

Minutes of the Regular Open Meeting of the HONG KONG HOUSING AUTHORITY Held on Monday, 22 January 2018 in the Housing Authority Chamber, 10th Floor, Block 2, Housing Authority Headquarters

PRESENT

The Hon Frank CHAN Fan, JP

Mr Stanley YING Yiu-hong, JP

Prof Edwin CHAN Hon-wan

Mr LEE Ping-kuen, JP

Mr Winfield WONG Wing-cheung

Mr Barrie HO Chow-lai, MH

Ms Tennessy HUI Mei-sheung, MH, JP

Dr LAU Kwok-yu, JP

Mr Stanley WONG Yuen-fai, SBS, JP

Ms Serena LAU Sze-wan, JP

Mr CHEUNG Tat-tong, JP

Dr the Hon LO Wai-kwok, SBS, MH, JP

Mr Alan LUI Siu-lun

The Hon KWOK Wai-keung, JP

Prof the Hon Joseph LEE Kok-long, SBS, JP

Prof CHAN Ka-lok

Ms Melissa Kaye PANG, MH, JP

Dr Miranda LOU Lai-wah

The Hon Andrew WAN Siu-kin

Mr Thomas CHAN Chung-ching, JP

Mr Alvin YUEN Wong-che

Secretary for Transport and
Housing (**Chairman**)

Director of Housing
(**Vice-chairman**)

Director of Lands
Principal Assistant Secretary
for Financial Services and the
Treasury (Treasury)
(Management Accounting)
Deputy Director
(Corporate Services)
(**Secretary**)

Ms Polly KWOK Wai-ling

ABSENT WITH APOLOGIES

| | |
|---------------------------------------|--------------------|
| Miss Anita FUNG Yuen-mei, BBS, JP | (Out of Hong Kong) |
| Prof Bernard Vincent LIM Wan-fung, JP | |
| Mr WAN Man-yee, BBS, JP | |
| Mr CHUA Hoi-wai | (Out of Hong Kong) |
| Ms SO Ching | |
| The Hon Horace CHEUNG Kwok-kwan, JP | |
| The Hon Dennis KWOK Wing-hang | |
| The Hon Wilson OR Chong-shing, MH | |
| Miss Vena CHENG Wei-yan | (Out of Hong Kong) |
| The Hon SHIU Ka-fai | |

IN ATTENDANCE

| | |
|------------------------------|--|
| Ms Esther LEUNG Yuet-yin, JP | Deputy Director (Strategy) |
| Miss Rosaline WONG Lai-ping | Deputy Director (Estate Management) |
| Ms Connie YEUNG Kwong-yim | Deputy Director (Development and Construction) |
| Mr CHAN Nap-ming, JP | Head (Independent Checking Unit) |
| Mrs Kitty YAN LAM Kit-yi | Assistant Director (Legal Service) |
| Mr Alfred LEE Koon-yan | Assistant Director (Strategic Planning) |
| Mrs Helen CHEUNG NG Man-ngo | Assistant Director (Finance) |
| Ms Fony LUI Sau-fong | Committees' Secretary (Meeting Secretary) |

OPENING ADDRESS

The meeting began at 2:37 p.m.

2. **The Chairman** welcomed Members to the meeting.

AGENDA ITEM 1

Confirmation of Minutes of Regular Open Meeting Held on 26 June 2017 (Paper No. HA 21/2017)

3. The minutes of the meeting held on 26 June 2017 were **confirmed** and signed.

AGENDA ITEM 2

Housing Authority's 2018/19 Corporate Plan (Paper No. HA 3/2018)

4. **The Chairman** said that this agenda item sought Members' endorsement of the 2018/19 Corporate Plan (CP).
5. **Mr Alfred LEE Koon-yan** presented the contents of the 2018/19 CP and said that subject to Members' endorsement, the CP would be submitted to the Chief Executive (CE) for approval.
6. **Mr Stanley WONG Yuen-fai** thanked the Department for accepting the suggestion he put forward in the brainstorming session to incorporate relevant initiatives on the Municipal Solid Waste Charging Scheme to be launched by the Government. The issue had also been discussed by the Subsidised Housing Committee (SHC). As there were over 770 000 public rental housing (PRH) units under the Housing Authority (HA), it was expected that the Department would encounter difficulties in implementing the scheme. If the Department could plan ahead and had a good grasp of the details of the scheme, this should facilitate smooth implementation of the scheme.
7. **The Chairman** said that the implementation of the Municipal Solid Waste Charging Scheme was no doubt a challenge for HA.
8. **Miss Rosaline WONG Lai-ping** responded that the Department would, in collaboration with the Environment Bureau (ENB), study how to implement the pilot scheme in estates under HA.

9. **Dr LAU Kwok-yu** had the following enquiries and views –

- (a) it was mentioned in paragraph 3.21 of the Annex to the Paper that surprise checks were conducted by the Department to prevent exploitation of non-skilled workers employed under service contracts. Despite the fact that similar initiatives were also stated in last year's CP, the Hoi Lai Estate (HLE) incident still occurred. He asked if the Department could provide details and results of the surprise checks and if the results had been reported to the Estate Management Advisory Committees (EMACs) concerned;
- (b) HA had other subsidised home ownership schemes in place in addition to the Home Ownership Scheme (HOS). He suggested that the Department review the term "HOS System" in paragraph 3.25 of the Annex to the Paper to see if it should be amended accordingly;
- (c) he was in support of the adoption of universal design in newly-built PRH units. Last June, he and two other Members (Mr CHUA Hoi-wai and Mr WAN Man-yee) jointly wrote to the former Secretary for Transport and Housing expressing their views on the adoption of universal design. Noting that only 17% of the PRH units had adopted universal design at present, he suggested that the Department take the initiative to adopt universal design for some of the recovered flats during refurbishment; and
- (d) HA revised the target of providing the first flat offer to general applicants of PRH at around three years on average as a long-term goal two years ago. As he had repeatedly pointed out that a long-term goal without a time frame would exist in name only, he questioned if it would be meaningful to maintain the proposed 2018/19 target for this performance indicator at three years. He suggested that the Department should strive to boost housing supply so as to achieve the target of providing the first flat offer to general applicants of PRH at around three years on average as soon as practicable.

10. **The Chairman** responded as follows –

- (a) HA, the Department and the Government attached great importance to the HLE incident. Through mutual respect and understanding between the employer and employees, the incident was satisfactorily settled. The Government had set up a working group to study ways to strengthen the protection of the rights and

interests of workers employed under outsourced contracts. HA would consider adopting any improvement measures if put forward by the working group in the future;

- (b) regarding universal design, HA served to provide an age-friendly and barrier free estate environment. As a matter of fact, the Department had all along carried out conversion works where necessary having regard to the needs of individual tenants. This was more effective than adopting universal design across the board during refurbishment of flats; and
- (c) although the current average waiting time (AWT) for general applicants of PRH had exceeded three years, we maintained the three-year target to demonstrate HA's commitment and determination to increase public housing supply on the one hand and to motivate HA to strive to achieve the target on the other.

11. **Ms Connie YEUNG Kwong-yim** added that the Department had adopted universal design in new public housing estates since 2002 to provide easy access for wheelchair-bound persons. Such design included adjusting the height of light switches, widening of the doorways of toilets and kitchens, etc.

12. **Miss Rosaline WONG Lai-ping** added that universal design elements were incorporated into certain items of works when refurbishing the recovered units. Bath tubs, for instance, were converted into shower areas. For individual households with special needs, the Department would, taking into account the advice from professionals such as medical social workers or physiotherapists, examine the feasibility of each case and modify the facilities inside the units or make appropriate arrangements according to the actual circumstances.

13. **Dr LO Wai-kwok** had the following enquiries and views –

- (a) as the AWT of general applicants for PRH depended upon the supply of PRH and PRH supply was constrained by land supply, it would be rather difficult to make a long-term forecast. However, he asked if the Department could advise whether the short to medium term supply target could be met; and
- (b) in reviewing and implementing enhancements to the quality management system and specifications in respect of quality assurance (especially for fresh water inside service, co-operation of other relevant government departments and industries was also essential apart from the efforts of the Department. Noting that

amendments were being made to relevant regulations in the Legislative Council (LegCo), he asked whether the Department could provide a brief update on the work at the meeting today.

14. **Ms Connie YEUNG Kwong-yim** responded as follows –

- (a) in response to the recent media reports on green particles found in the water taps' strainers of a few estates, the Water Supplies Department (WSD) had immediately taken water samples from the units concerned for testing. The results showed that the water quality complied with the drinking water safety standards in Hong Kong and confirmed that the green particles were copper sulphate, which was insoluble in water and would not affect the safety of drinking water. A water filter could help remove impurities in tap water. WSD was conducting an investigation into the incident and the Department would render full co-operation; and
- (b) according to the Long Term Housing Strategy (LTHS) Annual Progress Report 2017, the Government had identified land for the construction of about 237 000 public housing units for the ten-year period from 2018/19 to 2027/28. It would also take multi-pronged approach to increase housing supply. The short to medium term measures included increasing development intensity where site conditions permit and rezoning existing sites for housing development. In the long run, the Government would keep pressing ahead with the development of new development areas to provide large-scale sites for the construction of public housing.

15. **Mr KWOK Wai-keung** had the following enquiries and views –

- (a) as it was impossible to achieve the target of providing the first flat offer to general applicants of PRH at around three years on average in the short run, maintaining the three-year target was neither meaningful nor likely to provide any motivation for HA;
- (b) he suggested that HA should review the tendering system, in particular the weighting for price in the overall scoring, to better protect the non-skilled workers;
- (c) he was concerned about anti-competitive behaviour. At present, contractors registered on the Reference List of Decoration Contractors (Reference List) were allocated by the Department to carry out decoration in new estates. Such arrangement might give rise to monopoly and the Department should review it.

Furthermore, the briefings organised for decoration contractors on the Reference List appeared to be a mere formality. He suggested that the Department should strengthen the training for departmental staff so that they could monitor and identify anti-competitive behaviour in a more effective manner; and

- (d) he was concerned that the 2017/18 target for the quantity of items collected from estates for recycling could not be met and the 2018/19 target for the quantity of waste paper collected was lowered. Being the largest landlord in Hong Kong, the Department should play a leading role in environmental protection. Apart from waste paper, aluminium cans and plastics bottles, food waste should be recycled to ease the pressure on landfills.

16. **The Chairman** responded as follows –

- (a) revising the AWT target by “moving the goalposts” was not conducive to resolving the problem. He reiterated that it was appropriate to maintain the target of providing the first flat offer at around three years on average;
- (b) a review on the protection of rights and interests of non-skilled workers of outsourced service contractors was being conducted by the Labour and Welfare Bureau (LWB) and HA would render its full support to it. As for anti-competitive behaviour, the Tender Committee (TC) had reviewed the existing tendering mechanism at its earlier meeting, after which its Chairman, Mr CHEUNG Tat-tong, briefed the media on the relevant arrangements. TC considered that the existing tendering mechanism was effective in minimising the risk of collusive tendering though there was room for improvement. The Competition Commission (CC) was carrying out an investigation on the procurement system to see if any anti-competitive behaviour might arise therefrom. HA would take appropriate follow-up actions having regard to the findings of CC;
- (c) the briefings organised for decoration contractors on the Reference List were not a mere formality. The Department had to ensure that these contractors were well aware of and would comply with the relevant regulations; and
- (d) HA attached great importance to environmental protection and was awarded various international certifications in this respect.

17. **Miss Rosaline WONG Lai Ping** added that due to the progressive decline in the circulation of paper media, the Department had revised the 2018/19 target for the amount of waste paper recycled correspondingly. The Department would continue to monitor closely the recycling of aluminium cans and plastics bottles and revise the relevant targets where necessary. As for food waste, the Department would take part in and give support to ENB's food waste recycling trial scheme at the waste treatment facilities at Siu Ho Wan. Continuous efforts would be made to take forward the recycling of food waste with more experiences gained.

18. **Mr Stanley YING Yiu-hong** added the followings –

- (a) he agreed with Mr KWOK Wai-keung that given the daily operation of the Department involved a lot of procurement exercises, it was necessary for the staff to be familiarised with the Competition Ordinance. He reiterated that the Reference List was provided to tenants for reference only. The Department had also kept conveying messages to decoration contractors and tenants, making clear that tenants were free to appoint contractors to carry out the decoration works. In fact, most of the tenants did not choose the decoration contractors on the Reference List. The Department would step up its publicity efforts in this regard; and
- (b) the decrease in the amount of waste recycled was due to various factors, including a decline in the circulation of paper media and waste reduction at source. As for food waste, in support of *A Food Waste and Yard Waste Plan for Hong Kong 2014-2022* published by ENB in 2014, the Department had been implementing food waste recycling in phases. During the implementation process, the Department had to deal with issues such as the logistic arrangements for the delivery of food waste to waste treatment facilities. At this stage, the key activities of the Department included enhancing the environmental awareness of tenants, promoting food waste reduction at source and focusing on the recycling of commercial food waste. In future, the Department would maintain communication with ENB in taking forward the initiative of food waste recycling.

19. Noting that the AWT target for PRH could not be achieved in the short run, **Mr Alan LUI Siu-lun** considered that it would be better to study more actively when and how the target could be achieved, rather than discussing whether the target should be revised. He asked if the Department could make an estimation based on certain assumptions, and suggested that more

brainstorming sessions be conducted to focus discussion on ways to meet the target earlier, such as reducing the flat size, so that more PRH applicants could receive a flat offer as early as possible.

20. **The Chairman** said that HA had been examining practicable measures to achieve the target of providing the first flat offer to general applicants of PRH at around three years on average. In this connection, the Strategic Planning Committee (SPC) had endorsed at its earlier meeting the allocation of 84 vacant PRH units covered by redevelopment programmes but pending for demolition to PRH applicants by way of short-term tenancy for a term of two years. While these units were minimal in number when compared with the public housing supply target set out in the LTHS, the implementation of this measure had demonstrated the commitment and determination of HA.

21. **Mr Stanley YING Yiu-hong** expressed his understanding that the AWT for PRH had always been a matter of concern to Members, and said that the matter had been discussed on various occasions before. Given that the AWT for PRH depended on various factors, it was difficult for the Department to accurately predict its trend and when the target could be achieved. These factors included those on the supply side, such as the numbers of newly-completed and recovered flats, and those on the demand side which were more difficult to predict. For example, the number of new PRH applicants could vary substantially – for the period from July 2011 to June 2012 the number increased by 25% over a year earlier, while that for the period from July 2012 to June 2013 decreased by 14% over a year earlier. Existing households, such as overcrowded households and those affected by estate redevelopment, might also affect the demand for PRH resources.

(Mr Andrew WAN Siu-kin joined the meeting at this juncture.)

22. **Dr LAU Kwok-yu** had the following enquiries and suggestions –

- (a) regarding the surprise checks on service contracts conducted in 2016/17 and 2017/18 mentioned earlier, he asked if the Department could inform him of the results of the checks and whether the results and follow-up actions had been reported to HA, EMACs and stakeholders. Monitoring by Members and the public might help reduce the exploitation of outsourced workers. He cited an example that a property management agent (PMA) had not followed up on the matter of damaged seats in an estate office until he reflected the incident to the Department. This showed that the outsourced PMA was not people-oriented and it was necessary for the Department to step up its monitoring efforts in this regard;

- (b) on the suggestion of adopting universal design mentioned above, the former Chairman of HA had replied that the Department would take a look at whether more universal design elements should be incorporated into the standard in-flat renovation works and brief Members in due course. However, there was no mention of such plan in the 2018/19 CP. He asked if the Department could inform him of the progress made; and
- (c) he reiterated that maintaining the AWT target for PRH at three years was neither meaningful nor likely helpful in increasing the supply. He had previously asked the Department about the vacancy rate of rental flats and he welcomed the SPC's endorsement on the measures to optimise the usage of vacant flats. The projected housing production of HA for the coming five years was less than 74 000 units, i.e. an average of less than 15 000 units per year. Since 2014, the public housing supply had been lagging behind the target of providing 20 000 units per year on average as set out in the LTHS. The Chairman had also mentioned on other occasions that the sites identified by the Government were not sufficient for the construction of public housing units for the coming ten years. Hence, HA might not be able to achieve its target of providing the first flat offer at three years in the coming ten years. He asked if the Department could estimate when the target could be achieved.

23. **The Chairman** responded as follows –

- (a) as at 30 September 2017, the AWT of general applicants for PRH stood at 4.6 years. Public housing developments, in general, took five years from planning to completion. In other words, even if there were new sites for public housing development in the future, it would require five years to complete the flats. According to the LTHS Annual Progress Report 2017, the projected total housing production for the five-year period from 2017/18 to 2021/22 was about 100 000 units, comprising about 75 000 PRH units and 25 000 subsidised sale flats (SSFs). The problem of land supply, which was now at the bottleneck, could not be resolved in the short term. In the long run, to achieve the AWT target of about three years, we had to rely on the Task Force on Land Supply to come up with feasible options to forge the community consensus on releasing existing land resources and developing new land. It was very easy to revise the target, but that would not be a pragmatic approach; and

- (b) on the adoption of universal design, he reiterated that the Department had all along carried out the related works on the overriding premises of meeting the actual needs of tenants and adopting the people-oriented approach. The Department would carry out in-flat conversion works where appropriate having regard to the needs of individual tenants.

24. **Miss Rosaline WONG Lai-ping** responded that the Department's surprise checks mainly focused on the compliance of service contractors with the contract terms relating to the protection of non-skilled workers, including whether the contractors signed the "Standard Employment Contract" (SEC) with their workers; whether the workers received the pay as stipulated in the contracts; whether the payment of wages was made by contractors through bank autopay; and whether the workers' working hours exceeded the maximum daily working hours committed by the contractors in the contracts. If any irregularities were found, the Department would issue one default notice and allot one demerit point to the contractor concerned. If three demerit points had been allotted in any given 36-month period, HA would terminate the contract. The Central Monitoring Unit had not found any irregularities in the surprise checks in the past year. Furthermore, the Departmental staff would conduct random interviews with workers on a monthly basis to see if the contractors had fulfilled all contractual obligations.

25. **Mr Stanley YING Yiu-hong** added the followings –

- (a) under HA's procurement system, a contractor committed an offence if he contravened the labour legislation and/or the terms stipulated in the SEC. The Secretary for Labour and Welfare mentioned earlier that a review to explore options to improve the outsourcing system and safeguard the rights and interests of workers was being conducted. Such options included requiring the payment of contract gratuity. The Department would consider adopting any improvement measures if put forward by the working group in the future; and
- (b) the concept of universal design could be adopted in indoor facilities and outdoor common areas. As mentioned by Dr LAU Kwok-yu, 17% of the PRH had adopted universal design in both indoor and outdoor facilities at present, while the remaining 83% had fully adopted universal design in the common areas. The Department had all along been carrying out in-flat conversion works having regard to the needs of tenants. The adoption of universal design in all refurbished flats might not be able to cater for the needs of majority of the PRH tenants, who were neither elderly persons nor

people with impaired mobility, and would even increase the works expenditure and extend the duration of works. The Department was examining the universal design elements that were suitable for incorporating into the standard refurbishment works. Such elements should be favoured by users and should not have significant impact on the expenditure and duration of refurbishment works. We would brief Members on the outcome of the review in due course.

26. **Mr CHEUNG Tat-tong** had the following views and suggestions –

- (a) in response to the recent incidents on drinking water in PRH estates and cleansing service contracts, the Department said that other relevant government departments were following up and HA would co-operate with their work. This might give the public an impression that the Department had not actively followed up on the issues;
- (b) the tendering mechanism of HA was very complex. Instead of adopting the weighting of 70 (financial score) : 30 (non-financial score) as the assessment criteria across the board, different weightings were assigned based on the types of contracts. Hence, contracts were not necessarily awarded to the lowest bidders under the two-envelope system. HA attached great importance to contractors' past performance and ensured the quality of contractors through its list management system. HA also treated contractors as its partners, and in fact, it seldom received complaints about poor quality of its works projects. The Department had all along maintained close communication with stakeholders, who were well aware of the assessment criteria. No individual contractors were at an advantage. TC welcomed views from different sectors and would continue to review the tendering mechanism as and when appropriate;
- (c) the Department submitted a Monthly Progress Report to the Building Committee (BC) to enable Members to keep track of the projected housing production for the coming five years and monitor the progress. The works projects currently reviewed by BC were scheduled for completion in 2024/25. Whether the supply target for the next five years would be achieved involved works projects approved earlier. In recent years, some government departments requested HA to provide ancillary facilities or to reprovision the existing facilities beforehand when implementing the public housing development programmes, thereby affecting the overall

works progress. It was hoped that the Government would strengthen its co-ordination efforts and accord priority to public housing construction. It was suggested that the Department expedite the internal approval process; and

- (d) it was suggested that the Department keep disseminate information to the public and the media to allay unnecessary concerns.

27. **Ms Connie YEUNG Kwong-yim** explained to Members the division of responsibilities between the Department and WSD in the recent drinking water incident in PRH estates. WSD played the dual role of delivering water services for Hong Kong and, in the capacity of Water Authority, regulating the inside service of buildings pursuant to the Waterworks Ordinance. The Department, as the contract manager, examined the materials and methods used by the contractors in the rectification works and sent staff to check whether pipe works of the units concerned had been modified. In addition, the Department had been co-operating with WSD in the latter's investigation.

(Dr LO Wai-kwok left the meeting at this juncture.)

28. **Mr KWOK Wai-keung** had the following views and suggestions –

- (a) on outsourced contracts, as the prevailing SEC did not require the payment of severance payment, contractors, in general, would evade their obligations. The crux of the problem is that workers' entitled remuneration and benefits would be exploited if they stayed in the same workplace after signing a new contract with the new contractor who did not recognize their years of service when they worked under the former contractor. The Department should not only focus on whether the contractors had contravened the labour legislation and/or the terms stipulated in the SEC;
- (b) currently, domestic food waste constituted two-third of the total amount of food waste. Although the cost for recycling domestic food waste was relatively high and might not be cost-effective, the Department should proactively participate in the recycling of food waste so as to alleviate the pressure on landfills; and
- (c) on the shortage of housing supply, it appeared that the crux of the problem was the shortage of land rather than manpower. It was suggested that the Department expedite the redevelopment of aged PRH estates in order to help boost the supply and improve the maintenance problems.

29. **Miss Rosaline WONG Lai-ping** responded that the Department would support the ENB's food waste recycling policy. As mentioned earlier, the Department would participate in the food waste recycling trial scheme run by the waste treatment facilities at Siu Ho Wan with food premises in shopping malls and market tenants as its targets. A review on the trial scheme would be conducted in due course to help formulate the future work plan.

30. Regarding outsourced contracts and housing supply, **the Chairman** responded as follows –

- (a) the Department was aware of the issues of severance payment and aggregate service. He believed that the working group led by LWB would study these issues; and
- (b) HA would consider redevelopment of individual estates with reference to the four basic principles, i.e. structural conditions of buildings, build-back potential upon in-situ redevelopment, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and cost-effectiveness of maintenance works. The housing production target for 2018/19 was 15 100 PRH units and 6 600 SSFs. Together with a net recovery of about 7 000 units per year, about 29 000 flats could be provided in total. **The Chairman** took this opportunity to urge all sectors to give their support when the public housing programmes were submitted to the district councils and the Town Planning Board (TPB) for consideration to expedite the process.

31. **Mr Stanley WONG Yuen-fai** had the following views –

- (a) it was constructive to maintain the target of providing the first flat offer to general applicants of PRH at around three years on average. Although the pressure groups and residents of subdivided units had been criticizing HA for failing to achieve the target, revising the target based on the actual waiting time was tantamount to “moving the goalposts”;
- (b) to ensure that efforts would be focused on allocating PRH resources to those with more pressing housing needs, SHC reviewed various policies from end 2016 to early 2017 and endorsed relevant measures, including refining the “Well-off Tenants Policies”; merging the Territory-wide Overcrowding Relief Transfer Exercise and the Living Space Improvement Transfer Scheme, and reducing the number of units reserved each year from about 2 000 at present to about 1 000; reducing the two rounds of

flat selection each year under the Express Flat Allocation Scheme to one round; and reviewing the arrangements under the under-occupation policy, etc.;

- (c) at present, the number of PRH applications from general applicants (i.e. family and elderly one-person applicants) exceeded 150 000 and those from non-elderly one-person applicants under the Quota and Points System (QPS) amounted to 130 000. Taking into account the LTHS, SHC reviewed the QPS in 2016. Of the 28 000 applications checked, about 13 000 were cancelled. Statistics showed that 25% of the applicants were currently living in PRH and points would be deducted for these applicants under QPS. Moreover, starting from 1 April 2017, if all the household members in a family application were currently living in PRH, the relevant application would be frozen for one year; and
- (d) in view of the limited PRH resources, it was hoped that PRH could be allocated in a more fair and impartial manner through policy modifications. At the moment, it was difficult to predict whether the above measures could improve the AWT for PRH, just as it would be difficult for the Department to accurately estimate when the target, which was affected by various complicated factors, could be achieved. HA should maintain the target and make efforts to catch up despite the difficulty to estimate when the target would be achieved.

(Ms Tennessy HUI Mei-sheung left the meeting at this juncture.)

32. **The Chairman** responded by saying that Mr Stanley WONG Yuen-fai had expressed the thoughts of many colleagues in the Department. He believed that the Department would continue its work by adhering to HA's core values of "Caring" and "Committed".

33. **Mr Andrew WAN Siu-kin** had the following views and suggestions –

- (a) he considered that the existing tendering system had room for improvement. He suggested that HA should conduct a review to consider introducing requirements above government standards and reducing the weighting of financial score;
- (b) as employers were obliged to make severance payment to employees under the labour legislation, they should comply with this requirement even though it was not set out in the SEC. The

responsibility of monitoring the contractors rested with the Department, who should be accountable for the failure of contractors to comply with the requirement;

- (c) in response to the dispute over the disposal of construction waste during the intake of Sheung Chui Court in Tsuen Wan, he suggested that HA should incorporate the removal of construction waste into the general domestic cleansing service contracts for the same estate during tendering;
- (d) employer's representatives or supervisors should not be present at the monthly random interviews between workers and the Departmental staff; and
- (e) he expressed his understanding that HA could not achieve the target of providing the first flat offer at three years due to shortage of land, and agreed with Mr Stanley WONG Yuen-fai that the three-year target should be maintained. Instead of revising the target, which was no different from "moving the goalposts", HA should set a higher target and strive to achieve it. Redevelopment was a means of increasing the supply. Given the current high demand for PRH, there was an urgency of redevelopment. He suggested that HA should actively review the feasibility of redeveloping aged estates.

34. **The Chairman** responded that the law served as the last line of defence for social norms and that any person who broke the law was bound to face criminal liabilities. Protecting the welfare of grassroots workers and sharing the fruit of economic prosperity with them was one of the Government's beliefs.

35. **Miss Rosaline WONG Lai-ping** responded as follows –

- (a) she agreed with Mr Andrew WAN Siu-kin's view that it was not an ideal arrangement to outsource the construction waste removal service and management service of Sheung Chui Court under two separate contracts. The Department planned to merge the two service contracts in future tendering exercises to avoid reoccurrence of similar problems; and
- (b) the Department would remind frontline staff to be aware that no employer's representative should be present at the interview with workers.

(Mr Andrew WAN Siu-kin left the meeting at this juncture.)

36. **Mr Stanley YING Yiu-hong** responded that he understood that there were diverse views among different sectors of the community on the redevelopment of aged estates. This issue, which was also an area of study in the LTHS, had been much discussed on different occasions (including during the LegCo meetings). Although redevelopment of aged estates could increase the supply of PRH over the long term, it would, however, reduce PRH stock available for allocation in the short term because flats were required to be reserved for affected households, thereby affecting the AWT for PRH. The LTHS concluded that it was not advisable to carry out any large-scale redevelopment programmes.

37. **The Chairman** responded that as far as land supply was concerned, the Department had all along endeavoured to secure more land. In parallel, the Bureau would liaise closely with relevant bureaux and review the supply of land on a quarterly basis.

38. **Mr LEE Ping-ken** had the following views –

- (a) the primary reason for the failure of HA to achieve the target of providing the first flat offer at three years was inadequate land supply. It was hoped that Members and various sectors of the community would express more views on the proposed options during the consultation to be conducted by the Task Force on Land Supply and, through concerted efforts, secure more sites for housing production so that HA could achieve the target as early as possible; and
- (b) with inadequate land supply, it was difficult for HA to identify sites for the construction of new public housing units to accommodate tenants affected by estate redevelopment. As local rehousing was a crucial consideration for affected tenants, he was of the view that HA should secure sufficient land before considering redevelopment of aged estates.

39. **The Chairman** thanked Members for their valuable opinions and all colleagues for their efforts. In order to secure the community's support for public housing development and expedite the construction of housing units, the Department had to undertake other types of works such as ancillary transport facilities, flyovers, car parks, community facilities, etc. **The Chairman** called on Members once again to actively express their views on HA's housing production programmes if they had the opportunity to take part in the affairs of District Councils or TPB so as to expedite the vetting process and shorten the waiting time for PRH.

40. Members **unanimously endorsed** HA's 2018/19 CP.

(Dr Miranda LOU Lai-wah left the meeting at this juncture.)

AGENDA ITEM 3

Housing Authority's Revised Budget 2017/18, Proposed Budget 2018/19 and Financial Forecasts 2019/20 to 2021/22

(Paper No. HA 4/2018)

41. **The Chairman** said that this agenda item sought Members' endorsement of the 2017/18 Revised Budget and 2018/19 Proposed Budget of HA ("the Budgets"). Members were also invited to note the Financial Forecasts 2019/20 to 2021/22.

42. **Prof CHAN Ka-lok**, in the capacity of Chairman of the Finance Committee (FC), delivered the following points on the proposed Budgets and Financial Forecasts of HA –

- (a) FC had discussed and endorsed the Budgets on 11 January. Similar to the practice in past years, the Budgets and Forecasts incorporated comments from the various business committees and were drawn up on the basis of prudent and balanced assumptions;
- (b) it was anticipated that HA would have sufficient financial resources to meet its recurrent expenditure and implement its current public housing construction programme and maintenance programme in the budget and forecast period between 2017/18 and 2021/22. With HOS receipts coming on stream, the cash and investment balance of HA was projected to decrease from about \$49 billion at the beginning of April 2017 to about \$36 billion by the end of March 2022, mainly due to the projected increase in construction and operating expenditure. While no rent adjustment for PRH was assumed, the construction expenditure in the five-year period would amount to \$115 billion;
- (c) following FC's discussion of the Budgets in early January and his subsequent meeting with the media, there was concern over HA's cash and investment balance in the coming few years as well as the timing of funding injection from the Government. He said that HA's proposed budgets and forecasts were projected based on a package of assumptions. If there was adjustment or change in any of these assumptions, the projected financial position might be

different. The budget bases and assumptions had yet to include the financial implications arising from the regularisation of the Green Form Subsidised Home Ownership Scheme as put forward in the Policy Address, which was subject to the outcome of the review in early 2018. According to the existing mechanism, HA would conduct the annual rolling five-year budgeting process and assess its financial position and future funding requirements;

- (d) the Government had set aside about \$78.8 billion for the Housing Reserve, which fully demonstrated the Government's commitment to financially supporting HA to meet the public housing supply target. HA would keep in close contact and discuss, where necessary, with the Government on the quantum and timing of funding injection. The Government would, at an appropriate time, seek the approval of the Finance Committee of LegCo to draw funds from the Housing Reserve in order to support HA's public housing development programmes;
- (e) HA reviewed the health check on Strategic Asset Allocation in 2017. Having considered the financial market situation and the risks involved as well as the investment consultant's recommendations, FC made adjustments to the Strategic Asset Allocation by mainly reducing the percentage of funds allocated to principal protection placements with the Exchange Fund to reflect the position of those principal protection placements that reached maturity. According to the revised Strategic Asset Allocation, about 80% of the funds would be allocated to principal protection placements with the Exchange Fund, 8% to equity and 12% to Hong Kong dollar/US dollar deposits and bonds as liquidity. The portfolio comprised mostly investments with relatively stable return. While the average investment return of HA over the past five years was about 4.7% per annum, future returns from the financial market were expected to be moderate. Having taken into account the asset class return assumptions of HA's investment consultant and the latest market situation, HA assumed that the annual investment return would be 3.3% on average in the budget and forecast period;
- (f) FC would continue to adhere to the principles of prudent and diversified investments. With the assistance of the Funds Management Sub-Committee, FC would review HA's investment strategy and financial position from time to time. To meet the public housing supply target, HA's funding would continue to

decrease. In the face of rising construction and operating expenditure, HA had to continue to mobilise and utilise resources to meet the public housing supply target; and

- (g) he took the opportunity to thank HA Members for their support and FC Members for their valuable opinions and contribution over the past years.

43. **Mrs Helen CHEUNG NG Man-ngo** presented the Revised Budget 2017/18, Proposed Budget 2018/19 and Financial Forecasts 2019/20 to 2021/22 with the aid of PowerPoint and said that, subject to Members' endorsement, the Budgets would be submitted to CE for approval.

(Prof Joseph LEE Kok-long left the meeting at this juncture.)

44. **Dr LAU Kwok-yu** had the following views and suggestions –

- (a) he would like to express his gratitude to the Departmental staff and FC for their continuous efforts in maintaining HA's sound and healthy financial position;
- (b) while there were sufficient financial resources and manpower, HA was short of land for housing development. He hoped that the Government and the parties concerned could help HA identify more suitable sites as early as possible;
- (c) he suggested that the Government could allocate some "spade ready" sites originally reserved for private housing development to HA for public housing development;
- (d) regarding the Average Operating Surplus/Deficit per weighted average unit per month in Table 5 of the Paper, the figure had increased from an operating deficit of over \$100 in 2012/13 to an operating surplus of \$36 in 2016/17. He appreciated the efforts of the Departmental staff in achieving a surplus in the Operating Account through various measures to raise revenue and cut expenditure; and
- (e) it was mentioned in paragraph 11(b) of the Paper that the lower deficit in Rental Housing in the 2017/18 Revised Budget as compared to the Approved Budget was mainly due to the lower maintenance and improvement expenditure. He was concerned whether the Department would cut the maintenance and

improvement expenditure to achieve savings, thereby affecting the quality of services.

45. **The Chairman** responded as follows –

- (a) the Government had previously converted more than 20 sites originally reserved for private housing development to public housing development. HA would continue to secure more land from the Government for housing production; and
- (b) HA would not reduce the maintenance and improvement expenditure on the grounds of financial needs.

46. **Mrs Helen CHEUNG NG Man-ngo** added that the lower maintenance and improvement expenditure in the 2017/18 Revised Budget was attributable to the lower rate of price adjustment compared with that assumed in the Approved Budget. HA had not reduced its efforts in this respect.

47. **Prof Edwin CHAN Hon-wan** had the following views and enquiries –

- (a) he considered that HA should not sell SSFs; and
- (b) noting that HA's income would increase significantly in the coming few years mainly due to the higher income arising from sale of SSFs, he queried if HA intended to improve its financial position through the sale of SSFs.

48. **Mrs Helen CHEUNG NG Man-ngo** responded that the increase in construction expenditure was due to the resumption of HOS construction earlier, while the higher surplus in the Budget was due to the completion and sale of HOS flats in the next few years.

49. **Mr CHEUNG Tat-tong** had the following views and enquiries –

- (a) there were views that the price of subsidised housing was too high and should be set below cost. In fact, it was considered that subsidised housing was sold at a loss as the current cost did not take land premium into account; and
- (b) he enquired whether the construction expenditure mentioned in the Paper was equivalent to the approved budget of SPC for the developments concerned. Noting that the sums of works contracts

awarded by TC in the past two years were on the decline, he hoped that the Department would provide a comparison between the actual expenditure and the budget in respect of individual developments for Members' reference.

50. **Ms Connie YEUNG Kwong-yim** responded that SPC was responsible for project initiation (i.e. to consider the viability of works projects and to approve the inclusion of sites in the production process), while BC was responsible for approving the budget for works projects.

51. **Mrs Helen CHEUNG NG Man-ngo** added that the construction expenditure mentioned in the Paper reflected the latest estimates for individual projects. For works contracts awarded, the construction expenditure was calculated on the basis of awarded tender prices. For the other contracts, the construction expenditure was estimated according to the construction cost yardsticks as approved by BC.

(Prof Edwin CHAN Hon-wan left the meeting at this juncture.)

52. **Dr LAU Kwok-yu** had the following suggestions and enquiries –

- (a) he concurred with Mr CHEUNG Tat-tong's views and hoped that the Department would provide the actual expenditure on each completed development to enable Members to have a better understanding of HA's work; and
- (b) he hoped that the Department would explain the reason for the lower actual operating expenditure on Rental Housing in 2016/17 amid an increase in the number of rental housing units in the year as compared to 2015/16.

53. **Mrs Helen CHEUNG NG Man-ngo** responded that the lower operating expenditure on Rental Housing in 2016/17 as compared to 2015/16 was mainly attributable to the four-quarter rates concession for 2016/17. In 2015/16, rates concession was only given for two quarters.

54. **The Chairman** suggested that the Department provide information relating to the enquiries raised by Members in due course.

55. **Ms Serena LAU Sze-wan** enquired about the calculation method of the per-square-foot property price of SSF and whether the change in future property price had been taken into account.

56. **Mrs Helen CHEUNG NG Man-ngo** responded that, as mentioned in paragraph 7(c) of the Paper, the general selling price inflation adjustment was assumed to be 2.5% p.a. However, no assumption was made as to the change in future property price.

57. **Prof CHAN Ka-lok** said that compared with last year's Budget and Financial Forecast, HA's actual performance fared better in the current year. This was attributable to a moderate decrease in cash and investment balance as a result of the lower awarded sums of building contracts and higher selling price of HOS flats. Based on the prevailing trend, HA would have sufficient financial resources to meet its expenditure in the next five years. However, should HA identify a substantial amount of land for housing developments in the future which led to a higher construction expenditure and should the sale of HOS flats decline, a financial deficit would arise and the cash and investment balance would be further reduced. By that time, HA would need to seek Government's approval for funding from the Housing Reserve.

58. **Mr Stanley YING Yiu-hong** responded that the Government had stated clearly in the LTHS released in 2012 its commitment to increasing the supply of public housing and financially supporting HA. To this end, the Financial Secretary had set up the Housing Reserve and made two injections. To date, the accumulated balance of the Housing Reserve was about \$78.8 billion. The purpose of introducing SSFs was to help low to middle-income families achieve home ownership instead of generating additional revenue. In this regard, even though the implementation of the White Form Secondary Market Scheme might have an adverse impact on HA's financial position due to the decrease in the number of premium payment cases, HA still decided to take forward this initiative. As pointed out by Prof CHAN Ka-lok, HA could seek Government's approval for funding from the Housing Reserve if there was a financial deficit in the future. As long as the Department strictly adhered to the principle of committing resources only where justified, no work plan and measure would be hindered by HA's financial position.

59. **Dr LAU Kwok-yu** said that he could not grasp the concept of "sale at a loss", and hoped that the Department would clarify how the cost of sales was calculated and provide relevant information.

60. **The Chairman** responded as follows –

- (a) the concepts of construction cost and cost of sales were different. It was suggested that the Department brief Members on this matter in due course; and

- (b) HA's vision was to provide affordable rental housing to low-income families with housing needs, and to help low to middle-income families gain access to subsidised home ownership. The work of HA was not linked to its revenue. HA made adjustments to PRH rent according to the change in household income rather than for generating additional revenue.

61. **Mr Barrie HO Chow-lai** pointed out that the problem of land shortage was not unique to HA and that it was an issue for the whole community as well. This was a structural problem that could not be resolved in the short term, and the relevant statistics could not be estimated accurately. He agreed that the CP and Budgets discussed today could lay a foundation for the work of HA in the coming five years.

62. **The Chairman** thanked Members for actively sharing their views, and said that the Government and HA would continue their efforts in resolving the housing problem through various measures and increasing the housing supply with limited resources.

63. Members **unanimously endorsed** the Revised Budget 2017/18 and the Proposed Budget 2018/19, and **noted** the Financial Forecasts 2019/20 to 2021/22.

AGENDA ITEM 4 ANY OTHER BUSINESS

64. There was no other business for discussion.

DATE OF NEXT MEETING

65. **The Chairman** informed Members that the next meeting would be held on 8 June 2018 (Friday) at 2:30 p.m.

CLOSURE OF MEETING

66. The meeting closed at 5:43 p.m.

CONFIRMED on 2018.

Frank CHAN Fan
(Chairman)

Polly KWOK Wai-ling
(Secretary)

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