

Minutes of the Annual Special Open Meeting of the HONG KONG HOUSING AUTHORITY Held on Tuesday, 31 May 2016 in the Housing Authority Chamber, 10th Floor, Block 2, Housing Authority Headquarters

PRESENT

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| Prof the Hon Anthony CHEUNG Bing-leung, GBS, JP | Secretary for Transport and Housing (Chairman) |
| Mr Stanley YING Yiu-hong, JP | Director of Housing (Vice-chairman) |
| Mr Albert AU Siu-cheung, BBS | |
| Mr WONG Sing-chi | |
| Mr LEE Ping-kuen, JP | |
| Mr Winfield WONG Wing-cheung | |
| Mr Barrie HO Chow-lai, MH | |
| Ms Tennessy HUI Mei-sheung, JP | |
| Prof Bernard Vincent LIM Wan-fung, JP | |
| Dr LAU Kwok-yu, JP | |
| Ms Serena LAU Sze-wan, JP | |
| Mr WAN Man-yee, BBS, JP | |
| Mr CHUA Hoi-wai | |
| The Hon KWOK Wai-keung | |
| The Hon Dennis KWOK Wing-hang | |
| Prof the Hon Joseph LEE Kok-long, SBS, JP | |
| Mr Alvin YUEN Wong-che | Principal Assistant Secretary for Financial Services & the Treasury (Treasury) (Management Accounting) |
| Mr Jeff LAM Yun-tong, JP | Deputy Director of Lands (General) |
| Mr Hillman CHOW Chung-yin | Deputy Director (Corporate Services) (Acting) (Secretary) |

ABSENT WITH APOLOGIES

Prof Raymond SO Wai-man, JP
Ms Julia LAU Man-kwan
Prof Edwin CHAN Hon-wan (Out of Hong Kong)
Miss Anita FUNG Yuen-mei, BBS, JP
Mr Stanley WONG Yuen-fai, SBS, JP (Out of Hong Kong)
Ms SO Ching (Out of Hong Kong)
Mr CHEUNG Tat-tong (Out of Hong Kong)
Dr the Hon LO Wai-kwok, SBS, MH, JP
Mr Alan LUI Siu-lun (Out of Hong Kong)
Mr Horace CHEUNG Kwok-kwan, JP
The Hon Tommy CHEUNG Yu-yan, GBS, JP

IN ATTENDANCE

Ms YEUNG Sin-hung, MH (Member of Commercial Properties Committee)
Mrs CHEUNG ANG Siew-mei, JP (Member of Subsidised Housing Committee)
Mr Anthony CHIU Kwok-wai (Member of Subsidised Housing Committee)
Mr PUN Kwok-shan (Member of Commercial Properties Committee)
Dr Billy MAK Sui-choi (Member of Finance Committee and Funds Management Sub-committee)
Miss Agnes WONG Tin-yu, JP Deputy Director (Strategy)
Ms Ada FUNG Yin-suen, JP Deputy Director (Development and Construction)
Mr LEUNG Sai-chi Assistant Director (Estate Management) 1
Mrs Kitty YAN LAM Kit-yi Assistant Director (Legal Service)
Ms Fony LUI Sau-fong Committees' Secretary
(Meeting Secretary)

OPENING ADDRESS

The Chairman declared the meeting open at 2:30 p.m.

AGENDA ITEM 1

Opening Address by Prof the Hon Anthony CHEUNG Bing-leung, GBS, JP, Chairman of the Housing Authority

2. **The Chairman** welcomed Members to the Annual Special Open Meeting of the Housing Authority (HA). He also welcomed the Committee Members for sitting in the meeting and members of the public in the Public Gallery.

3. **The Chairman** said that it was a good tradition of HA to hold the Annual Special Open Meeting for all Members to express their views on public housing policies, administrative management and various concerns of the community, to review the work of HA in the previous year, and to raise matters requiring attention in the future. At the same time, the Director of Housing would consider the views expressed by Members and present a consolidated response at the next open meeting of HA.

4. **The Chairman** also took the opportunity to express his gratitude to two outgoing HA Members, namely Ms Virginia CHOI Wai-kam and Ms Iris TAM Siu-ying. **The Chairman** thanked them for their dedicated efforts in taking part in the work of HA and for their invaluable opinions.

AGENDA ITEM 2

Addresses by HA Members

5. **Addresses by Members**

Mr WONG Sing-chi delivered his speech as follows:

“ In the blink of an eye, I have embarked on the sixth year of my service in the Housing Authority (HA). Despite the challenges in the past years, concerted efforts from colleagues of the Housing Department (HD) and Members of HA have yielded improved housing policies and services to residents.

The lead-in-water-incident, which was the most disturbing incident to us in the past year, has taught us a lesson that in implementing housing policies, we should not only focus on the major policies, but also keep an eye on each and every tiny detail. I hope that staff members of HD and members of HA could observe every aspect of their work carefully and in detail so as to enhance the service they provide.

At present, there is still much work left to be done. To provide diversified solutions to the difficult task of addressing housing needs, I would like to propose the following measures:

Housing needs of young people

HA should explore and consider the possibility of providing innovative housing for non-elderly singletons. In some overseas countries, converted containers or prefabricated houses are used for residential or office purpose. We can make use of the existing idle government land or “brownfield sites” to develop innovative housing.

According to their order on the application list, eligible non-elderly singletons may rent these housing units on a short-term tenancy of five years, which may be extended for another five years upon expiry subject to their eligibility. After the extension period, those who are still eligible can be relocated to public rental housing (PRH) estates. This may alleviate the housing problem faced by many non-elderly singletons.

The innovative housing units should be quick and easy to dismantle and re-erect, so that their construction and relocation can be made more convenient.

Shopping centres for PRH residents

Many shopping centres in PRH estates are operated by Link Real Estate Investment Trust (Link REIT), which has drawn public criticisms for its purely commercial mode of operation without regard to the needs of PRH residents.

Shopping centres in PRH estates are supposed to provide balanced retail services to the residents. However, shopping centres operated by Link REIT are mostly occupied by large corporations or chain stores. This is against the original intention of setting up shopping centres in PRH estates. HA

has the responsibility to provide top-up services as a means to rectify Link REIT's failure in satisfying the needs of the residents.

I suggest that HA/HD may open up venues within the PRH estates for applications from non-government organisations to set up temporary markets, on condition that the services they provide do not result in unhealthy competition between the markets and tenants of the shopping centres.

Enhancement of social services in PRH estates

As a social worker, I understand that a community's need for social services is diversified and regional in nature. Subsidised services from the social welfare sector may not be able to fully satisfy local needs.

While many government-subsidised services supported by government funds are targeting PRH residents, these services are often undeliverable because their organisers are unable to apply for HA venues.

I suggest that HA/HD should let suitable venues, where available, to these organisers at concessionary rates. In this way, more organisations will be encouraged to provide services to the residents, and a wider range of social services will be available to meet the residents' needs.

In the future, HA is bound to face different challenges. However, with our concerted efforts, I believe we can overcome any problem.

Thank you, Mr Chairman."

Mr LEE Ping-kuen delivered his speech as follows:

“ Building Public Housing with Concerted Efforts

The Housing Authority (HA) provides public rental housing for the low income families in Hong Kong, and at the same time, offers flats built by the Housing Department (HD) (the Home Ownership Scheme flats) at discounted prices for sale to families with relatively better means in order to meet the housing needs of the public and improve the living standards. In

respect of flat allocation, offering a flat to a needy family can take care of at least two persons, however, if it is a single non-elderly applicant, only one person will be benefited. Therefore, having regard to the limited resources and for effective allocation, we should accord priority to family and elderly applicants.

There has not been much land created in Hong Kong in the past decade or so, resulting in a decline in the number of new flats produced by HA. The incumbent Government has been using every possible means to increase land resources. However, every piece of land allocated to HD for development involves a great deal of challenges, necessitating HD to work hard to change the land use and lobby the support of various parties before the land can be used for housing development. Staff of all levels in HD have been doing their utmost to overcome all the obstacles in order to achieve the highest flat production in the shortest period of time. I have been with HA for a few years, and the staff members I come into contact with are all worthy civil servants.

During the lead in drinking water incident occurred in mid-2015, HA, in collaboration with HD and the Water Supplies Department (WSD), investigated the causes with a scientific approach and took immediate and appropriate contingency and rectification measures to address the concerns of the affected residents, minimise the impacts and improve the piping systems. Such actions deserve recognition and commendation. As the fresh water supplied by WSD is lead-free and the use of lead-free pipes and fittings is a standard requirement, the water should not have carried excessive lead content. However, noting that self-regulation fails to get results, HD and WSD strengthen the testing and inspections in a bid to ensure that the water supply is lead-free. I am deeply irritated by the malicious attacks on the two departments carried on by some parties and organisations. They should be ashamed of their taking advantage of the situation.

Urban renewal is one way of increasing housing supply and can save the maintenance cost of the old urban areas. However, to build taller buildings and more flats in these areas, alteration has to be made to the permissible building area of the sites concerned. In the Policy Address 2014, the Government announced the lifting of the development moratorium at Pokfulam, resulting in the release of six government sites for public housing development with the provision of about 11 900 flats. The Policy Address further stated that construction of the South Island Line (West) project was being actively considered with a view to meeting the transportation demands arising from the new public housing developments. With the formulation of these policies, HA can redevelop Wah Fu Estate and increase the stock of public housing units from the existing 9 200 to 12 200.

I studied at a secondary school in Wah Fu Estate. I did not live in the area but many of my schoolmates did. I used to hang around a lot in the Estate and have many growing-up memories related to this area. Wah Fu Estate was built 50 years ago and the ageing of the Estate has incurred high maintenance cost. Besides, taking the structural fortification measures at Wah Lok House for example, they are unsightly and to a certain extent cause inconveniences to the residents. The redevelopment of Wah Fu Estate can increase the number of housing units and revitalise the Estate. I hope that all the stakeholders can focus on the goal of improving the living environment of the general public and work in concerted efforts to take forward the public housing developments in the six government sites at Pokfulam. With the availability of these sites, we will be able to arrange local rehousing for residents affected by the redevelopment of Wah Fu Estate, thus facilitating the smooth completion of the redevelopment and the early delivery of additional public housing units.”

Ms Tennessy HUI Mei-sheung delivered her speech as follows:

“ In 2005, the Hong Kong Housing Authority (HA) sold a significant portion of its commercial facilities (including shopping centres, markets, kindergartens and car parks) to Link Asset Management Limited (formerly known as The Link Management Limited) (Link) while keeping the rest to itself.

Thereafter, HA continued to build commercial facilities at newly completed public housing developments for ancillary purpose. In recent years, Link sold some of its commercial facilities to third parties.

The existing commercial facilities at public housing developments are owned by HA, Link or its buyers. Although all these facilities are serving residents of public housing developments, the operating concept of Link and its buyers is very different from that of HA.

As pure business organisations, Link and its buyers focus on profit maximisation and are always criticised for “trying to make every possible gain” whereas HA, being the business operator of its commercial facilities, also takes care of the interests of the residents and commercial tenants by striking a balance between making profits and the well-being of these parties. Link and its buyers have come under attack for their ambitious pursuit of profits at the expense of the livelihood of their target users, i.e. residents of public housing developments (mostly residents of public rental housing (PRH) estates), who are the less advantaged group in the society.

The properties of Link and its buyers were originally owned by HA, which is operating in a mode somewhat similar to Link's. Whenever Link is criticised, therefore, HA is subjected to comparison and accusation, and is to be held responsible.

It is neither appropriate nor fair to inflict the criticisms against Link on HA. I suggest that HA should, when confronted by Link-related topics/issues, take a more proactive approach in releasing information promptly and declaring its position immediately, so as not to cause unnecessary misunderstanding that will harm the image of HA.

For example, Link has come under criticism for the excessively high rentals charged for wet market stalls under the single-operator letting arrangement, which has resulted in the high food prices suffered by PRH residents. In a recent radio programme, a representative from Link stated that the single-operator letting arrangement was a system originated by HA back in 1988. I find this statement rather misleading because it was not supplemented with the explanation that the single-operator letting arrangement adopted by HA is actually very different from Link's. A single-operator under HA is only allowed to charge the small operators for rates, management fee, air-conditioning fee and licence fee. The rates and air-conditioning fee are charged on a cost-recovery basis and the management fee is adjusted upward only once a year, the percentage of which is determined with reference to the Government's wage index as well as a number of regulatory requirements.

A concern group recently requested HA to stop using the single-operator letting arrangement for new markets. They would not have made this request if they have had an idea how the arrangement is operated under HA.

Hence, HA should release accurate information proactively and promptly in order to give the public a clearer picture of what is happening.

Besides, HA should come up with some solutions to address the problems brought about by Link.

HA builds commercial facilities only where there is a real need. Being the sole commercial facility in the local community, shopping centres operated by Link are particularly important to residents living nearby.

There are views that to counter monopolisation by Link, more retail facilities should be provided. Hence, additional shops should be opened up and bazaars should be set up at public areas within PRH estates. This is not a bad idea, but it is not easily feasible. As most of the areas in PRH estates have been fully utilised, it is not easy to identify places for such purposes. That said, I agree that the Housing Department (HD) may study this suggestion further.

Apart from increasing retail areas, we can also think outside the box to figure out other sales channels or platforms. For instance, HD may consider allowing commercial tenants to take orders for goods and provide delivery services in PRH estates. A small area may be demarcated for collection of order forms, and commercial tenants may be allowed to deliver goods to building blocks at designated hours (e.g. two hours) every day. Of course, this may generate security, hygiene or other problems, but these problems are not unsolvable. Introducing new retail platforms should be more workable than increasing retail areas.

To avoid queries on the fairness in selecting service providers, we may consider starting off by cooperating with government organisations. The Fish Marketing Organization and the Vegetable Marketing Organization take orders from supermarkets, homes for the aged and restaurants, etc. and provide delivery services on a daily basis with the aim to promote agricultural and fishery products. HD may introduce their services as a touchstone. If feasible, the new service can provide an alternative to residents while promoting local agricultural and fishery industries at the same time. This sounds like a wild idea. HD may need to study if it is practicable.

To summarise, I think it is worthwhile to make innovative attempts to introduce other shopping options to the public.”

Prof Bernard Vincent LIM Wan-fung delivered his speech as follows:

“Mr Chairman and fellow Members,

Regarding my recent participation in the work of the Housing Authority (HA), I have the following observations and suggestions –

- ‘Housing’ has always been one of the most concerned issues in our society and demand for public rental housing (PRH) from the general public has been kept on increasing. Although the Long Term Housing Strategy was promulgated and a comprehensive plan of housing land supply formulated, the supply of PRH still

falls short of public expectations. Amongst various public aspirations, the top of the list requiring our attention is to shorten the waiting time for PRH by identifying more housing land and increasing PRH supply in a proactive manner.

- Nowadays, PRH development is often subject to the approval mechanism of the Town Planning Board (TPB) as well as liaison and communication with the local communities. This is particularly important when the development requires a rezoning of land use. Experience tells us that very often the local residents, district councils and even the TPB can be our obstacles. To narrow the differences, it is essential for us to strengthen our liaison and communication with the local communities. Currently, professional staff of the Housing Department (HD), frontline staff in particular, are often required to perform complex and tedious duties associated with the application for approvals and coordination with other government departments, resulting in very heavy work pressure. As a matter of fact, liaison with the local communities and the related communication and publicity work are not the line of work of these professional grades. In this connection, I would like to suggest setting up a dedicated unit to coordinate the liaison work with the local communities, including the district councillors, district councils, political parties and pressure groups, so that relevant experiences can be gathered to help bring forward proactive community publicity strategies and measures, as well as support the professional teams of various projects. In addition, to relieve the manpower pressure of HA and HD, I suggest that, when necessary, consideration should be given to hiring professional public relations and community coordination consultants to help consolidate the views of the local communities systematically in order to address the local needs in a timely manner. Though the provision of public housing benefits the eligible families who are in need, its construction often meets with local resistance due to political consideration and some special circumstances. In the light of this, we should adopt a more effective, integrated and territory-wide publicity strategy to actively promote the positive messages on the future public housing construction programmes, thereby fostering an agreeable sentiment in the community. In the approval procedures for town planning, the stakeholders' views supporting HA projects should be reflected and submitted as appropriate to ensure proper and balanced participation in the process of town planning.

- On the provision of quality housing for the people, we should enhance the overall construction quality and public confidence by strengthening the supervision on contractors' work quality. Given the relatively small size of the housing sites identified in recent years, I suggest that apart from consolidating the existing contractor lists, more small and medium contractors should be included in HA's lists of contractors to promote competition and diversity in the industry, provide more opportunities and help nurture the newcomers. This could be seen as part of the Government's effort to support the development of enterprises of different sizes. Also, this can expedite the work progress, promote competition in the tender process, and avoid criticisms against HA for being in favour of a small group of large-scale stakeholders.
- I have also noticed a peculiar minor issue which draws my attention to how we should strike a proper balance between the needs of estate property management and design and the rational use of funding. I noted that handrails are installed alongside the decks of some newly built covered walkways. Although they are for the safety of the maintenance workers, I believe that this "double-decker" structure is uncommon in other developments in Hong Kong, let alone in the rest of the world. Is this kind of thinking a bit too much? Will such a bulky style make us a laughing stock, considering the way we spend our construction cost? I hope that HD will seriously review and examine the situation, and work out an appropriate and economical approach to construction to avoid criticism against some of our public housing due to safety and administrative consideration. Noting all the other private properties and bridge decks in Hong Kong, and also the covered walkways built in other parts of the world, can you say that they are not designed properly?

I hope that in the future, we can help the low-income families with housing need gain access to affordable housing in a more effective manner.

Thank you."

Dr LAU Kwok-yu delivered his speech as follows:

“Mr Chairman and fellow Members,

Today, I would like to express my concerns over two aspects: (1) the demand for and the supply of public rental housing (PRH), and the target of providing the first flat offer to general applicants at around three years on average; and (2) the letting arrangements upon the completion of PRH.

(1) The Demand for and the Supply of Public Rental Housing, and the Target of Providing the First Flat Offer to General Applicants at Around Three Years on Average

(A) The Demand for Public Rental Housing

The Hong Kong Housing Authority (HA) released on 12 May 2016 the latest figures on applicants on the Waiting List (WL): “As at end-March 2016, there were about 150 500 general applications for PRH, and about 134 300 non-elderly one-person applications under the Quota and Points System (QPS). The average waiting time (AWT) for general applicants was 3.9 years. Among them, AWT for elderly one-person applicants was 2.3 years.”

Now, let us take a look at the figures as at end-March 2010; there were about 77 795 general applications, with an AWT of 2.0 years, and 51 283 non-elderly one-person applications under QPS. By comparing these figures, which were recorded seven years ago, with those as at end-March 2016, we can see an increase of 94% in the number of general applications, with an AWT increased to 3.9 years, and an increase of 162% in the number of applications of non-elderly one-person applicants under QPS.

As at end-December 2015 and end-March 2016, there were 143 700 and 134 300 non-elderly one-person applications under QPS respectively. The number of such applications decreased mainly because the Subsidised Housing Committee under HA approved, in October 2014, the proposals to refine QPS, and conduct regular eligibility checking on applicants under QPS who had waited for five years but not yet due for detailed vetting within the next two years; and the Housing Department (HD) proceeded with the regular eligibility checking on applicants under QPS with effect from February 2015. With the cancellation of the applications of those confirmed to be ineligible in the 2015-16 checking exercise, the number of applications under QPS dropped slightly to 134 300. Since eligibility checking exercises will continue to be conducted, it is believed that the number of non-elderly one-person applications under QPS will drop further.

In spite of the expected fall in the number of non-elderly one-person applications, the annual average of newly-registered general applications amounted to 27 700, as shown in HA's statistics compiled between July 2009 and June 2015. Even if HA pools all the newly-completed and vacant PRH units for allocation to general applicants on WL, it is extremely unlikely, at a conservative estimate, that AWT of general applicants will be less than 3.9 years in the next few years. Furthermore, with the number of newly-completed PRH units falling significantly short of the supply target under the Long Term Housing Strategy (LTHS) in the next five years, it is highly probable, in my estimation, that AWT will be further prolonged to five years. How will the Government address such issues as the 150 000 general applications on WL, the demand as reflected in the annual number of newly-registered applications, and the enormous number of non-elderly one-person applications under QPS?

(B) The Supply of PRH

According to HA's press release issued on 12 May 2016, "The Government has adopted 460 000 units as the long term housing supply target for the ten-year period from 2016-17 to 2025-26, of which 60 per cent will be public housing comprising 200 000 PRH units and 80 000 subsidised sale flats". This supply target has, in fact, been announced in the LTHS Annual Progress Report 2015 published in December 2015, in which it was stated that an annual average of 20 000 PRH units and 8 000 subsidised sale flats would be completed during the ten-year planning period.

Unfortunately, things did not turn out the way as we wished. As the sites required for public housing development could not be allocated in a timely manner, and for various reasons, HA and the Hong Kong Housing Society (HKHS) will be able to complete, according to the figures as at end-April 2016, a total of only 99 055 public housing units between 2016-17 and 2020-21 (i.e. the first five years), of which 75 957 are PRH units and 23 098 are subsidised sale flats; among them, HA will complete 74 851 PRH units and 21 458 subsidised sale flats while HKHS will complete 1 106 PRH units and 1 640 subsidised sale flats. In other words, that five-year period will see the completion of, on average, 15 191 PRH units and 4 620 subsidised sale flats per annum, which will account for only 76% and 58% of LTHS's supply target of 20 000 PRH units and 8 000 subsidised sale flats respectively. Judging from the above, it can hardly be denied that, in the next five years, the total supply of public housing will fall short of the supply target set under LTHS.

From the way information was presented in a paper on “Public Housing Construction Programme (PHCP) 2015-16 to 2019-20” submitted to the Legislative Council (LegCo) Panel on Housing by the Transport and Housing Bureau (THB) in October 2015, it does appear that the production volume of public housing under PHCP for the five-year period from 2016-17 to 2020-21 is indeed higher than those of the four five-year periods counting from 2012-13, 2013-14, 2014-15, and 2015-16, and that a rising trend is maintained. Information on PHCP for the four five-year periods submitted to LegCo Panel on Housing by THB in October 2015 is set out below:

- From 2012-13 to 2016-17, the total production of both HA and HKHS flats was 75 800 flats (comprising 71 800 PRH units and 4 000 subsidised sale flats);
- From 2013-14 to 2017-18, the total production was 74 500 flats (comprising 70 200 PRH units and 4 300 subsidised sale flats);
- From 2014-15 to 2018-19, the total production was 90 200 flats (comprising 76 400 PRH units and 13 800 subsidised sale flats); and
- From 2015-16 to 2019-20, the total production was 97 100 flats (comprising 76 700 PRH units and 20 400 subsidised sale flats).

Based on the supply figures in the five five-year periods under PHCP as set out in the above paragraphs, commentators may conclude that “the efforts of the current-term Government officials in the planning and provision of land and production of public housing have begun to deliver results.”

I recognise “the efforts made by the officials”, but do not agree with the conclusion of “beginning to deliver results”.

Strictly speaking, to review if there is a substantial increase in the housing production under PHCP under the current-term Government, I suggest that it should be gauged by a comparison between two separate periods. Both the first and the second periods cover three financial years only. The first period covers public housing production from 2015-16 to 2017-18. The second period covers public housing production from 2018-19 to 2020-21. Overall it takes five years to construct public housing. While the planning, design and tender invitation for the total production by 2017-18 were undertaken by the previous government, and the construction works were mainly carried out by the current-term government, the known production under planning for the three financial years from 2018-19 to 2020-21 under PHCP is actually what the current-term government can put into effect.

Based on the information provided by HA as at end-April 2016, the public housing production during the first period (from 2015-16 to 2017-18) is 50 814 flats, comprising 46 223 PRH units and 4 591 subsidised sale flats, representing an average annual production of 15 408 PRH units and 1 530 subsidised sale flats. During the second period (from 2018-19 to 2020-21), the planned public housing production is 63 831 flats (an increase of 26% as compared with the first period), comprising 43 998 PRH units and 19 833 subsidised sale flats, representing an average annual production of 14 666 PRH units and 6 661 subsidised sale flats. On the basis of this set of data, the average annual PRH production between 2018-19 and 2020-21 is 14 666 units only, which is less than the average annual PRH production of 15 408 units between 2015-16 and 2017-18. Given an increasing number of general applications and AWT reaching 3.9 years, with an anticipated extension to follow, the average annual PRH production under planning between 2018-19 and 2020-21, surprisingly, is 14 666 units only. With a reduction instead of an increase, how can one say that there is “a substantial increase” or the solution for the grassroots’ housing problem “have begun to deliver results”?

From 2018-19 to 2020-21, the average annual PRH production is 14 666 units, representing only 73% of the supply target of 20 000 units as set out in LTHS. During the same period, the average annual production of subsidised sale flat is 6 661 flats, representing merely 83% of the production target of 8 000 flats as set out in LTHS. According to these figures, is it true that the known public housing production have begun to deliver initial results, or that the demand definitely cannot be satisfied? I believe that you can judge on your own.

(C) The Target of Providing the First Flat Offer to Public Rental Housing General Applicants Changed to “a Long-term Target”

On 4 June 1998, HA announced the 1998/99 Corporate Plan at the Annual Special Open Meeting and reiterated its initiatives in reducing the waiting time of PRH applicants, i.e. “working towards reducing AWT for WL applicants to three years by 2005” and setting a more ambitious target for the waiting time of elderly persons, i.e. “working towards reducing AWT for public rental flats by elderly persons to two years by 2007”.

According to the available information, HA achieved in 2003 (two years in advance) the target of “reducing AWT for WL applicants to three years by 2005” and attained in 2002 (five years in advance) the target of “reducing AWT for public rental flats by elderly persons to two years by 2007”, which was indeed a resounding success.

Given the surging number of WL applicants, HA expressly stated in its 2016/17 Corporate Plan that providing the first flat offer to general applicants at around three years on average would be changed to a long-term target. How can you name it as “a long-term target” but without specifying the year of attainment? It is really disappointing and despairing. By naming it as “a long-term target”, there is no specified year of attainment. Then, PRH applicants can just “wait and see”. Compared with HA’s 1998/99 Corporate Plan, in which a specified target was set for reducing the waiting time of PRH applicants, the target of providing the first flat offer at around three years in the long run is a significant retrogressive step indeed.

It is impossible for a government with proactive policies to turn a blind eye to the increasing number of WL applicants year after year but not to review the scale of construction and related strategies for PRH in a down-to-earth way.

(2) **Letting Arrangements upon the Completion of Public Rental Housing**

When will the letting of new PRH units start? Is there any room for improvement in the letting process? This is the second part of my speech today.

Recently, the arrangements for PRH units from completion to letting have come to my notice. I enquired with HA. Some of my observations are set out below.

According to the information provided to me by an officer in charge of PRH management and lettings through the HA Secretariat about a housing estate from its completion to letting: the completion date of five of the blocks (with a total of 2 808 rental flats) was 29 May 2015; the completion date of two blocks (with a total of 856 rental flats) was 26 June 2015; the actual completion date of the remaining two blocks (with 1 241 rental flats) was 30 July 2015; and the date of first available letting of flats was 31 July 2015.

Given that about 2 800 rental flats (accounting for nearly 60% of the flats in the whole estate) were completed on 29 May 2015, and about 860 rental flats of the other two blocks were completed on 26 June, I do not understand why it was necessary to wait until the end of July of the same year before lettings started.

During the first two months starting from 31 July 2015 (up to the end of September), there was an intake of more than 3 300 flats (68%) in the whole estate. In the subsequent four months, there was another intake of about 510 flats (11%). In other words, there was an intake of some 3 800 flats in total (about 79%) within the six months (up to the end of January 2016). The remaining some 1 000 flats (21%) were still left vacant. They were not regarded as vacant by HD because they were still under offer. However, the objective fact was that more than 1 000 new flats had been left vacant without any occupants for over half a year since completion.

My concern is: there are 150 000 general applicants and 134 000 non-elderly one-person applicants (among them there are over 40 000 households of subdivided units) who are still waiting for new PRH flats and refurbished PRH flats. Take this housing estate as an example, why were there still 21% (some 1 000 flats) new flats left vacant and remained idling for half a year after completion? Was it due to inadequate manpower in lettings? Was the flat selection process too complicated? Did applicants fail to make up their minds? Was the location of the housing estate poor? Were the flats reserved for junior civil servants and pensioners or for the purpose of Territory-wide Overcrowding Relief Transfer, Living Space Improvement Transfer or other transfers not allocated timely?

The consequence of leaving more than 1 000 flats vacant for six months, irrespective of the reason, costs HA a rental income of about \$7.5 million, according to my estimate. The intake of more than 1 000 families waiting for PRH has to be deferred for six months without a justifiable cause.

I certainly hope this is an isolated incident. What I am more concerned is whether there are similar situation in other newly-completed housing estates. I urge the Lettings Unit under the Strategy Division of HD to pay more attention to the letting process, to streamline and optimise the flow of housing offers and to review whether there are enough manpower resources in the Lettings Unit and property services agents under outsourced contracts responsible for the management of these new housing estates so as to ensure that flats made available for allocation can be offered to applicants at the first instance. This is a problem that HD must face squarely.

Conclusion

The PRH supply target set by LTHS cannot satisfy the enormous and rising demand. The Government should seek ways and means of increasing PRH production to achieve the target of providing flat offers to general applicants at three years on average. I hope that the Government will

overcome all difficulties in the rezoning of land, use of brownfield sites, opening up and developing land resources for new housing production and getting the support of stakeholders. In addition, HD should review the existing letting process for flats made available for occupation and the manpower resources required to ensure that precious housing resources can be timely allocated to applicants.”

Ms Serena LAU Sze-wan delivered her speech as follows:

“Mr Chairman and fellow Members,

As the largest home provider and management body in Hong Kong, the Hong Kong Housing Authority (HA) undertakes a long-term commitment in the planning, construction and management of subsidised housing, providing affordable accommodation to almost half of the local population/families.

As regards the committee work I engaged in for the past year and the work to come, I have the following observations and suggestions:

- Over the past few years, owing to the surging rents and sale prices of private residential properties, people are living under increasing pressure. Some of them even have to live in subdivided units of very poor living conditions which are plagued by safety hazards. At the same time, many people are whining that they cannot afford to purchase a flat in the private market, which results in a huge demand for subsidised housing. As such, the HKSAR Government and HA have been eagerly looking for land and expediting housing construction over the past few years. During this time, our colleagues have done a remarkable job in various areas, such as design planning, meeting deadlines according to schedule, and site safety. Despite the lead-in-water incident, according to the investigation results released, it is a typical case whereby a lack of awareness in minor areas unfortunately leads to a large incident. Hence, we should still give recognition to our colleagues for their efforts.
- With the obvious downward adjustment of rents and sale prices in the private residential property market in the past six months, and a significant increase in the supply (of uncompleted flats) and completions, market sentiment is changing. People are starting to worry about a reverse of the demand and supply

situation, i.e. supply will exceed demand. Back in the 2000s, the drastic decline in private residential property prices caused people to change their view on public housing supply, which subsequently led to a change in the housing policy. The HKSAR Government and HA therefore have to ensure a steady supply of public rental housing units with a view to maintaining the stability of the labour market during the economic downturn, and to hold to the vision of providing grassroots people with housing, which is essential to their livelihood. Subsidised sale flats provide an important source of income to HA and as such, its production cannot be adjusted arbitrarily. Nevertheless, as identification of land for housing construction has been difficult in recent years, the number of subsidised sale flats to be put up for sale in the next few years will be very limited and it is believed that there will be little impact on the market. That being said, in the cycle of unfavourable market conditions, it is necessary to strike a balance carefully between the high construction costs and market affordability in setting reasonable flat prices.

- As there is a change in market sentiment, we need to concern ourselves with the feasibility of the Green Form Subsidised Home Ownership Pilot Scheme (GSH) proposed last year. Owing to the smaller number of potential buyers of GSH flats, we will receive negative criticism if the flats are sold at too deep a discount or if not many flats are sold. In case of the latter, are we going to let out the vacant flats? Learning from the experience of the Tenants Purchase Scheme, mixing owners and public rental housing tenants in one single block will lead to very undesirable results. However, it is also a waste of resources if the flats are left vacant for a long time, pending to be sold.
- HA has adopted the universal design for its new projects, embracing the concepts of ageing in place and fostering family harmony. This deserves our commendation and serves as an example for the private market. The situation of ageing population in Hong Kong will become more acute in the coming decade and beyond. According to the “Hong Kong Population Projections 2015-2064”, the population of elderly persons will rise by one fold to 2.28 million by 2034, accounting for around 30% of the total population by then. Furthermore, based on the Census and Statistics Department’s “2011 Population Census - Thematic Report: Older Persons”, about 40% of elderly persons are currently living alone or living with their spouses only and

the trend is on the rise. In view of this, for large subsidised housing development projects, apart from building design, we also need to think ahead by taking the surrounding communities into consideration during planning. As population ageing is inevitable, we have to reserve resources to strengthen the community's capability to provide support. Or perhaps relevant departments and bureaux responsible for social welfare issues can take the lead at the policy level to suggest the need to reserve floor areas in housing developments for such a purpose at the design stage. Limited ancillary facilities will make it more difficult for residents to age in place later on, therefore, we really need to bear in mind the importance of flexibility in design.

Thank you.”

Mr CHUA Hoi-wai delivered his speech as follows:

“Mr Chairman and fellow Members,

Social stability hinges on people's ability to live peacefully in a pleasant environment. However, figures on housing development in Hong Kong are worrying. According to the latest information released by the Census and Statistics Department (C&SD), the proportion of “housing expenditure to total household expenditure” has risen from 33% in 2009/10 to 36% in 2014/15, reflecting that the burden of housing expenditure has become increasingly heavy for the people. The situation of households living in sub-divided units (SDUs) is even more worrying. According to a survey on the “Housing Conditions of Sub-divided Units in Hong Kong” conducted by C&SD in 2015, the rental expenditure of households living in SDUs on average accounted for 32.3% of the household income. Nevertheless, for households with an income below half of the median household income, the ratio would increase to 41.7%.

The above figures explain why the number of people applying for public rental housing (PRH) has time and again hit record highs in recent years, because this may be the only way for the grassroots to move into adequate housing. Nevertheless, PRH may still be unreachable for many people, not only due to the average waiting time being as long as 3.9 years but also because some of the grassroots are not even eligible for PRH application.

Recently, the Hong Kong Council of Social Service (HKCSS) interviewed 500 young people aged 20 to 34. 40% of the interviewees believed that the quality of their accommodation could not be improved in the

short term. According to the Report on General Household Survey done in the first quarter of 2016, the median monthly earnings of young people aged 25 to 34 is \$16,000. Obviously, the earnings of the majority of these young people (whether single and married) have exceeded the income limit for PRH. At present, the income limit for one-person applicants is \$10,970, while that for two-person applicants is \$16,879.

As a Member of the Housing Authority (HA), I understand that public housing resources are very limited, and I agree that family and elderly applicants should be accorded priority in flat allocation. Members of community have had divergent views on young people applying for PRH. Many expect the young people will have a chance of moving upward by purchasing a flat on their own, but now they have to admit that to many young people, such an expectation is not practical at all, especially to those who come from grassroots families and cannot rely on their parents to pay for the down payment. The flat prices in the private market are simply beyond their affordability. Besides, the prices of Home Ownership Scheme (HOS) flats, which are linked with market prices, are not cheap and the chance of being “chosen by ballot” is slim. In the end, young people can only resort to renting flats in the private market, whereby they are constantly exploited and forced to relocate, without any solution on the horizon. If the situation persists, their grievances will surely continue to grow.

In the past two to three decades, property prices have been increasing at a rate much faster than that of wage growth, and the purchasing power of people has almost halved every ten years. It seems that such predicament will continue to worsen for young people coming from grassroots families. Under these circumstances, the most effective way to provide more people with comfortable homes is to significantly increase the supply of PRH and HOS flats, and the proportion of public housing in the housing stock. I would like to suggest that HA review the income limits for PRH application (such as reintroducing the measure adopted in 2011/12, that is, to adjust the contingency provision from 5% to 15% in calculating the income limits), raise the annual allocation quota for non-elderly one-person applicants, and offer greater discounts in the selling prices of HOS flats.

Mr Chairman, the second issue I would like to discuss is the needs of persons with disabilities and the frail elderly.

Whether the designs of PRH flats and community environment promote accessibility will significantly affect the capability of Hong Kong to build an elderly-friendly and inclusive society. If the environment and facilities of accommodation are not barrier-free, it will have a direct impact on the well-being of residents. Recently, a pair of elderly sisters, who live with

and depend on each other, approached me and the Social Welfare Department for assistance. The elder sister is wheelchair-bound and cannot use the toilet for bathing owing to the incompatible design of the aged PRH unit in which they are living. She has no alternative but to use the facilities of the Leisure and Cultural Services Department nearby to meet her personal sanitary needs. Although the Housing Department (HD) arranged for them to transfer to an estate in Lam Tin in 2014, they had to refuse such an opportune offer because the only connection between the estate and Lam Tin MTR Station is an escalator. They wish to transfer to a comparatively familiar neighbourhood, but for a year and a half now, they have yet to be given another transfer offer.

In recent years, colleagues of HA and HD have been working tirelessly in designing barrier-free PRH estates and the fruits of their labour are there for all to see. However, the case I mentioned just now reflects that there are still many thorny issues in aged estates. Most of these units are also probably not able to be converted to a more accessible design, resulting in problems that gradually surface in today's ageing society. We paid a visit earlier to the Salvation Army Po Lam Residence for Senior Citizens in Po Lam Estate and found that the toilets of the units are very small, thus causing great inconvenience to the residents. Apart from installing facilities such as handrails, we should explore ways to enhance the accessibility in aged estates so that the elderly can age in place and disabled residents can lead a comfortable life.

Lastly, I believe you all notice that there is a lot of news coverage of the retail facilities in the markets and shopping centres of PRH estates lately. HKCSS and other community organisations have been advocating community economic activities, such as setting up bazaars, to cater for the shopping needs of residents and create opportunities for members of the community to participate in such economic activities. The idea is well supported by the Food and Health Bureau, which is responsible for formulating the relevant policies. However, we know that it is not easy at all to organise holiday bazaars in the public areas of PRH estates. I suggest that HA pursue this matter further, and examine whether there is a need to revise existing policies, obtain the approval of other owners such as Link Real Estate Investment Trust, and publish the list of estates available for setting up holiday bazaars. This will enable non-governmental organisations concerned to organise holiday bazaars in PRH estates to meet the needs of residents and the community, and to promote community economy.

Thank you, Mr Chairman.”

Mr KWOK Wai-keung delivered his speech as follows:

“Mr Chairman,

Introduction

Hong Kong’s property market has been buoyant following the financial crisis in 2008. Housing remains the hottest livelihood issue in recent years. To many, securing an accommodation or purchasing the first flat is a daunting task. Expensive rentals have also become a heavy burden. As Hong Kong’s biggest public housing developer, the Hong Kong Housing Authority (HA) needs to implement its housing programmes with renewed vigour, fresh ideas and a new vision to help fulfill people’s housing needs.

Amidst the global economic uncertainty, Hong Kong’s property market is likely to feel the strain of a local economic downturn. In the coming year, HA may find itself facing many challenges. For one thing, newly-built subsidised sale flats may not sell well and the Waiting List (WL) may lengthen against such an economic backdrop. Nevertheless, as long as HA discharges its duties with dedication and flexibility embracing the needs of society and the community, I believe HA will win praise and recognition from the public.

Now let me turn to the issues of the allocation of public rental housing (PRH), redevelopment, subsidised housing and Link Real Estate Investment Trust (Link REIT).

Waiting List and Public Rental Housing Allocation

According to the latest figures published by HA, there are more than 280 000 applications on WL and the average waiting time for family applicants has reached 3.9 years. For seven quarters in a row, the objective of “giving flat offers in three years” has not been met. In fact, it is increasingly challenging for our PRH construction volume to keep up with the pace. According to HA’s five-year plan, the forecast production of PRH units in the coming five years is 75 000, but there are already quite a few hurdles to overcome to meet this objective. For example, the lead-in-water incidents have delayed the construction progress of many PRH flats, the construction work in some sites is beset with difficulties and delays, and land resumption is met with opposition. All this requires collaboration between HA and other government departments. I hope that the administration can step up its efforts to secure land among policy bureaux for the construction of public housing. Moreover, HA should go about planning and designing PRH with taller blocks, among other features, for production of a larger number of flats. Otherwise, WL will only get longer with fewer flats available. An allocation time

stretching to five, seven or even nine years will certainly create a serious social problem for Hong Kong.

Apart from identifying sites for housing construction, the redevelopment of aged PRH estates which puts to full utilisation the plot ratio and the space available is another way to increase housing supply. In 2014, the administration identified 22 PRH estates with redevelopment potential. Two years have passed without any progress, except Wah Fu Estate. However, the first phase of its redevelopment will not be completed until 2024, eight years from now, if and only if everything goes smoothly. As a Legislative Council member who keeps a constant eye on PRH redevelopment, I will never underestimate the complexities and difficulties PRH redevelopment entails. Land, planning, residents and business operators are all involved in the process. However, precisely because of the complexities, HA should step up its efforts, focus on advance works and set priorities. Land for rehousing has to be secured for the redevelopment programme to take off. Upon implementation of the redevelopment programme, not only repair costs for aged PRH estates can be saved, the improved living environment will also bring residents added convenience. As such, HA should plan early on the redevelopment front.

Mr Chairman, in view of the lengthening WL, HA has in recent years resorted to various administrative means to address the allocation issue by screening out ineligible applications. While this is understandable, I hope HA could consider the interests of WL applicants and increase transparency. Take the re-vetting of applicants' eligibility recently as an example. Despite my total agreement with the principle underlying the exercise, there should be a clear mechanism for appeal to safeguard applicants' rights. The Hong Kong Federation of Trade Unions has received cases in which applicants had their applications cancelled because of their failure to report the cash value of their life insurance policies. We are worried that HA may have gone too far in implementing these administrative measures, rendering families and individuals in need of housing unable to move into PRH. I hope HA will strike a delicate balance between the way these measures are implemented and a people-oriented approach.

Public Rental Housing Rent Increase

Now I would like to talk about PRH rent increase. We all know that HA is going to announce its rent adjustment results later this year in keeping with the biennial rent review cycle. Based on various sources and past data, there is a good chance that PRH rent will rise by 10% this September. If so, this will be the third time PRH rent grows by its capped maximum increase, rendering a cumulative rent hike of 30% in six years. Some may say that this is only reflecting the reality, as PRH residents have benefitted in money

terms from the introduction of minimum wage and our blooming economy in the past few years. Granted, the larger income has been accompanied by a climbing inflation rate but not a decreasing expenditure of the grassroots. The PRH rent adjustment mechanism, however, does not take these into account. The only way to bring down PRH rent is when the income of the working population is reduced or their jobs taken away, but by then our economy will have been crumbling, prompting the government to roll out relief measures for PRH tenants. As such, the current rent adjustment mechanism should be reviewed after four times in place. In view of the potential economic risks locally in the second half of the year, the government and HA need to know that raising the rent hastily by 10% may affect the livelihood of the grassroots. Rent waiver and support measures should be made available as and when necessary to help the tenants.

Subsidised Housing

Mr Chairman, the resumption of the Home Ownership Scheme (HOS) and the introduction of the Green Form Subsidised Home Ownership Pilot Scheme by HA are no doubt effective measures to help the public achieve home ownership. Despite the declining property prices recently, they remain unaffordable for the working population. I have earlier done some analysis which indicates that people earning median income in the territory need to save up for as many as nearly ten years for down payment if they want to buy a flat and get married. Flats constructed by a public entity at a discount are their way out. Aside from giving my full support to HA for the production of more subsidised housing, I would like to see more means being exhausted by HA to cater for the needs of the public in an ever-changing society. “Rent-and-buy” and crowdfunding are just two of the new concepts to apply. Mr Chairman, we deserve more diversified modes of housing provision in Hong Kong. Besides, we should move away from the idea that one should save up for a flat to become a landlord. HA, a public body in relation to housing, should embrace more innovation.

Mr Chairman, apart from the difficulties of buying a first home, I take note of the effect of our softening property market on subsidised housing. The recent downward trend of the market has already made people wary of buying a flat, as reflected by the recent sales performance of De Novo. The market reaction of the sale of HOS flats in the next few years may become unpredictable. In this regard, HA should adopt a more flexible approach to the sale of subsidised housing flats in the future by shortening the pre-sale period of uncompleted flats, or putting on hold the sale until after their completion. Flat prices should also be adjusted in keeping with market performance. With a view to boosting people’s confidence, buyback offers and mortgage assistance should also be provided for eligible home buyers. Although HOS and private

flats produce a “revolving door” effect, it is obvious that most applicants for subsidised housing live in the house they buy on a long term basis. Therefore, helping subsidised housing flat buyers reduce risks and relieve financial burden will only win praise for both HOS and HA from the public on the one hand and bring benefits to the Government on the other.

Link REIT

Lastly, I would like to talk about Link REIT. While the company is a private entity whose operation is entirely independent of HA, it manages PRH’s commercial and retail facilities as well as estate amenities. Its target customers, people living in PRH estates by and large, overlap with our service recipients. Against this backdrop, its operation strategy has everything to do with HA and its PRH tenants. Having time and again pointed out the inconveniences and problems brought by Link REIT’s refurbishment of shopping malls and markets, I am not going to repeat myself here. That said, we should take issue with and pay urgent attention to the fact that Link REIT had divested its assets (premises and car parks included) to investors who further divested them for sale. These investors went as far as trying to remove HA as manager of these facilities. In fact, with the divestment and further divestment of the original facilities by Link REIT and the investors, the ownership of these facilities and common areas will only split further, making management all the more complicated. One cannot rule out the possibility that someone might stir up trouble over asset management and ownership to divide tenants, forcing the government to buy back these assets for their own benefit. As the divestment and further divestment goes on, the management of public housing estates will only become more convoluted. HA had better get itself ready for this by, for example, deploying additional manpower to provide legal support, explaining the situation to the residents and communicating with the owners’ corporations. It should also embrace its role as the owner and manager of these facilities. I bring this up with a view to alerting HA to a complex management scenario in the future, hoping to reduce its risk of finding itself one day confronting investors on one front and residents on the other.

Mr Chairman, I wish HA every success in the year ahead with public housing production and management of its properties for the well-being of the people of Hong Kong. Thank you.”

CONCLUSION BY THE CHAIRMAN

6. **The Chairman** thanked the eight Members for their views and said that the Director of Housing would give a consolidated response at the HA meeting to be held later.

7. **The Chairman** said that Members who spoke just now gave their views on the production of public rental housing (PRH), the number of PRH applicants, the average waiting time for the first flat offer, rent, and Link Real Estate Investment Trust (Link REIT), etc. He understood Members' concerns over the above issues. As regards the progress of housing production, it was indeed lagging behind the demand, with land resources and the capacity of the construction industry being some of the crucial factors. Actually, all along the Department had spared no effort in seeking land from the Government for allocation to HA and in garnering support from the local communities for the relevant housing production programmes. HA had to face squarely the crux of the problem and make thorough consideration in devising solutions so as to avoid generating further problems. The case of Link REIT was a lesson to be learned.

8. **The Chairman** continued to say that quite a number of Members brought up the subject of the lead-in-drinking-water incident, which had indeed posed a great challenge to HA and the Department in the past year. The Government had published the Report of the Commission of Inquiry into Excess Lead Found in Drinking Water (COI) at 3:30 p.m. that day and uploaded the Report to the GovHK website. The Chairman and the Director of Housing would, on behalf of HA, attend a press conference to be held by the Government later at 5:00 p.m. that day. He believed the COI Report's comments on HA were comprehensive. COI was positive about the recommendations put up by HA's Review Committee on Quality Assurance Issues Relating to Fresh Water Supply of Public Housing Estates. It also approved of the various improvement measures taken by HA and the Department subsequent to the lead-in-drinking-water incident last July. HA would convene an informal meeting on 3 June in order to listen to Members' views on the Report as soon as possible.

9. **The Chairman** said that HA could not interfere with the operation of Link REIT, but the Department would respond to Members' various concerns. As for the issue of rent, the Neighbourhood and Worker's Service Centre and the Hong Kong Federation of Trade Unions had submitted petitions. HA had to conduct a rent review every two years pursuant to the Housing Ordinance. As mentioned by Mr CHUA Hoi-wai, the information released by the Census and Statistics Department revealed that the proportion of housing expenditure accounted for 36% of the total household expenditure in 2014/15. By comparison, the relevant figure for PRH tenants was below 10%. It was evident that living in PRH could help improve the financial situation of families. Therefore, many grassroots yearned for a PRH unit. The Department had been making every effort in producing PRH, yet the progress of housing production was affected by various objective factors. He understood

the housing needs of young people, but due to an insufficient supply of PRH units, HA had to set allocation priorities in order to strike a balance.

10. **The Chairman** thanked Members again for attending the meeting.

CLOSURE OF MEETING

11. **The Chairman** closed the meeting at 4:12 p.m.

DATE OF NEXT MEETING

12. The next meeting would be held on 11 July 2016 (Monday) at 2:30 p.m.

CONFIRMED on July 2016.

Anthony CHEUNG Bing-leung
(Chairman)

Ivan KB LEE
(Secretary)

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