could help lower the deficit of the HA's PRH operating account from \$1.1 billion to about \$0.05 billion in 2018-2019. He queried whether any persons should be held accountable for the impact of rent increase on PRH households if the actual deficit for the fiscal year would be lower than the estimate. Atg STH replied that the proposed rent adjustment was based on the outcome of the 2018 rent review and it was not related to HA's financial position and the Administration's estimate. HA's PRH rent adjustment mechanism and the MTR Corporation Limited's fare adjustment mechanism took into account different sets of factors and thus the two mechanisms were not directly comparable.

7. Mr LEUNG Yiu-chung enquired about the reason that the rates of nominal wage increase and real wage increase in 2017, being between 2.8% and 5.8% and between 1.1% and 4.1% respectively, were much lower than the change in the income index between the first and second periods (i.e. 2015 and 2017 respectively) under the 2018 rent review. Dr Fernando CHEUNG enquired why the change in the income index under the 2018 rent review was on the high side when compared to the relevant territory-wide figure. Atg STH and C for C&S replied that the wage index and income index should not be compared directly as they differed in terms of coverage and objective. C for C&S advised that the Census and Statistics Department conducted quality checks on the work of HA in the "Survey on Household Income of Public Rental Housing Tenants" ("the Income Survey") and computed the income index in its independent capacity in accordance with the relevant legislation. The department had confirmed that the data collected through the Income Survey in 2015 and 2017 accurately reflected the household income of PRH tenants in both 2015 and 2017. C for C&S explained that many tenants in PRH estates were taking up low-skilled jobs, such as cleansing and security guard service, and some of them were construction workers. From 2015 to 2017, the wage levels of such jobs had increased by more than 10%. Over the period, among those PRH tenants who were employees, there was also an increase in the number of degree holders whose salaries were relatively high.

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8. Noting that HA randomly selected a sample of 2 000 PRH households each month to collect the income data of PRH tenants for computing the income index, Mr Andrew WAN enquired whether HA would consider increasing the sample size to make the Income Survey more representative. Mr LEUNG Yiu-chung and Mr Wilson OR enquired whether HA would consider extending the rent review cycle from two to three years. Atg STH advised that a shorter rent review cycle allowed HA to react more quickly to changes in socio-economic circumstances. The existing review frequency had balanced the need to keep abreast of the latest situations while maintaining flexibility.

Rent adjustment mechanism

9. Mr Wilson OR opined that it was the fourth time in a row that HA increased PRH rent by 10%. He enquired whether HA would review the rent adjustment mechanism which had been in operation for 10 years, and whether it would consider as part of the review a lower cap on the rate of PRH rent increase. He further enquired whether the mechanism would take into account the factor of inflation. Atg STH replied that as mentioned in Annex G to LC Paper No. CB(1)1220/17-18(01), HA had studied various suggestions on revising the rent adjustment mechanism, and considered that compared to other suggested options, the existing mechanism was more effective in ensuring PRH tenants' affordability.

10. Dr Fernando CHEUNG opined that the methodology under the present rent adjustment mechanism in effect penalized PRH residents with improved household income. Mr LEUNG Yiu-chung and Mr LUK Chung-hung said that HA should consider incorporating the factors of inflation and household expenditure into the rent adjustment mechanism. Mr LUK opined that as the ability to afford might be different among households, it might not be appropriate to apply the same rate of rent adjustment to all PRH tenants. He queried whether the rent adjustment mechanism in effect turned the additional income earned by PRH households to HA's rental income. Atg STH replied in the negative, and advised that the rent adjustment based on PRH tenants' income would ensure that the rent would be set at a level affordable to tenants.

11. Mr KWOK Wai-keung opined that an increase in the nominal income of households was often offset by inflation. In view of the results of a survey conducted by his political affiliation about the income changes from 2004 to 2016, PRH rent increase should be limited to 1% to 2% annually. He further said that the Administration's measures to promote women and elderly employment would increase the number of working members in PRH

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households and the household income, resulting in an increase in PRH rent under the present rent adjustment mechanism. The rent however might not be adjusted downwards even if these working members lost their jobs in future. He considered that the rent adjustment mechanism was incomprehensive as it only made reference to households' nominal income changes in determining the extent of rent adjustment, and HA should review the mechanism in order to reflect the PRH tenants' ability to afford rent. Dr CHENG Chung-tai opined that the income increase of PRH households in recent years was due to the implementation of statutory minimum wage, and the present rent adjustment mechanism did not take into account the increase in PRH tenants' living expenses. He enquired whether HA would review the mechanism. Mr KWONG Chun-yu queried why the rent adjustment mechanism did not take into account the factor of inflation.

12. Atg STH undertook to relay members' views at the meeting regarding the rent adjustment mechanism to HA's Subsidised Housing Committee ("SHC") for consideration. The present rent adjustment mechanism was simple, transparent and easy to understand and the data collection and compilation method under the mechanism was scientific. It provided an objective basis for HA to determine when PRH rent should be adjusted and by how much, taking into account tenants' affordability.

13. Mr Andrew WAN considered that the rent adjustment mechanism should also take into account inflation rate, real wage change, etc. and observed that the rent levels of newly completed PRH estates were generally higher than those of the old PRH estates. As considerable PRH projects in new development areas and PRH redevelopment projects would be completed in coming years, the ratio of the average PRH rent to the average PRH household income might increase in future. He urged HA to review the rent adjustment mechanism in a timely manner. Atg STH replied that under the rent adjustment mechanism, there was a 10% cap on the rate of rent increase and there was no floor in case of rent reduction. Therefore, the ratio of the average PRH rent to the average PRH household income would continue to decrease in the long term. The increase in the number of households living in newly completed PRH estates as mentioned by Mr WAN might only have a limited impact on the ratio. Under the HA's Rent Assistance Scheme ("RAS"), a PRH households whose rent-to-income ratio was higher than a certain level might apply for rent reduction.

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Rent levels of public rental housing units in new estates

14. The Chairman opined that there were big differences between the rent levels of PRH units in newly completed PRH estates, such as Shui Chuen O Estate, and those in older PRH estates. HA should consider reviewing the present methodology for determining the rent levels of the PRH units in these new estates, and whether it was appropriate to freeze the rent payable by tenants of these estates for a certain period so that these tenants did not need to face an increase in rent shortly after moving to the new units. Atg STH undertook to relay the Chairman's views to HA.

Rent assistance

15. Dr Fernando CHEUNG said that many of the PRH households had to afford expensive consumer goods sold in Link Real Estate Investment Trust ("Link REIT")'s markets and shopping arcades. A 10% rent increase would impose heavy burden on grassroots households which were not eligible for RAS and households in new PRH estates. He enquired whether the Administration would consider relaxing the eligibility criteria for the rent assistance measures offered to low-income PRH households. Mr Wilson OR enquired whether HA would relax the eligibility requirements for RAS applicants, and reduce the frequency of review of RAS eligibility. Atg STH replied that during the rent reviews in 2014 and 2016, HA had enhanced the RAS's publicity and application process, and as a result of the enhancements, the number of RAS beneficiaries had increased substantially over the years. The arrangement of reviewing the RAS eligibility every two years took into account the operation need of HA and the need to reduce nuisance to the RAS recipients.

16. Mr Jeremy TAM noted that the eligibility criteria for the scheme was related to PRH income limits and rent-to-income ratios whereas the PRH rent was adjusted every two years. He considered that HA should review RAS regularly to tie in with the biennial rent review cycle. Atg STH undertook to relay Mr TAM's view to HA.

17. Mr WU Chi-wai enquired about the percentage of PRH households whose income was increased by less than the average income increase of PRH households during the period covered by the 2018 rent review, and whether these households were eligible for RAS. Permanent Secretary for Housing ("PS(H)) replied that as set out in LC Paper No. CB(1)1220/17-18(01), as at December 2017, about 16% of PRH households were Comprehensive Social Security Assistance households whose rent was fully covered by the

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Government in most cases, and about 2% were receiving rent reduction under RAS. In view that certain PRH households whose income increase was below the average and were not eligible for RAS, Mr WU opined that HA should consider reviewing RAS to ensure that PRH rent increase would not compromise these households' ability to afford. PS(H) undertook to relay Mr WU's view to SHC.

Rent relief measures

18. Mr KWOK Wai-keung opined that to alleviate the pressure of rent increase on PRH tenants, HA should provide rent assistance measures, such as a one-month rent waiver. Mr Wilson OR said that the current-term Government, albeit having substantial fiscal surplus, had not proposed in the budget for the current fiscal year any measures to pay rent for PRH residents. He enquired whether HA would consider any rent relief measures. Mr Andrew WAN opined that the rent assistance under RAS could not fully offset the total amount of rent increase, and asked whether HA would freeze the rent levels payable by the households which had difficulties in affording the rent increase. Atg STH replied that granting a rent waiver to all PRH tenants or freezing the rent levels payable by them irrespective of whether tenants were in need might not be the rational use of public money. There should be targeted assistance to those tenants who were in need. To offer assistance to PRH tenants facing temporary financial difficulties, HA put in place RAS, under which households meeting the relevant criteria would be eligible for rent reduction by 25% or 50%.

19. In response to Mr KWONG Chun-yu's enquiry about whether the Administration would recommend to HA to provide a rent waiver to PRH tenants, Atg STH and PS(H) advised that the Administration had not made such recommendation to HA. The Administration had prepared a paper enclosed in LC Paper No. CB(1)1220/17-18(01) to facilitate SHC members' consideration of the 2018 PRH rent review in July 2018. The Administration had set out in the paper the factors for considering whether a rent waiver should be provided to PRH tenants. Members' views at the meeting on providing rent waiver would also be relayed to SHC.

20. The Chairman opined that PRH households might disagree to the proposed rent increase, taking in view that there was no increase in their real income. She urged the Administration to relay members' views at the meeting to SHC, including providing rent relief measures, reviewing the rent adjustment mechanism and RAS, etc. Atg STH undertook to relay members' views at the meeting to SHC.

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Motions

21. At 5:41 pm, the Chairman advised that she had received three motions from members put forth by Mr KWOK Wai-keung, Mr Andrew WAN and Mr Wilson OR, which she considered relevant to the agenda item.

Motion moved by Mr KWOK Wai-keung and seconded by Mr LUK Chung-hung:

"本會促請房委會盡快檢討公屋租金調整機制，除以收入指數變動為依據外，也應將通脹及居民支出等元素納入在調整機制內，使租金調整更符合居民的負擔能力；同時房委會也應考慮提出紓緩措施協助居民，包括考慮免租一個月及加強租金援助計劃，以減低公屋加租一成對居民構成的經濟壓力。"

(Translation)

"This Panel urges the Housing Authority ("HA") to expeditiously review the rent adjustment mechanism for public rental housing ("PRH"), and while the change in the income index should be used as the basis for adjustment, elements such as inflation and household expenditure should also be included in the adjustment mechanism, such that rent will be adjusted to a level which is more affordable by residents; at the same time, HA should also consider introducing relief measures to assist residents, including considering the provision of a one-month rent waiver and enhancement of the rent assistance scheme, in order to relieve the financial pressure brought about by the 10% increase in PRH rent on residents."

22. The Chairman put to vote the motion moved by Mr KWOK Wai-keung. 11 members voted in favour of the motion, no members voted against the motion, and no members abstained from voting. The Chairman declared that the motion was carried.

Motion moved by Mr Andrew WAN:

"本會要求房委會：

1. 檢討公屋租金調整機制，以更全面、公平、合理的方法調整租金，確保機制能反映公屋居民的真正承擔能力，考慮加入影響居民經濟水平的因素作為訂租指標，例如通貨膨脹率等。

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2. 房委會必須優化租金援助計劃，讓有經濟困難的住戶，在收入沒有任何改善時，於加租周期時可獲凍結租金，以貫徹租援計劃的原意和精神。
3. 於2018年的租金調整階段，促請房委會研究寬免住戶一個月的租金的可能性，以減輕基層住戶的經濟壓力。"

(Translation)

" This Panel requests the Housing Authority ("HA"):

1. to review the rent adjustment mechanism for public rental housing ("PRH") and adjust rent in a more comprehensive, fairer and more reasonable manner, with a view to ensuring that the mechanism can truly reflect the affordability of PRH residents, as well as to consider including factors that affect the financial status of residents, such as inflation rate, etc., as the indicators for setting rent levels.
2. to enhance the rent assistance scheme, such that households with financial difficulties but with no improvement in income can have their rent frozen during the rent increase cycle, in order to fulfil the intent and spirit of the rent assistance scheme.
3. that HA be urged to examine, during the rent adjustment period in 2018, the feasibility of offering households a one-month rent waiver, so as to relieve the financial pressure of grass-roots households."

23. The Chairman put to vote the motion moved by Mr Andrew WAN. 10 members voted in favour of the motion, no members voted against the motion, and no members abstained from voting. The Chairman declared that the motion was carried.

Motion moved by Mr Wilson OR and seconded by Mr Vincent CHENG:

"房委會是次已是連續第四次加租一成，但現時百物騰貴，公屋居民入息的增幅大多被通脹抵消，生活負擔有增無減；加上政府財政盈餘豐厚下，預算案亦沒有任何公屋代繳租金的措施，加租一成，部分租戶實在難以承受。本委員會認為現有租金調整機制已沿用10年，應該開展檢討，包括：研究將每次的加幅上限下

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調、將兩年一調改為三年一調，或者在計算入息時加入通脹因素等。同時，本委員會促請當局為公屋租戶寬免租金一個月，以紓緩加租的壓力。"

(Translation)

"It is the fourth time in a row that the Housing Authority increases rent by 10%. However, with the soaring prices these days, the living burden of public rental housing ("PRH") residents is becoming increasingly heavy, as the increase in their income has mostly been offset by inflation; in addition, the Government, albeit having substantial fiscal surplus, has not proposed in the Budget any measures to pay rent for PRH residents, and actually it is difficult for some tenants to afford a 10% increase in rent. This Panel considers that a review of the existing rent adjustment mechanism, which has been in use for 10 years, should be conducted, and the review should include studying lowering the ceiling of each rent increase, adjusting rent once every three years instead of every two years, and taking the factor of inflation into account when calculating income, etc. At the same time, this Panel urges the authorities to offer a one-month rent waiver to PRH tenants, with a view to relieving the pressure brought about by rent increase."

24. The Chairman put to vote the motion moved by Mr Wilson OR. 11 members voted in favour of the motion, no members voted against the motion, and no members abstained from voting. The Chairman declared that the motion was carried.

(Post-meeting note: The wording of the motions passed were issued to members vide LC Paper Nos. CB(1)1258/17-18(01) to CB(1)1258/17-18(03) on 12 July 2018. The Administration's response to the motions was issued to members vide LC Paper No. CB(1)1314/17-18(01) on 27 July 2018.)

IV. Use of non-domestic premises of the Hong Kong Housing Authority

(LC Paper No. CB(1)1220/17-18(03) — Administration's paper on use of non-domestic premises of the Hong Kong Housing Authority

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LC Paper No. CB(1)1220/17-18(04) — Paper on use of non-domestic premises of the Hong Kong Housing Authority prepared by the Legislative Council Secretariat (background brief))

25. The Deputy Director (Estate Management), Housing Department ("DD(EM), HD") briefed members on the use of non-domestic premises of HA.

Welfare facilities

26. Mr WU Chi-wai opined that the gross floor area ("GFA") restriction of non-domestic premises in public housing estates often limited the use of these premises and enquired whether HA would explore with relevant government departments the adoption of a more flexible approach to facilitate the provision of community or social welfare facilities in such premises. DD(EM), HD replied that for estates located on land lots subject to land leases, HA had to take into account restrictions on land use and floor areas when planning the non-domestic facilities to be provided in the estates. As regards those estates on land lots vested in HA by the Government under a vesting order, HA had more flexibility in planning the use of non-domestic premises. For the non-domestic premises in estates which involved other owners such as Link REIT, the Administration was studying the possibility of allowing more flexibility in the use of non-domestic premises.

27. Dr Fernando CHEUNG said that according to the Administration's reply to a written question raised at a Council meeting, there were six social welfare premises under HA with vacant units as at the end of May 2018, and one of them, which comprised nine units in Yung Shing Court, Fanling had been used as children's hostel before it was left vacant since 2006. Community organizations had concerns when applying to lease these premises, in view that the units of the premises were scattered on different floors, their headroom did not fulfil the requirements for small group home and there was a need for sharing lifts and lobby with the domestic portion. He queried why HA/the Administration had not taken into account these constraints in earlier years when leasing out the premises for children's hostel use. DD(EM), HD replied that although the premises in Yung Shing Court had been used as a children's hostel before it was left vacant in 2006, its design, such as the headroom, was no longer in compliance with the requirements for small group home under the prevailing legislation. HA had been liaising with relevant government departments on options to convert it to PRH units or other suitable uses.

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28. Dr Fernando CHEUNG enquired about the progress of the Administration/HA in addressing the lack of permanent offices for social work teams to provide services to residents of new public housing estates. DD(EM), HD replied that HA had leased out suitable non-domestic premises not yet in use, including Mutual Aid Committee offices, as temporary work bases for support services in some new public housing estates.

Retail facilities

29. Mr HO Kai-ming said that the overall vacancy rate of the retail facilities under HA was around 1.6%, and enquired how HA would put the vacant retail facilities to good use. DD(EM), HD replied that vacant retail facilities were mainly found in some older estates, and HA had been exploring the feasibility of converting them for social welfare or other purposes.

30. Mr Jeremy TAM relayed the concern of a shop tenant in one of HA's shopping centres that HA did not give small shops the same priority in renewing tenancy as it gave other shops. DD(EM), HD replied that according to the established arrangements, the Housing Department ("HD") would request a shop tenant to indicate his/her intention to renew the tenancy about nine months before the expiry of the tenancy. If the tenant had not breached any term in the tenancy agreement during the tenancy, and agreed to the new rental level proposed by HA, the tenant would, under normal circumstances, be invited to renew the tenancy upon the completion of the tenancy. Mr TAM said that he would continue to follow up the matter with the Administration after the meeting.

31. Mr HO Kai-ming opined that the HA's adoption of single-operator letting arrangement for its markets had given rise to problems of high stall rentals in such markets, forcing individual stall operators to leave the trade and increasing the number of vacant stalls. He suggested that HA should set a target market stall occupancy rate for single operators to achieve, and impose fines on those who failed to meet the target. DD(EM), HD replied that HA adopted the single-operator letting arrangement for its new markets from 1997 onwards, and would continue to put in place appropriate measures to enhance the protection for stall operators and monitor the performance of single operator. The Administration thanked Mr HO for his views and suggestions. Dr Fernando CHEUNG reiterated his opposition to the HA's adoption of single-operator letting arrangement for its markets.

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32. Mr HO Kai-ming enquired about the Administration's progress of setting up more temporary bazaars in HA's PRH estates in order to provide residents with shopping choices other than the Link REIT's markets and shopping centres. DD(EM), HD replied that HA had earlier accepted some proposals from charitable organizations for setting up bazaars in PRH estates, and would continue to act in complement with the Government's policy and adopt a positive attitude towards specific bottom-up proposals for organizing bazaars.

Factory estates

33. Mr Jeremy TAM expressed concern that the leased units in the flatted factory estates under HA were used for storage purposes instead of for carrying out industrial activities. He enquired whether HA had conducted inspections or surprise checks to ensure that such units were properly used by the tenants. DD(EM), HD replied that HD had put in place mechanism for regular inspections to ensure the proper use of the leased units. The current occupancy rate of the six flatted factory estates was more than 99%, and the leased units, given their small sizes, were mainly occupied by small industrial operations or light industries. As the units were leased out at market rates, tenants should have little incentive to use them for storage purposes only. Mr TAM requested the Administration to provide information on the tenancy termination rate in these factory estates over past years.

(Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)310/18-19(01) on 10 December 2018.)

Car parking facilities

34. Mr WU Chi-wai opined that for the sake of fairness to PRH residents, HA should set the parking fee of an estate's car park payable by PRH residents on the basis of the number of residents of the estate renting the parking spaces instead of the number of the estate's residents and non-residents renting the parking spaces. Dr Junius HO expressed concern about the limited number of parking spaces to meet the demand of PRH households which were large in number. He opined that HA/the Administration should improve the existing ratio of estates' parking spaces to PRH residents to about 1:25 or even 1:20. DD(EM), HD replied that the primary function of HA was to provide affordable housing to low-income families with housing needs. In determining the provision of parking spaces under its public housing development projects, HA in general drew reference from the requirements of the Hong Kong Planning Standards and Guidelines and consult the Transport Department and

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the relevant District Councils. In view of the present high demand for parking spaces, HA would consider providing additional parking spaces in its public housing projects as far as practicable. As regards the existing PRH estates, HA would seek opportunities to create additional parking spaces subject to technical feasibility and local views.

V. Review of the role of the Housing Department in outsourcing of government services

(LC Paper No. CB(1)1220/17-18(05) — Administration's paper on the Hong Kong Housing Authority's outsourcing arrangements for property services

LC Paper No. CB(1)1220/17-18(06) — Paper on the role of the Housing Department in outsourcing of government services prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(1)1095/17-18(01) — Letter dated 8 June 2018 from Hon HO Kai-ming on review of the role of the Housing Department in outsourcing of government services (Chinese version only))

35. DD(EM), HD briefed members on the outsourcing arrangements of HA for property services.

(At 6:22 pm, the Chairman advised that she had received two motions from Mr HO Kai-ming and Mr Andrew WAN in respect of the agenda item respectively, which were tabled at the meeting.)

Action

Service quality of outsourced contractors

36. Mr HO Kai-ming opined that the HA's outsourcing arrangements had led to degradation of the quality of services in PRH estates, such as the cleansing and security services in Shun Lee Estate. It was necessary for HA to set more stringent requirements on its outsourced service contractors and step up supervision and monitoring of them in order to enhance their service quality. Mr LEUNG Yiu-chung considered that the service quality of outsourced contractors was low because of the low requirements imposed by HA in the tender documents for the outsourced services. He cited as an example the security services in PRH estates, and opined that apart from security guards stationed at each PRH block, HA should also require outsourced contractors to deploy security guards to patrol the common areas within the estate. DD(EM), HD replied that HA set out its requirements on outsourced service contractors in the tender documents for procurement of property services. The tender evaluation conducted by HA included the assessment criteria on price aspect and technical aspect. When preparing the tender for an outsourced service, HA would examine the manpower required for performing the service and lay down the requirements in the tender documents.

37. Mr CHAN Chi-chuen enquired whether HA took into account the complaints from PRH residents when assessing the performance of outsourced service contractors under the relevant scoring system and whether the scoring results would be made public. Mr WU Chi-wai asked whether HA attached importance to the views and comments of Estate Management Advisory Committees ("EMACs") when assessing the performance of the contractors providing property management services in PRH estates. Mr LEUNG Yiu-chung opined that property services agents might be given higher scores in relevant performance assessments because they had established good relationship with EMACs, and this might give rise to an unfair situation. He urged HA to work out more effective measures to supervise property services agents. DD(EM), HD replied that Mr LEUNG's views were noted. She explained that apart from EMACs, HD estate staff and selected households from individual PRH estates would also assess the performance of their respective service contractors. While under the scoring system for assessing the contractors' performance, HA assigned relatively little weighting to the EMACs' comments on service contractors, HD estate staff would take into account the complaints they had received and the feedbacks from EMACs on the contractors' performance when giving scores.

Action

38. Mr CHAN Chi-chuen enquired whether over the past five years, HA had taken regulatory actions against service contractors with poor performance. DD(EM), HD replied that the scores attained by service contractors in HA's performance assessments might affect their tender opportunities in future. In 2016, HA had removed a service contractor from the lists for participation in tendering because the contractor had been convicted of an offence under the Employees' Compensation Ordinance (Cap. 282). Assistant Director (Estate Management)1, Housing Department advised that the weightings assigned to the technical and price aspects in the overall score of the marking scheme for tender evaluation were 30% and 70% respectively. For technical evaluation, as an example, the respective weightings assigned to tenderers' past performance and their proposed wage rates and working hours for non-skilled workers were 26% and 4% respectively for cleansing service contracts. Mr CHAN Chi-chuen opined that tenderers' past performance had limited effects on the scores under the present marking scheme.

Tendering system

39. Mr HO Kai-ming and Dr Fernando CHEUNG said that the weighting assigned to tenderers' proposed wage rates for non-skilled workers under the marking scheme for tender evaluation was too low. Dr CHEUNG opined that the weighting should be increased to 10% of the total score. He criticized the approach of "lowest bid wins" principle in inviting tenders and urged HA to revise the marking scheme for tender evaluation by assigning a weighting of 70% for the technical factor, with the remaining 30% for the price factor. Mr Andrew WAN said that the weighting assigned to the technical factor should be at least 50%. DD(EM), HD replied that the Administration/HA had noted the views regarding the weightings for different aspects in marking schemes. An inter-bureau and inter-departmental working group set up by the Labour and Welfare Bureau to review the Government's outsourcing system ("the Working Group") had been studying the matter.

40. Dr Fernando CHEUNG expressed concern about the problem of suspected tender-rigging practices in HA's outsourcing service contracts. He cited as an example the labour dispute arising from the change of cleansing service contractors for Hoi Lai Estate earlier on, and enquired how HA would deal with the issue of "related company". DD(EM), HD replied that HA would relay any suspected case of tender-rigging to the Competition Commission. Regarding the issue of "related company", HA attached great importance to mitigating the risk caused by awarding multiple contracts to the same company or companies which were related.

Action

Demerit Point System

41. Mr CHAN Chi-chuen noted that HA might terminate the contract with an outsourced service contractor if it had allotted three demerit points to the contractor within 36 months, and asked about the rationale of this criterion. In response to his enquiry whether HA had terminated a service contract over the past five years because three demerit points had been allotted within 36 months, DD(EM), HD advised in the negative. She added that HA had issued a default notice to a service contractor which charged fees from its employees for the cost of washing their working clothes. Mr CHAN Chi-chuen remarked that HA should consider undertaking a review of the Demerit Point System to find out why few actions had been taken by HA against its contractors under the system.

Rights and benefits of outsourced service workers

42. Mr Andrew WAN opined that HA should provide better protection of the rights and benefits of outsourced service workers and enhance its supervision over their employers' obligations in this regard, including surprise inspections. DD(EM), HD replied that PRH estate staff conducted inspections, interviewed the cleansing workers and security guards, and checked whether their employers had complied with their legal and contractual responsibilities. Each year, the Central Monitoring Unit of HD conducted surprise inspections in about 22 PRH estates to detect non-compliances by relevant contractors.

Wage levels and years of service

43. Dr Fernando CHEUNG said that HA's outsourced service contracts involved the employment of large number of non-skilled workers. Their wage levels were generally low and many of them were earning statutory minimum wage. He criticized that the Administration/HA outsourced its services in order to save cost, and the outsourcing arrangements could not protect workers from their employers' exploitation. DD(EM), HD replied that HA's contracts had specified that service contractors had to comply with the laws of Hong Kong, including the Employment Ordinance (Cap. 57). If HA found that a service contractor had contravened the labour legislation or breached the contracts of employment, it would refer the case to the Labour Department for follow-up.

Action

44. Mr WU Chi-wai opined that it had been difficult for outsourced service workers to accumulate years of service as a result of change of HA's service contractors, although they had remained in the same posts for years. This in turn affected their entitlements to relevant employees' benefits. HA should improve the tendering system to ensure that the employment terms to be offered by outsourced service contractors to their workers would take into account their years of service in the same estate. Dr Fernando CHEUNG expressed similar view about the need for allowing workers to accumulate their years of service in PRH estates. Mr HO Kai-ming said that there were cases where service workers in PRH estates, such as Lok Wah South Estate and Choi Hung Estate, received lower wages for serving the same posts after changes of contractors. He enquired how HA would handle these cases.

45. DD(EM), HD replied that the wage levels of employees of HA's outsourced contractors were protected under the Minimum Wage Ordinance (Cap. 608). HA took into account various factors, including the tender price, in considering whether a tenderer's proposed wage rates for their employees were reasonable. In evaluating tenders, HA would award higher scores if the tenderers' proposed wages were above the statutory minimum wage. HD had relayed the suggestion about retaining workers' years of service in an estate to the Working Group for consideration. She added that there were also reservations against the suggestion which might affect the work opportunities available to other workers.

Provision of paid meal breaks

46. Mr Jeremy TAM said that HA/the Administration should require its outsourced service contractors to include paid meal breaks in employees' working hours. He suggested that the requirement should be set out in the relevant tender documents, lest the bidders for service contracts might avoid including this employment benefit in their tenders in order to keep the tender prices low. Mr Andrew WAN shared the views of Mr TAM. DD(EM), HD undertook to relay members' views on provision of paid meal breaks to the Working Group for consideration. Contracts between HA and service contractors presently had not specified that service contractors had to include paid meal breaks in employees' working hours. In response to Mr TAM's enquiry on whether HA would take forward his suggestion even if the Working Group did not implement it under the Government's outsourcing system, DD(EM), HD advised that the HA's Tendering Committee was discussing new measures to improve the outsourcing system, and would further discuss them after the Working Group's review outcome became available.

Action

Termination payments

47. Mr HO Kai-ming expressed concern that there were cases where HA's outsourced service workers had been forced by their employers to resign voluntarily, rendering them unable to claim severance payments, long service payments, payment in lieu of notice, etc. Dr Fernando CHEUNG and Mr WU Chi-wai raised similar concern. Mr HO opined that HD should proactively curb such employers' malpractices in order to protect the rights and benefits of the affected workers. He enquired about the HA's measures to ensure that its contractors would discharge the statutory obligations to provide termination benefits to their eligible employees. DD(EM), HD replied that the review conducted by the Working Group covered labour benefits for non-skilled employees engaged by government service contractors. She advised that, when there was a change of HA's service contractors, HA would remind the workers employed by the outgoing contractor about the employment benefits that they entitled under the Employment Ordinance, and would interview the outgoing and the new contractors separately to remind them to comply with Hong Kong laws and regulations, as well as their contracts with HA. HA would also remind workers that they should be careful when signing any documents upon their employers' requests, and that they might contact the Labour Department for enquiries.

48. Mr LEUNG Yiu-chung opined that the problem of outsourced contractors' evasion of obligations to make severance payments and long service payments to their employees might be more serious in the wake of the abolition of the "offsetting" arrangement under the Mandatory Provident Fund ("MPF") system in future. HA should consider extending the duration of outsourced contracts from two to three years. Mr WU Chi-wai raised similar suggestion. DD(EM), HD replied that the issues studied by the Working Group included the duration of outsourced contracts. HA would follow up the Working Group's recommendations in this regard when available. In response to Mr WU's concern about whether the relevant improvements to the HA's outsourcing arrangements could be taken forward on time to dovetail with the abolition of the "offsetting" arrangement under the MPF system, DD(EM), HD advised that the Working Group targeted to complete the review by the third quarter of 2018. If the Administration introduced any new measures, HD would report to HA in a timely manner for HA to consider whether to incorporate relevant measures into its system.

Action

End-of-contract gratuity

49. Mr AU Nok-hin enquired about the proportion of HA's outsourced service contractors which offered end-of-contract gratuity to their employees, and the HA's position regarding the contractors' provision of this arrangement. He opined that HA should require its contractors, such as those providing property services in estates, to provide end-of-contract gratuity to workers as such arrangement would help retaining employees until the end of the contract concerned and address the problem of high staff turnover, hence maintaining the contractors' service quality. DD(EM), HD replied that Mr AU's views had been noted. Although HA had not required contractors to offer end-of-contract gratuity to their employees, some of them might have put in place such arrangement. The Working Group would study the matter in its review.

Improvements to the outsourcing arrangements

50. Mr HO Kai-ming opined that the HA's tendering system for its outsourced services and its existing arrangement of renewing outsourced service contracts based on the "3-2-1" principle (i.e., the term of the first contract was three years, and the contract was subject to renewal for subsequent terms of two years and one year respectively) discouraged good employer's practices as service contractors had to offer low wage rates to their workers in order to keep their tender prices competitive. Before the outcome of the review of the Working Group was available, HA should appropriately adjust its outsourcing arrangements to create better opportunities for service contractors which were willing to offer more favourable employment terms and conditions to their employees.

51. Mr Andrew WAN opined that the HA's outsourcing system was not the same as that of the Government. Instead of waiting until the Working Group had completed its review, HA should proactively improve its outsourcing arrangements in a timely manner. Contracts between HA and service contractors should specify clearly the statutory obligations that a service contractor had to fulfill as an employer of outsourced service workers. The scoring system for tender evaluation should be suitably adjusted to increase the weighting of the scores in contractors' compliance with relevant legislations and regulations and their handling of work injury cases. HA should also consider putting in place more effective penalties, such as imposing fines, suspension from tendering for a longer period, etc., against contractors' non-compliances. DD(EM), HD replied that Mr WAN's views and suggestions had been noted.

Action

Motions

52. At 7:10 pm, the Chairman said that the two motions proposed by Mr HO Kai-ming and Mr Andrew WAN respectively could not be dealt with at the meeting as there was a lack of quorum. She advised that since this was the Panel's last regular meeting in the current session, the two motions would not be dealt with in this session.

VI. Any other business

53. There being no other business, the meeting ended at 7:17 pm.

Council Business Division 1
Legislative Council Secretariat
14 February 2019