

**Minutes of the Annual Special Meeting of the HONG KONG HOUSING  
AUTHORITY held on Thursday, 5 June 1997**

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**PRESENT**

Hon Dame Rosanna WONG, DBE, JP (Chairman)

Mr J A MILLER, JP (Director of Housing) (Vice -Chairman)

Mr Victor SO Hing-woh, JP

Mr HAU Shui-pui

Hon FUNG Kin-kee

Prof YEUNG Yue-man, OBE, JP

Mr LEUNG Chun-ying

Ms HO On-nei

Mr CHAN Kam-man, JP

Mr C N BROOKE, JP

Hon LEE Wing-tat

Mr Daniel LAM Chun, JP

Mr YEUNG Ka-sing, JP

Mr Joseph CHOW Ming-kuen, JP

Mr Eddy FONG Ching, JP

Mr Raymond CHOW Wai-kam, JP

Ms SIU Yuen-sheung

Mr Walter CHAN Kar-lok

Dr Hon Anthony CHEUNG Bing-leung

Mr WAN Man-yee

Mr CHAN Bing-woon, JP

Mr Peter WONG Hong-yuen, OBE, JP

Mr CHENG Kai-nam

Mr NG Leung-sing

Mr NG Shui-lai, MBE, JP

Ms Iris TAM Siu-ying

Mr Dominic WONG Shing-wah, OBE, JP (Secretary for Housing)

Mr R D POPE, JP (Director of Lands)

Mr Alan SIU (Deputy Secretary for the Treasury (2)(Acting))

Miss Jennifer MAK (Director Corporate Services)(**Secretary of the Authority**)

**ABSENT WITH APOLOGIES**

Mr Anthony WONG Luen-kin  
 Dr Joseph LIAN Yi-zheng  
 Mr LAU Kwok-yu (Out of Hong Kong)

**IN ATTENDANCE**

Ms Jennifer CHOW Kit-bing (Member of Home Ownership Committee (HOC) and  
 Complaints Committee (CC))

Mr FUNG Kwong-chung (Member of CC)  
 Mr MA Ho-fai (Member of CC)  
 Mr Vincent MA Shiu-ming (Member of CC)  
 Mr WONG Che-ngai (Member of CC)  
 Mr LAI Siu-tong (Member of CC)  
 Mr Paul CHAN Mo-po (Member of CC)  
 Mr WONG Wah-keung (Member of HOC)  
 Mr WONG Kowk-hing (Member of HOC)  
 Mr CHAN Ka-kui, JP (Member of Commercial Properties Committee (CPC))  
 Mr LEE Kai-ming (Member of CPC)  
 Prof Tunney LEE (Member of Building Committee)  
 Dr LO Chi-kin (Member of Human Resources Committee) (HRC)  
 Mr Eddie NG Hak-kim (Member of HRC)  
 Mrs Garce OEI FUNG Wai-chi (Member of Finance Committee)  
 Mr Marco M H WU, JP (Deputy Director/Management)  
 Mr Stephen S C POON, JP (Deputy Director/Works)  
 Mr R A BATES, JP (Business Director/Commercial and Services)  
 Mr Simon P H LI, MBE, JP (Business Director/Management)  
 Mr Y L CHAN (Business Director/Allocation and Marketing)  
 Mr T C YUEN (Business Director/Development)  
 Mr R J AVON (Finance Director)  
 Mr C C HUI (Assistant Director/Operations and Redevelopment)  
 Mr Vincent TONG (Assistant Director/Management 3)  
 Mr Edward LAW, MBE (Assistant Director/Administration)  
 Mr J J NG (Assistant Director/Central Services and Management Policy)  
 Mr H T FUNG (Assistant Director/Applications and Home Ownership)  
 Mr K H LAU (Assistant Director/Management 1)  
 Mr Joseph K C LEE (Assistant Director/Management 2)

Mr Joseph KONG (Project Director/1)  
 Mr Simon P S LEE (Assistant Director/Legal Advice)  
 Mr K T POON (Assistant Director/Information and Community Relations)  
 Mr David LEE (Project Director/2)(Acting)  
 Mr Albert LEE (Assistant Director/Construction Services)(Acting)  
 Mr Andrew LAI (Assistant Director/Policy)(Acting)  
 Mr Parrish NG (Principal Assistant Secretary for Housing/2)  
 Miss Joyce TAM (Senior Administrative Officer/Administration)  
 Miss Peggy S L CHAN (Chief Estate Surveyor/Rental Housing and Private Sector Participation Scheme)  
 Mr Patrick LAU (Administrative Assistant to Director of Housing)  
 Ms PANG Wai-fong (Administrative Assistant to Deputy Director/Management)  
 Mr Lawrence CHOW (Committees' Secretary)(**Meeting Secretary**)  
 Ms Vera CHAN (Assistant Committees' Secretary/1)

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The Chairman opened the meeting at 8:49 a.m. She welcomed all the Housing Authority and Committee Members, in particular new member Ms Iris TAM Siu-ying, Acting Deputy Secretary for the Treasury Mr Alan SIU and the Director of Lands Mr R D Pope, to the meeting.

### **Reports by the HA Committees**

2. The Chairman informed Members that reports by the following Committees for the year 1996/97 had been tabled for their information :

Management and Operations Committee  
 Home Ownership Committee  
 Complaints Committee  
 Commercial Properties Committee  
 Finance Committee  
 Building Committee  
 Human Resources Committee  
 Special Committee on Clearance of Kowloon Walled City

(Reports at Annexes A to H)

## Address by the Chairman

3. “Members and colleagues,

Housing has, in recent days, virtually risen to the top of the agenda on social and livelihood issues to become the most pressing item calling for immediate action. Demand for public and private sector housing has been growing in recent years. Property prices have been staying high and this has added considerably to the pressure on public sector housing supply. We are all aware that housing will be the foremost question the future Special Administrative Region government will have to tackle. Yet, to solve the housing problem of the general public in a sure-footed and practical manner will be an endeavour that will put to strict test the determination and courage of the policy makers concerned. As the biggest provider of housing, the Housing Authority (HA) will, in the years ahead, continue to do its best to assist and cooperate with the authorities in taking up this challenging task.

The past year can be described as one during which the HA continued with its drive towards qualitative reform. We assiduously sought to improve and make progress in areas ranging from central administration, estate management to repairs and maintenance. I believe this is a continuing manifestation of the HA’s aspiring and self-perfecting spirit.

*The Long Term Housing Strategy (LTHS) Review Consultative Document* has profound significance as well as far-reaching effects on the HA and on Hong Kong society as a whole. The HA, after repeated discussions, will shortly present members’ collated views to the Housing Branch for reference.

Since the *LTHS Review* is a strategic document, the Government must have a clearly defined position as well as resolute measures in respect of future matters of strategic significance. The formulated strategy must be forward-looking and properly oriented and it must demonstrate sufficient commitment and determination on the part of the Government. Improvised or stopgap measures which avoid the core of the problem will eventually fail to remedy it and will pave the way for a diverse range of undesirable after-effects.

Today, I would like to share with members my personal views on a number of strategic questions.

### 1. The matching of population growth projections with housing strategy

It has long been the case that Hong Kong hardly has any complete, long-term population policy to speak of. However, as a matter of fact, demand for housing often varies according to population growth or the size of families. Accurate data or information in

respect of population changes will be of immense value to us in assessing or planning for future housing and land supply.

When formulating the LTHS in 1987, the methodology adopted by the authorities in forecasting population changes and housing demand resulted in wide discrepancies between estimated population growth and actual growth. And the HA has been hard put to it to catch up with rising demand. Diverse views have emerged within the community challenging the authorities' population projections and housing demand assessment.

According to the figures recently published by the Government's Census and Statistics Department, the population of Hong Kong is estimated to increase substantially to 8.21 million in the next 20 years, up 30% compared with the 1996 figures. Of this increase, more than 1 million will be new immigrants coming from the Chinese mainland to settle here in Hong Kong. Added to this is the inexorable and accelerating trend of our population aging.

Take for instance the population projections up to the year 2001. The estimated figure given by the Census and Statistics Department exceeds the figure given in the *LTHS Review Consultative Document* by about 0.32 million, which means close to 95 000 families. The housing demand generated by this increase would create an extra burden on the HA.

Different government departments employ different methodologies in estimating population growth. This has resulted in different conclusions being drawn which sometimes turn out to be at variance with actual population growth figures. Such a state of affairs will adversely affect the formulation and planning of social policies.

I am of the view that the authorities must, through a coordinated effort on the part of various departments, come up with a set of forward-looking and accurate data. Only in so doing will it be possible to put in place a confidence-inspiring, objective and scientific computing mechanism for the purpose of assessing demand for housing, planning for and building it. The Government should scrutinize afresh the latest population forecast produced by the Census and Statistics Department to see if appropriate adjustments need to be made to the original assessment.

## 2. The dovetailing of land planning with housing production

First, the Government's lack of far-sightedness and land reserve in terms of land planning is one of the major causes for the present imbalance between housing demand and supply.

The irregular ups and downs in land supply in the past, coupled with the shortage of infrastructure, has resulted in uneven yearly housing production by the HA. Of the 288 hectares granted to the HA by the Government since 1988, 75% were unformed land. In 1991/92, none of the 7.6 hectares of land granted to the HA were ready for immediate use, in a raw and unformed state as they were. The Government had to spend several more years on site formation work. This has seriously affected our timetable for housing supply.

In 1990/91, the HA was granted close to 80 hectares of land by the Government for the purpose of housing construction. But, in 1996/97, we were granted no more than 2.6 hectares. Such a wide gap has left the HA at a loss as to what course to follow. This notwithstanding, we are still optimistic as regards land supply from now up to the start of the next century and are confident that the anticipated target of housing production will be achieved. However, with the authorities' failure to carry out long-term land reserve planning which has resulted in an unstable supply of formed land, I am afraid we may again be faced with the ordeal of "having no land to build on" after 2003. I as well as many members of the public have repeatedly stressed that it is vital to the HA to have an assured and stable yearly supply of sufficient and usable land. Now is the time for the Government to demonstrate its resolve in this respect.

To solve this problem over the long term, I have requested the Housing Department to study the feasibility of drawing up a "service agreement" to be jointly observed and performed by the Government and the HA so as to ensure that sufficient land will be granted each year for the purpose of developing public sector housing. Apart from safeguarding the stable supply of housing by the HA on a yearly basis, this arrangement will ensure that there will be adequate backup measures in the event of delay caused by work slippages or other factors. The Government has, at this preliminary stage, given a positive response to this proposal of ours.

Secondly, in terms of the planning horizon for housing production, the *LTHS Consultative Document* only plans as far ahead as the year 2006. Such a planning span would appear too short and should be lengthened.

It takes close to 62 months for a public sector housing project to proceed from the drawing board stage to eventual completion. If planning goes no further than the year 2006, there will basically be insufficient flexibility or manoeuvring room to increase or change the volume of housing production in the next five years. The *LTHS Consultative Document* points out that the *Territory Development Strategy Review* has identified 10 strategic growth areas and the document goes on to observe that it will take 10 to 15 years to build housing in these areas. I am of the opinion that housing production planning should be extended so that it will cover no less than 10 years. This will give more time for planning to

be carried out in respect of land development, infrastructure, and assessment or revision of population figures and housing demand so as to more readily cater to actual needs.

Moreover, faced with scarce housing resources, the HA should itself set an example of devising ways and means to expedite housing production without compromising the quality of housing or of service. The HA used to adopt various measures to seek to increase housing supply during periods of shortage. These measures included streamlining the internal vetting and planning procedures and identifying usable sites within public housing estates. In order to further tap resources, to economize and to enhance efficiency, I have asked the Housing Department to study the feasibility of shortening the present construction lead time of 62 months to 58 months. I would like to stress again that we must ensure that quality would not thus be compromised.

In the final analysis, we still need to ask the Government to provide more formed land coupled with the necessary infrastructure. Only in so doing can the problem be radically solved. A high-level ad hoc group led by the Financial Secretary is studying the question of land supply and the HA will shortly be presenting views to the group in this regard.

### 3. Dealing with the Waiting List backlog

There are a number of indicators to assess the success or progress of public sector housing development, such as the amount of resources injected by the Government, the size of the subsidized population and the volume of housing production. Among these, one key indicator is the length of the Waiting List, that is to say, the number of people awaiting their turn to be allocated public sector housing.

There are currently 150 000 families on the Waiting List who will have to wait six and a half years on average before being allocated a public housing unit. This shows that housing supply is falling far short of demand. The Government gave an assurance in 1995 that by 2001 the average waiting time for allocation of public housing would be cut from seven to five years. We are confident that this commitment can be fulfilled.

Unfortunately, the *LTHS Consultative Document* fails to set the longer-term target of reducing the waiting time further. This has inevitably disappointed people who are concerned about this question.

To many of the families awaiting their turn to be allocated public housing, five years is after all a rather long period of time. In terms of shortening the waiting time, I fervently hope that, by 2006, people or families on the Waiting List will within two to three

years be allocated public housing at least once. I have asked the Housing Department to carry out an in-depth study as to how this target can be achieved and what resources deployment or increase will be required.

4. To provide affordable “home ownership” units to more people pursuant to the public sector housing-led development approach.

The HA now provides subsidized housing to half of Hong Kong’s population. The *LTHS Consultative Document* points out that during the 1986-96 decade 41 000 public sector housing units and 31 000 private sector housing units were provided each year on average. The document estimates that in the next 10 years, that is to say, up to 2006, yearly demand for public sector housing and private sector housing will be 47 000 units and 33 000 units respectively. This shows that the public sector housing-led approach has been affirmed and will continue.

As regards increase in public sector housing production, we must, on the one hand, commit ourselves to caring for those members of the public who are in genuine need of housing. These people include carees from temporary housing and squatter areas and the 150 000 families on the Waiting List. On the other hand, we have to face the situation of demand for Home Ownership Scheme (HOS) flats outstripping supply. During the past five years, HOS flats were often over-subscribed and Phase 15C was over-subscribed 18 times.

The impression I gained from contacts with various quarters is that people in general are not against the proposal to build more HOS flats. Their concern is mainly focused on the public’s ability to afford them. The HA has all along supported “encouragement of home ownership” as an important housing policy target. And one of the best ways to encourage home ownership is to provide the public with more diversified and creative choices so that more HOS flats will become readily affordable. I believe we will still need to do some more thinking, and work too, in respect of the offer prices of the flats, their quality, the financing or mortgage facilities and resale arrangements in order to provide a greater motivating force for members of the public to fulfill their aspiration to home ownership according to their economic means.

Furthermore, in relation to the latest situation of the home purchase loan scheme, we will have to carry out reviews as and when need arises in order to consider whether the scheme need to be further expanded to enable families in public rental housing to purchase their own homes and to vacate their units in favour of other needy people.

I have relayed the above conception to the Housing Department with the hope that they will draw up a proposal paper as soon as possible and consult HA members on it.



Before I conclude my speech, I would like to stress again that the question of housing and land supply has long been a matter of foremost concern to the public among a host of social and livelihood issues. The HA as well as members of the public keenly look forward to the Government resolutely taking practical action to demonstrate its sincerity to solve the problem. I believe that the construction and development of the new airport is providing us with a specific example of the success that comes its way when the Government is determined to get on with a project. I hope the housing question will get similar “priority” treatment.

Finally, I must take this opportunity to thank all HA members, Director Tony Miller and Housing Department colleagues for their hard work during the past year. I particularly admire their painstaking efforts and dedicated attitude in implementing the management reforms. Though there have been some hitches during the implementation process, yet I believe that with a concerted effort on our part we will be able to overcome most of the difficulties eventually.

Public sector housing development is an arduous and drawn-out process. With Hong Kong’s reversion to Chinese rule and the setting up of the Special Administrative Region government, I expect public sector housing development in Hong Kong will embark on a newer course.

Thank you.”

### **Address by the Director of Housing**

4. “Madam Chairman, Members and Colleagues,

In the past few months, the Housing Department’s (HD) management reform aroused enormous concern among colleagues and attracted extensive media coverage. Some even jokingly remarked that “the HD is caught in a momentous tide of reform!” I would like to take the opportunity of this meeting to brief Members on the latest progress of management reform and to share with Members my personal views.

#### Keenly launch reforms and set targets

Following endorsement of the Management Enhancement Programme (MEP) Master Action Plan by the Housing Authority (HA), the HD set up an MEP Steering Committee (MEPSC) under my chairmanship to launch a full spectrum of reforms. Under

the MEPSC there are 11 working groups made up of members from various work bailiwicks. The groups have a common mission, namely, to put forward specific reform proposals according to the reform areas for which each is responsible and to set an implementation timetable.

Pursuant to the MEP, the HD's senior directorate has been reorganized with effect from April. The focus of reform has been to re-structure the core business into four branches, namely, Development and Construction Branch, Allocation and Marketing Branch, Management Branch, and Commercial and Services Branch, backed up by two Supporting Services Branches responsible for administration and finance respectively. Under the new structure, each of the four Core Business Directors will formulate business plans, set service targets and apportion resources for the Branch headed by him. They will be directly responsible to an Executive Board composed of myself and several deputy directors. Moreover, a new Corporate Strategy Unit will be set up later this year to coordinate the policies implemented by the Branches so that the Executive Board will be able to give full play to its function and role. I would like to point out that the purpose of re-structuring is not to turn the HD into a profit-making commercial organization. Rather, it is hoped that through re-structuring the HD will be able to operate in a more systematic business manner so that colleagues will more clearly understand their financial management and work responsibilities in order to achieve greater cost-effectiveness.

#### Improve service and set sight on the future

One important aspect of management reform is that we must consider from a long-term angle what sort of organization we wish the HD to become. Twenty years ago, our customers were all tenants. Today, one out of four of our customers is a flatowner. With the change in status of the group our service is targeted at, the quality of service they require of us is correspondingly higher. That being the case, how should the HD reform itself in order to provide what our customers would regard as value-for-money service?

In relation to the above question, I have to make two points by way of response. The first point is that urgent improvement must be made to estate management and maintenance work which has a vital bearing on the well-being of the residents.

In the current estate management setup, there is often a lack of coordination between management staff, maintenance staff and contractors, like a carriage drawn by three horses each going its own way. This has become a constant focus for complaint. To remedy the situation, we are merging the management functions with maintenance functions in estates. The spirit of this reform programme is to put a directorate rank Chief Manager in full charge of each management region. This Chief Manager can be drawn either from the

Department's estate management stream or works stream. Starting this month, we have implemented a merger pilot scheme in the New Territories West Region (covering 43 housing estates). The New Territories West Region is divided into two sub-regions for the purpose of the pilot scheme, with a Chief Housing Manager placed in charge of one and a Chief Maintenance Surveyor in charge of the other. Later, other staff of same rank but different grades will be appointed Chief Managers. The Department will conduct a full review of this scheme after six months and will then decide what to do next.

Furthermore, we are internally doing a study with a view to improving business process re-engineering in respect of planning, development and design. The recommendations produced by this study will shortly be implemented in order to formulate a more flexible and efficient housing construction programme to enable us to more speedily deal with rising demand for housing.

#### Dispel misgivings and give assurance

The unveiling of the pilot scheme for merger of estate management and maintenance functions aroused grave concern among HD staff. Some were worried that their promotion prospects would be affected. Some others surmised that the merger scheme would be a prelude to corporatization. I have to clarify here that the merger pilot scheme only involves the re-structuring of estate management and maintenance operations. The scheme will absolutely not affect staff's promotion prospects nor does it involve corporatization.

I would like to stress again that we do not intend to follow the example of the Hospital Authority by fully corporatizing the HD. We are now just studying whether it would be possible to corporatize some of the HD's operations in order to cater to future needs. As it will take a rather long time to study corporatization plans, I expect it will not be until next year before the HD will consult the HA on the matter. If the HA then agrees to corporatize any part of the Department's operations, the Department will, as a matter of course, extensively consult its staff beforehand in accordance with the existing Civil Service Regulations.

#### Extensively tap opinion to improve communication

Finally, I would like to mention that the Department attaches great importance to staff's views on and reaction to the MEP. It is intent on enhancing direct communication with staff. The Department has set up a team of "MEP ambassadors" who will make circuit tours of departmental divisions and estate offices to convey to colleagues newest information

about the MEP. More importantly, they will collect colleagues' views on the reform programme for the purpose of follow-up action and review. We will in the days to come organize more MEP open forums to enable staff of various ranks to exchange views directly so as to improve communication.

Make concerted efforts to chart a future course

This meeting has great significance for me because it is the first special open meeting I ever attended since taking up office as Director of Housing.

During the past 11 months, I visited various housing estates and met a number of staff associations. My impression is that some colleagues praise the MEP and others criticize it. But one most important thing is their consensus that we must raise the quality of service and implement reform. To me, this is most encouraging. I firmly believe that, through the unstinting cooperation between HA members and HD colleagues, we will certainly be able to give effect to our "three Cs" conviction so that the services provided by us will improve and progress with the times and that we will help Hong Kong people fulfill their aspiration to "peaceful living" and "home ownership".

Thank you."

## **Addresses by Individual Members**

**Hon FUNG Kin-kee** delivered his speech as follows -

5. "Madam Chairman,

Taking an overview of Hong Kong's housing market, one will find that there are various problems plaguing it. I am worried lest the Government should be incapable of solving Hong Kong's housing problem. Currently, the vetting and approval procedure for land grants is cumbersome. A land grant has to go through four government branches and nine departments. This results in the slow and sluggish supply of land. In granting land to the Housing Authority (HA), the Planning, Environment and Lands Branch sometimes made mistakes. For instance, it was not until two years after the grant of land at Rennie's Mill to the HA that possession was delivered up to the HA. There was no infrastructure to go with the grant of land at Tung Chung to the HA and the HA had to undertake to build an infrastructure. Five plots of land originally planned to be granted for the purpose of building homes for the aged had to be reduced to four because one plot was later found to be

unsuitable for building. According to information disclosed by the Housing Department (HD) and published in the press, the Hong Kong Government has only granted land to the HA as far ahead as the year 2003. No land whatever has been granted for the period from 2004 to 2007. Having regard to the speed of housing construction by the HD, the HD must start its preparations to build at the end of this year if it is to fulfill the housing production target for 2004. Failing which, there will be a substantial drop in housing production by 2004. Therefore, there is a potential crisis in terms of public housing supply. As regards the private housing market, monopolization has reached serious proportions. Major developers have been stockpiling and withholding land and housing units from the market. This has led to private property prices staying high. Because of such latent worries with respect to the public and private housing markets, I am not optimistic about the Government being able to resolve the housing problem.

To solve Hong Kong's housing problem, I am of the view that the Long Term Housing Strategy must be public rental housing-led. It is because the supply of public rental housing is comparatively more stable and assured. Besides, the public housing market is more readily susceptible to government control, unlike the private housing market which is more complicated and hard to grasp.

At present, there is a shortage in the supply of public housing, which has resulted in a Waiting List with about 150 000 applicants on it. It is estimated that in the next few years the demand for public housing will grow even more. One reason is the increase in the number of new immigrants. Currently, 150 people are allowed into Hong Kong daily. And, after 1 July 1997, children born on the Chinese mainland to Hong Kong permanent residents will become Hong Kong permanent residents according to the Basic Law. They will come and settle in Hong Kong in due course. This will add to Hong Kong's population and demand for housing will grow drastically. These new immigrants will have small economic means and little mobility in terms of moving up the social ladder. Most probably, they will, over the short term, stay being low income earners. Therefore, most of them will need public sector housing to live in. This will constitute a sharp growing demand for public housing.

*The 1997 Long Term Housing Strategy Review Consultative Document* strikes me as the worst housing policy document I have ever come across throughout my 21 years of work in the housing field. The proposals in the document are dealing a serious blow to public housing residents' desire to live peacefully and work happily. Such proposals include substantially raising public housing rents, revoking children's right to continue living in their deceased parents' original housing unit, and forcing public housing tenants to buy their own homes. I must commend the HA for voicing objection to the Housing Branch's

proposal to introduce hefty rent rises.

I have to express doubt about the Housing Branch's commitment to shorten to under five years the waiting time for an applicant to be allocated public housing. Having regard to the future influx of new immigrants, it would be impossible for the Government to fulfill this commitment. To meet future demand for public housing, the HA should beef up the housing production volume in the next five years rather than setting an average yearly production target in the vain hope of meeting sharply increased demand over the short term. One of the ways will be to let a single contractor undertake all the work processes ranging from site formation to housing construction. A case in point was Richland Garden which was built and completed in 36 to 40 months, at least 20 months sooner than what it would have taken if the HA had called for tenders in respect of individual work processes. The HA can also consider redeveloping community centres of low usage rates (average usage rate being 20 to 30 per cent) into 20-storey small public housing blocks the lower five or six floors of which will serve as venues for community facilities, including community centre, elderly centre and youth centre. There are about 100 community halls at present which can be redeveloped into blocks providing 15 000 public housing units.

Apart from boosting public housing production, the Government should increase land supply by raising the plot ratios, converting industrial land to domestic use, redeveloping stand-alone government facility venues into multi-storey, multi-purpose, composite government buildings, cutting back on the grant of low-density residential land, and modifying the user purpose of agricultural land. Only through an increase in land supply by streamlining vetting and approval procedure for land grants can housing supply be increased over the long term so as to ensure a balance in demand and supply to resolve the existing housing problem.

I so submit.”

**Prof YEUNG Yue-man** delivered his speech as follows -

6. “Madam Chairman, members and friends,

Today, barely one month before the territory's reversion to Chinese rule, we are happy to see an economically vibrant Hong Kong proudly and confidently striding out to enter a new millennium. Yet the prohibitively high property prices are constituting a singular fly in the ointment. After a brief respite in 1994-95, housing prices have soared like mad to an irrational high during the last couple of years. Middle and lower income people have been

hardest hit. Is it true that there is no way out of our present housing problem?

First, property prices reflect the ebb and flow of market forces. With demand outstripping supply, housing prices will inevitably rise. This is a patent and easily understandable fact. Since 1984, the Hong Kong economy has been experiencing strong growth, particularly under the influence of China's reform and open-door policies. There has been multi-fold growth in personal incomes and people's ability to purchase property keeps growing. On the other hand, there has been a sharp increase in the number of immigrants from China and this, coupled with immigrants from other regions as well as returned emigrants, has led to an ever-growing demand for housing. Furthermore, demand for housing generated by the change in Hong Kong's population profile, the growth in the number of nuclear families, the redevelopment of old buildings and the clearance of squatter areas has exerted ever increasing pressure on housing supply. Therefore, during the past 10 years, property prices have sky-rocketed and the rises have been multi-fold. Easing of the tight housing supply will be the foremost question the Special Administrative Region Government will have to address in terms of its policies relating to people's livelihoods.

The present housing supply situation being so tense, the Government, the Housing Authority, the Housing Society, the Land Development Corporation and private developers have the responsibility to join hands to improve supply. The Long Term Housing Strategy (LTHS) unveiled at the beginning of this year covers housing programmes up to the year 2006. Since unveiling of the LTHS, reactions from various quarters have been mixed. Though some of the expressed views lack creative thinking, yet they have certain merits of their own, for instance, the suggestions that the land supply procedure be streamlined, that the people be encouraged to buy their own homes and that housing development be undertaken by the Government and private developers by way of mixed development. These and other views will need to be considered and decided upon after the Housing Branch has collated all consultation data. To my way of thinking, the mode of mixed development by the Government and the private sector is worth considering further. In Malaysia's five-year plan, there is express provision to the effect that private developers shall build low-cost housing to meet the demand of low-income groups. In other words, apart from building upmarket and profitable housing, private developers are also obliged to build in order to cater to part of the housing need of low-income people.

Land supply is a most crucial factor in terms of effective response to housing demand. In Hong Kong, we need to produce land, redevelop land and modify land uses in a variety of ways. Hong Kong definitely has potentials in this respect. But we need longer time to discuss, study and plan for it. Now that Hong Kong's reversion is fast approaching, we can look into other possibilities as well. For instance, Hong Kong and Shenzhen are

separated by just a river and it might be possible for the governments of the two places to consider utilizing land in Shenzhen for the purpose of joint housing development. In this way, land production and development between Hong Kong and Shenzhen could be further integrated to better effect. Theoretically, this will be to the advantage of both places. This, of course, is no more than an amorously conceived idea. Nevertheless, it is an alluring idea.

Finally, let me say I would hate to see a housing crisis similar to the Tokyo experience happening in Hong Kong. Before 1991, property prices in Tokyo were stratospherically high and to buy property in downtown areas was next to impossible. It was common enough for repayment of mortgages on purchased property to be stretched over several generations. In 1991, the economic bubble burst and the impact on Japan was intense. Now property prices have dropped 60 per cent. The general citizenry of Japan has been hardest hit. In terms of housing, the road that lies ahead of us is very bumpy. Only courage, far sight and cooperation from all sides can enable us to find a way out of this predicament and steer us towards social peace and prosperity.”

**Hon LEE Wing-tat** delivered his speech as follows -

7. “Madam Chairman,

I am very happy to be able to discuss once again the Long Term Housing Strategy (LTHS) and to offer my views on the following four important points.

1. Methodology to forecast housing demand

Madam Chairman, I am worried about the methodology employed by the Planning Department in assessing future housing demand. It is because the accuracy of the adopted data and assumptions, such as population growth and new immigrants’ housing demand, will have an important bearing in terms of gauging actual housing demand. I hope the Planning Department will more closely monitor and review its methodology so as to ensure that the forecast can reflect the actual situation.

2. Vetting and approval procedure for land grants

Madam Chairman, I am disappointed and dissatisfied with the Government’s arrangement during the past years of granting land to the Housing Authority (HA) in erratic and irregular quantities. More to that, 70 per cent of the granted land was unformed land.



Such being the case, it would considerably add to the HA's difficulties to require the HA to produce sufficient housing according to a fixed schedule. At present, the cumbersome vetting and approval procedure adopted by the government departments concerned in respect of housing construction applies to the HA and private developers alike. This delays the completion time for housing projects. I support the proposal that the HA sign a service agreement as soon as possible with the government branches or departments concerned to enable the HA to get a stable, equitable and sufficient supply of formed land. The government departments concerned should as soon as possible streamline their vetting and approval procedure and set a statutory time limit for response to applications.

### 3. Direction in which the LTHS is headed

I fully support the HA's proposal to take public sector housing development as the lead direction in which the LTHS is to be taken forward. This serves to reflect that private housing is increasingly taking on a "commercial flavour" in view of its soaring prices and its becoming a chosen investment tool favoured by investors and speculators alike. This represents a marked departure from what it was a dozen or so years ago when housing was mainly for the purpose of domestic accommodation. However, I have reservations in relation to the HA taking Home Ownership Scheme (HOS) housing as the dominant component and public rental housing as the subsidiary component of overall housing development. Having regard to the long Waiting List with 150 000 applicants on it and the future housing need of large numbers of new immigrants, a reduced production volume for rental units would give the public the impression that the HA sought to curtail its housing commitment. Moreover, under the existing policy, HOS applicants are accorded every convenience and preferential treatment while grassroots people choosing a rental unit are encountering difficulties at every turn, not to mention hefty rent rises to force tenants out. This is inconsistent with the objective that housing is built for the benefit of grassroots people. Failure to promise to shorten the waiting time for Waiting List applicants will further lend weight to the public's accusation that the Government is curtailing its housing commitment. The proposal for hefty rent rises is indeed unreasonable and is vigorously opposed by the community. This proposal will give rise to elements of instability which the Government should not underrate.

### 4. A high-level committee

Madam Chairman, finally, let me suggest that to implement the LTHS proposals the Government should consider setting up a steering committee chaired either by the Chief Secretary or the Financial Secretary. The committee, similar in nature to the New Airport

Steering Committee, will supervise the overall implementation of the LTHS and speedily resolve the policy contradictions between government branches and departments.”

**Dr Hon Anthony CHEUNG Bing-leung** delivered his speech as follows -

8. “On 19th May the Housing Authority (HA) held an internal meeting to discuss the *Long Term Housing Strategy* consultative document drawn up by the Housing Branch. The final consensus reached by members at the meeting was that any future long term housing strategy (LTHS) must feature public sector housing as the mainstream development. I was one of the members who advocated the above public sector housing-led approach. I would like to take the opportunity of the present annual open meeting to add a few observations.

Faced with the *LTHS* consultative document, one basic question springs to mind : What is the ultimate objective of a long term housing strategy? I think the ultimate objective is to enable people to settle and live peacefully, in other words, to own their own homes. The word “own” here does not merely connote the narrow meaning of “owning”; it does not merely refer to home ownership; it connotes the wider sense of allowing members of the public to choose their own form of housing. If members of the public want to own their own homes, the Government has the responsibility to help them do so. Those who do not have the means to own their own homes should be allowed to rent decent domestic accommodation at an affordable rent.

The LTHS was first introduced in 1987. Why is it that today, 10 years on, a new consensus is reached in respect of a public sector housing-led approach? In fact, this is only natural because the strategy proposed by the Government in 1987 to accord priority to private sector housing proved a total failure. The ill effect of the private sector housing-led approach was manifested in the dilatory manner in which the Government rendered support to the public sector housing programme and in its failure to make substantial commitments in terms of provision of resources and supply of land for public sector housing. There are two sequelae to this : First, in quantitative terms, public rental housing falls far short of demand. There are still more than 100 000 applicants on the Waiting List who are awaiting their turn to be allocated public housing. The shortage of public rental housing has led to social contradictions between Waiting List applicants, squatter hut dwellers and temporary housing residents on the one side and public housing residents on the other. This will be detrimental to social stability. Second, because of shortage of public sector housing for sale, those who wish to buy their own homes are obliged to turn to the private sector housing market to buy them. But private housing prices are ever rising and most people just cannot afford it. Hence, demand for greater government commitment in this regard keeps growing. Finding

itself under pressure, the Government hastily launched the Sandwich Class Housing Scheme but this still fails to satisfy demand.

Such a strained and stopgap housing policy is attributable to the flaws and errors in the long term housing strategy introduced way back in 1987. To remedy the problem radically, the current policy must be reversed in order to adopt the public sector housing-led approach which will include the following :

1. To make public rental housing the focus of the “public sector housing-led approach”. The main reason for such a focus is objective reality and need. At present the HA has 660 000 public rental housing units but there are still more than 100 000 families on the Waiting List. It is believed that in the years to come the demand for public rental housing will remain great. Therefore, public rental housing inevitably becomes the focus of any housing policy. Added to this consideration is the anticipated pressure on housing supply generated by new families being formed and new immigrants coming here in large numbers. The demand for public rental housing will keep growing without any let-up. Therefore, the effort to build public rental housing can never be relaxed. Some people may cherish the hope that some public housing tenants will move out on buying Home Ownership Scheme (HOS) flats and make way for applicants on the Waiting List. But we should not overrate such trend. What changes will come about will depend on how socio-economic conditions develop.
2. To attach importance to middle-income families’ need for home ownership. We notice that more and more middle-income families are desirous of buying their own homes. But the current government and HA policies fail to cater adequately to middle-income families. First, let us look at the HOS. At present, the HOS quota for White Form applicants accounts for no more than one fifth of the total HOS quota. Owing to the huge number of applicants, the rate of success is currently very low, just one in 67.

There are two things to note about the Sandwich Class Housing Scheme (SCHS) : The first relates to the upfront loan which is subject to an upper limit of \$0.55 million. But under the present 70% mortgage arrangement, a downpayment of \$0.55 million will only enable the buyer to buy a \$1.8 million flat. A new flat at that price is hard to find even in the suburban areas. An old flat would not be much cheaper because it is just relatively older in terms of age. Another point relates to the units available under the SCHS. The Government has only promised that there will be no more than 24 000 units by the end of the year 2001 plus another 3 000 units by the year 2003. Up to now the Government has

failed to say that it will continue to build SCHS flats. If SCHS applicants fail to get chosen through balloting at the present stage, then they will have nothing to look forward to. They will have to try their luck in the private sector housing market. For instance, in Stage 1 of SCHS, the success rate was only one in four.

It can be seen, therefore, that neither the SCHS nor the HOS can fully satisfy demand. Middle-income families are being left with no alternative but to turn to private housing whose prices are ever rising. For those families who cannot afford private housing prices, they will be more and more impoverished as days go by. Hence, the LTHS must at the same time cater to the request that the supply of public sector housing for sale be increased.

The greatest constraint faced by the HA in its attempt to increase the number of public rental housing units and HOS units arises from the shortage of land supply. The abundance or dearth of land supply will have a direct impact on the speed of housing production. And government commitment in this regard will be most important. I support the proposal by the Development Committee that the HA should take the initiative in reaching a “service agreement” with the Government under which the Government will be required to make a specific promise to ensure the steady and adequate supply of land for the HA to carry out its housing construction programme.

At the same time, the HA and the Housing Department (HD) should introduce internal changes to enhance efficiency in the utilization of resources and to reorganize their management structure. At present, the HD is considering merging its two main functions of management and maintenance at the local level. It is fitting and proper for the HD to seek to raise step by step its overall efficiency. The ultimate hope is that residents will only have to approach the Estate Housing Manager’s office by way of a “one stop shop” to have their difficulties resolved without the need for referral to other offices.

In the course of improving the management of public housing, we notice that some residents of public sector housing (for example, temporary housing) who do not live in public housing estates are also seeking to improve their own living environment as well as the management quality. To speed up the process of putting people in public housing units, the HA has recently introduced interim housing for temporary housing residents to move in by way of a transitional measure pending eventual allocation of public housing units to them. There is a proposal to the effect that if a resident of interim housing turns down three times the allocation of public housing, his eligibility for public housing will be revoked and he will be required to move out of the interim housing unit. This proposal is not reasonable. We should respect the residents’ right to choose. Eventually, we will have to encourage them, rather than resort to coercive tactics, to move into public housing. The best way will be to

build public housing units in sufficient numbers and raise their quality. I am of the view that, in terms of quality, public housing and interim housing are bound to differ. But I would not wish to see interim housing becoming some sort of permanent second-class public housing. I would be happy to see people in need of public housing becoming public housing tenants and then going on to own their own homes.

I so submit.”

**Mr Peter WONG Hong-yuen** delivered his speech as follows -

9. “HOUSING AUTHORITY LEADS

As the largest developer and landlord in Hong Kong, the Housing Authority sets the pace and standard for housing throughout the territory. As housing is the root cause of many social and economic goods and ills, it is incumbent on us, the non-official members of the Authority to make sure that the example set is a fit and proper one for Hong Kong.

I do not wish to denigrate Hong Kong’s achievement in public housing, but we can and will do better in terms of catching up with our backlog and our Chief Executive has rightly made it one of his priorities.

BAD OLD DAYS

Previously you built whatever planning permission allowed you to build and it is only when the construction works begin or worse still, when it is all completed and tenants moved in, that you start to get the complaints. Experience shows that it is far better to anticipate problems and fix them by proper design than to retrofit remedial measures. Some fiascos like the Hong Kong Stadium may never be retro-fixed at all.

I believe that the Environmental Impact Assessment that will soon be operational once the Technical Memorandum is agreed and passed, will indeed cut out many delays and ensure that environmental problems are sorted out by design before they are built.

LESSONS LEARNT

We have learned the lesson about the non-use of tropical hardwoods for forming our concrete and thermally insulated or reflective glass to cut down on our air-conditioning bills. The message is slowly getting through to the architects and engineers of Hong Kong that

they have a professional duty to provide environmentally friendly housing instead of churning out any old design that will have the maximum floor area for sale or rent for the lowest cost in the quickest time. By paying more care to what may appear to be details, we can indeed be more environmentally friendly and energy efficient without incurring any significant penalties. It is plainly a matter of achieving the right balance.

### INITIATIVES

I turn “Housing Department’s Initiatives on Environmental Conservation” to the Authority’s Memorandum HA23/97 (Revised) issued on 7 May 1997 titled. I comment on those initiatives :-

#### Green Manager

In the Housing Department, the Assistant Director/Administration is appointed as the departmental Green Manager with nine Assistant Green Managers to deal with the 400 outstation offices. Quarterly reports are submitted to the Planning, Environment and Lands Branch.

There is a Co-ordinating Committee on Environmental Performance of Housing Department and here are its Committees,

- The Energy Management Co-ordination Committee
- Working Group on Asbestos
- Working Group on Automatic Refuse Collection System
- Noise Control Team
- Working Group on Waste Reduction in Housing Estates.

At the estate level, the Estate Management Advisory Committee has played an active role on environmental improvement and conservation programmes by consultation, gaining support from public housing estate tenants and the involvement of resident’s participation through various community activities.

### ACHIEVEMENTS

But what have all these committees with high sounding names achieved?

#### Waste Reduction and Recycling - In 1996

60,000 kgs of paper from HA Headquarters  
 20 million kgs of paper from housing estates  
 400,000 kgs of aluminium  
 1,600,000 kgs of plastic  
 5,300,000 kgs of iron, and  
 1,200 laser printer empty toner cartridges

Paper and metal have high resale value and private enterprise will most willingly collect and recycle that for free so long as they have been segregated and are not in a wet condition. I am interested to find out what has happened to the 1,600,000 kgs of plastic that was collected. Did it end up in our landfills mixed up with all the other rubbish?

Friends of the Earth, using money from the Environment & Conservation Fund carried out a very successful “Adopt a Housing Estate” campaign with the enthusiastic support of local management and tenants to minimise and sort waste, as well as saving water and energy. It is obvious that Housing Authority cannot do it alone. Environmental groups are eager to assist but need resources.

Last year, when enquiries were made about rolling out such a programme to the other estates, Friends of the Earth were fobbed off by the excuse that no money has been provided in the multi-billion dollar budget of the Authority.

Since the closing ceremony of “Adopt a Housing Estate” last December, in spite of a report to Headquarters setting out all the benefits of a such partnership between the Authority and NGO’s, we have not heard a squeak. I know many housing managers do not have the expertise and some even argue that it is not their responsibility.

Madame Chairman, it is because of this crying shame that I decided to accept the invitation to join the Housing Authority. Nothing seems to be able to budge it from the outside. I had to move it from within.

In spite of such non-commitment from the Authority, the Friends of the Earth used some of the hard won money it got from the World Environment Day to do a seminar for some 100 housing managers on the environmental benefits of conducting waste sorting recycling programmes. I understand that it was well received, but obviously those housing managers are powerless to indicate any way forward.

Energy

I see some effort has been put into energy saving measures but they all seem to be dealing with new designs. However there has been no quantification of what has been done so I expect that very little has actually been done to replace old units with more energy efficient units such as new electronic ballasts to improve the efficiency of the fluorescent lights.

It is probably too expensive and inconvenient to replace old lifts with computer controlled ones. But their peak time use can be made much more efficient by manual control under caretakers and some lifts can be closed down at night time.

### Others

The other initiatives on noise, asbestos, timber for formwork and use of precast facades are to do with actual building. These initiatives are good and there should be a lot more of them. In fact, we should consider setting targets by the Building Committee for such initiatives.

### WAY AHEAD

I can do no better than to quote from Friends of the Earth's submission to the SAR - Chief Executive on long term housing.

“If the new Administration wishes to move Hong Kong into the 21st Century, they should consider building for sustainability. Emphasis should be given to more environmentally-friendly construction methods and accounting for the environmental costs in the building construction and operation.

This would involve redesigning the current Housing Authority designs (Harmony Block, New Cruciform Blocks and Concord Blocks) to consider building materials, energy efficiency, waste recycling, sewage and greywater separation and water recycling. Whilst this may involve a greater capital cost, the operating costs of such buildings may be cheaper in the long term and would certainly help to solve many of the future problems caused by sewerage overloading, water shortages and waste production. Better designs of buildings may also allow more developable area (for example reducing the size of air conditioning use due to energy efficient designs). The current designs miss the opportunity to address key sustainability issues such as transport, energy, waste, water usage and quality of life.”

The Department has been dragged by the Environmental Protection Department to join in the Steering Group on Waste Reduction Plan to advise on the formulation of the



Draft Waste Reduction Plan. The initial public reaction to that draft plan is that the suggestions of the consultants have been drastically scaled back because of opposition from other Government Departments.

The environmental audits of the various departments/offices really deal with the internal environmental management of the department, it has little bearing on the practices within the estates which house more than half the population of Hong Kong.

Madame Chairman, please make me a happy man by proving me wrong that the Housing Department, from the very top to the very bottom that it really cares about the environment and is actually putting in time, effort and money to educate and make it possible for those tenants to act in an environmentally friendly way. The benefit is that we will all have a better and healthier environment to live in.”

**Mr C N BROOKE** delivered his speech as follows -

10. **“The next step : Containing residential prices so that Housing Authority occupiers can move on to the private sector housing ladder**

Much has been spoken and many words have been written over the last year regarding the need to contain residential prices in Hong Kong at affordable levels. However, the actions taken to date have been little more than short term palliatives and there has been no real attempt, so far, to strike at the root of the problem which is that demand continues still to outstrip supply and will go on doing so for some time to come. We now have to accept that no matter how much is said nor how many words are written this will not change until ways are found to increase the amount of land available for housing and to increase it in a quicker, less expensive and more efficient manner. We have to stop talking and to do something.

Clearly there is not an easy or immediate answer. Even if Government was to release all available sites tomorrow at give away prices it would be several years before the first units could be occupied given the present approval structures and timeframes. However this would be a great improvement on the 11-14 years which it currently takes to convert unformed land into units for occupation which would reinforce the need for the earlier involvement of the private sector in any multi-pronged campaign, if Government has the real will to resolve the problem.

Having participated in many of the discussions and debates on the issue, it is my view that any campaign will need to be fairly radical, if it is to be successful, and that it will need to encompass affordability, as well as land supply, given the time lag between the start and finish of projects of sufficient scale to help mitigate the current supply shortfall.

I therefore wish to propose for constructive debate, consideration and refinement the following comprehensive strategy which has, as its ultimate objective, the delivery to the market of a sufficient number of units at affordable prices to balance demand from endusers. The strategy draws to some extent on the PSPS model and if successful would ensure that existing tenants and owners of HOS and PSPS units could realistically contemplate buying in the private sector and so vacate units within the Authority's portfolio for others looking to start their climb up the housing ladder.

1. Suitable sites for housing development should be offered in an unformed state with the planning, coordination and implementation of the necessary infrastructure provision entrusted to the private sector.
2. Immediate steps should be taken to re-zone redundant industrial land and sites for residential redevelopment. Whilst accepting the need for an overall strategy, there are certain areas which are clear and obvious candidates and these could be released now, with others to follow as the criteria to support such rezoning are confirmed.
3. Immediate plans should be formulated to offer large scale residential opportunities for a period of 3-5 years, on "a sale to the highest bidder" basis but on the basis that the tender for the land would be linked to a pre-determined sales price per ft<sup>2</sup> for the completed units. This pre-determined price would be established by reference to market levels prevailing at the current time, which are close to their peak so that existing owners would not be unduly penalized and the developers with land banks would not see their existing portfolios devalued. In this way the supply of units could be increased whilst prices remained pegged and hopefully, at the end of the period, supply would be more closely aligned with demand and prices would be determined more by the aspirations of the end-user rather than by the manouvering of a handful of speculators.

Developers would bid for sites on the basis of their calculation of the construction margin to be earned together with the profits generated by the commercial element of the scheme. In turn, purchasers would have to commit to retain units purchased at the predetermined price for a minimum term of years to prevent speculation and to ensure that prices stayed steady through the strategy period. During this period it is reasonable to anticipate that incomes would rise and as a result a greater number of potential purchasers would be

able to afford to acquire private sector units. Any subsequent relaxation would need to be gradual and controlled, but if supply and demand were more in balance, then the impact of any relaxation need not be too significant.

The similarities of this proposal to the structure of the PSPS scheme are obvious but this is an approach which has been very beneficial to those who have purchased ownership through the Authority and is one which bears extension to the private sector.

Whilst this above proposal may be regarded as somewhat radical a capping of the market in the short and medium term would allow a breathing space whilst incomes catch up with prices and therefore be of direct benefit to all those aspiring to enter the private sector housing market.”

**Mr Daniel LAM Chun** delivered his speech as follows -

11. “Madam Chairman,

Over the past year the Authority has been subject to increasing pressure to produce more public housing in a shorter period of time. In response we have been concentrating on three areas:

1. Accelerating the development approval process.
2. Maximise development densities.
3. Partnership with contractors and consultants.

1. Accelerating The Development Approval Process

The Department should be commended for reacting promptly in undertaking a comprehensive review of the development process and procedures through the Business Process Re-engineering exercise. I would also like to express my gratitude to Members of the Building Committee for their active participation in two extra brainstorming sessions to review the overall system and process. An accelerated development approval process will assist the Department and the Authority to achieve higher efficiency, shorter production lead time, reduce overlapping of activities and, consequently, generate higher output to meet the ever-increasing demand for public housing.

Whilst we strive to produce more housing with less resources, let us not

forget that quantity and quality are not mutually exclusive. In my speech last year I noted the importance of quality assurance for professionals and contractors alike. In spite of the progress we have made to-date, there is still much more room for improvement, particularly in the area of flexible designs to meet the needs of different age groups, life styles and social background.

The delicate balance between quantity and quality is not easy to achieve, and this is the challenge which I would put to the Department today. It is not enough to simply produce more public housing flats. We have to produce them better and faster. I believe this is what the community wants, and I have confidence that this can be accomplished by the Department.

As Mr M Y WAN said, we should not keep saying it is impossible to build 100,000 units per year, but do our utmost to find out ways of building 100,000 units instead.

## 2. Maximising Development Density

For many years we have been lobbying the Government to provide sites for public housing which can accommodate the actual demand, are ready for development, and can be utilised effectively and optimally.

I do not need to repeat here the problem of inadequate allocation of public housing sites and the inherent difficulties it will bring. What I want to particularly highlight is that quite a few of the committed public housing sites, in fact, suffer from severe constraints on infrastructure, such as traffic, water and sewerage capacities, as well as adverse environmental conditions, which critically restrict the end product.

While the Authority will always optimise production, a different approach should be adopted by Government for planning of public housing sites. Instead of using constraints on infrastructure as a starting point, a more sensible and logical way is to plan for maximum production for all the sites, and provide transport and other infrastructures to fit the developments. If timely provision of the infrastructures cannot be achieved, then the sites should be developed in stages so that the valuable land resources can be utilised to their fullest, rather than constrained.

## 3. Partnership with Contractors and Consultants

Contractors and consultants have an important role to play in assisting the Authority to meet our production targets. They are our partners in the business of building public housing, and their performance or non-performance is as much a reflection of their success and failure as it is ours.

I believe we need to strengthen this partnership with all the contractors and consultants that we hire. We need to cultivate in them the same social commitment as the Authority, and an understanding that working for us is more than just a business proposition. As our partners, they need to share our vision, and be able to work side by side with us in achieving our objectives. They should realise that their ultimate client is not the Housing Authority alone, but the people of Hong Kong. Only with their full support that we will be able to meet our commitments to the community.”

**Ms SIU Yuen-sheung** delivered her speech as follows -

12. **“Early formulation of a long-term housing policy to solve radically the housing problem**

Hong Kong’s fast-paced development, coupled with the continuous influx of new immigrants, has heightened the public’s demand for housing. Hong Kong people’s foremost need, as they themselves perceive it, is none other than housing. With demand far outstripping supply, speculative activities in Hong Kong’s housing market have been rife. Property prices are prohibitively high with the result that home ownership is beyond the reach of people of modest means!

The Government should formulate as soon as possible a far-sighted housing strategy. It should, on the one hand, increase land supply for housing construction, simplify the vetting and approval procedures for housing projects, expedite the building of more housing units to ease public demand and, at the same time, adopt such measures as are necessary to curb runaway speculation in the housing market in order to protect the people’s livelihood.

On the other hand, the Government should have the determination and drive to update its policies to ensure equitable and rational utilization of public resources.

First, the Government should draw up tenancy agreements afresh in respect of public rental housing (for new tenants). Public housing is a public asset to provide accommodation to low-income families in genuine need of housing (who satisfy the required

income limits). The new tenancy agreements should be for a term of 10 years at the expiration of which the tenants, if their financial means has improved, should be encouraged and given assistance to buy their own homes or move out in order to make way for families on the Waiting List; if their financial means has not improved, they can apply for renewal of their tenancies for another five years (subject to vetting). Only in so doing will the rational allocation of public housing resources be achieved to prevent abuse.

Here I would like to express my full support for the proposals to promote home ownership contained in the Long Term Housing Strategy consultation document. Home ownership is a goal much sought after by the general public in Hong Kong and this is the principal direction in which a long-term housing policy should be oriented.”

**Mr CHAN Kar-lok** delivered his speech as follows -

13. “The secondary market for Home Ownership Scheme (HOS) housing formally got off to a start yesterday. Judging from reactions from various quarters, this novel concept is being widely supported. The general view is that market activity in relation to HOS units, which are into the fourth to tenth year from the date of first assignment, will pick up. The merits are : HOS flat owners (that is to say, vendors) can realize for cash the gains accruing to them from capital appreciation and can then choose flats afresh according to their needs. As far as public housing tenants and other eligible families (that is to say, purchasers) are concerned, they can inspect and choose in a flexible way flats that they fancy, they can freely bargain according to their means, and they can complete the assignment any time during the year they please. As for the Housing Authority (HA), they would of course want more public housing tenants to become HOS flat owners so that more public housing units would be vacated in favour of applicants in the queue and there would at the same time be greater turnover in HOS units.

Incidentally, last week’s *Strait Times* ran a serial report on the move by Singapore’s Housing and Development Board to revamp its policy on government built estates (akin to Hong Kong’s HOS housing). This warrants profound deliberation on our part. Singapore’s old policy in this regard was : An eligible family was entitled to two chances to buy such kind of housing. Five years after the purchase of the first housing unit, the family could buy a second housing unit with the option of either retaining part of the capital gains from the first unit sold or being given a 20 per cent discount off the price of the second unit. The original purpose of this policy was to enable residents to better their living conditions by upgrading their domestic accommodation. However, according to end-of-March statistics, 14 per cent of the families sold their first housing unit in order to make a

profit because the second flat they joined the queue for was of the same area as the first flat or even smaller, which was equivalent to downgrading.

The Singapore government therefore implements a new policy to plug this loophole. The measures thus introduced include denying a family the right to buy a second housing unit until the tenth year and a family who sells its housing unit in the fifth year will forfeit the right to a price discount when it purchases a second housing unit.

The Singapore situation is of course different from Hong Kong's. But the new policy conveys a message to us, which is that housing resources must be allocated in a rational way and a relaxed policy subject to abuse must be tightened up. We are opening up and creating a secondary market for HOS housing. Are there similar loopholes in existence?

In this respect, the HOS policy has been that families who have applied for HOS housing or home purchase loan shall not re-apply. As regards public housing, the Management and Operations Committee revised the original policy<sup>1</sup> at the end of last year to prohibit families who had been HOS flat owners or home purchase loan recipients from re-joining the queue for public housing. It is because if only 20 per cent of the families resold their HOS units on the secondary market each year and then re-joined the queue for public housing enormous pressure would be brought to bear on public housing resources, not to mention that it would be absolutely unfair to those families on the Waiting List who had never been in receipt of any housing subsidy.

However, under the new policy, the unmarried children of these families are not subject to this restriction and they are therefore free to apply. Nor is this restriction applicable to cases recommended by the Social Welfare Department (SWD) on compassionate grounds. And the Housing Department may exercise its discretion in dealing with individual applicants on the Waiting List who have waited for periods ranging from three to six years. This is a policy that makes allowance for special circumstances and mitigates the strict rules.

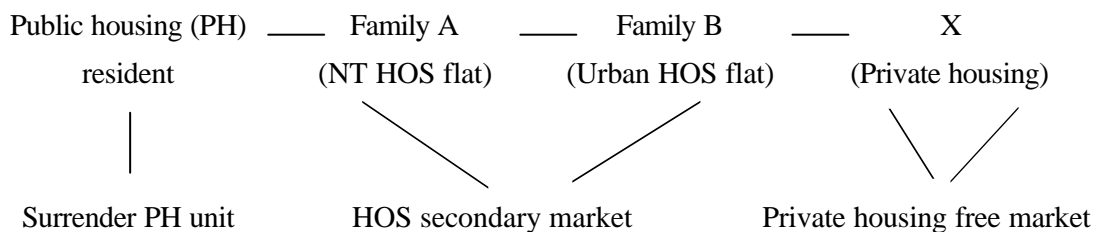
Yet, granted that the above policy is designed to bar HOS flat owners from enjoying double housing subsidy, particularly those owners who have resold their HOS flats and obtained gains from capital appreciation, then can consideration be given to exempting certain cases from the ambit of the new policy, for instance, families who sell within the first five years — or within the first three years under the new Housing Regulation — their HOS units back to the HA at the original price owing to income, household or other changes? It is

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<sup>1</sup> Management and Operations Committee Paper No. 100/96

because these families are neither cases recommended by the SWD on compassionate grounds nor have they obtained gains from capital appreciation. It can even be argued that they have incurred loss in terms of interest, decoration expenditure and other fees and charges. Such an exemption arrangement will impart a humane touch to a strict, though reasonable, policy.

Another point I would like to make relates to the target buyers in the secondary market. It is currently estimated that there are about 100 000 units on offer in this market, with about 10 000 units added to the pool of supply each year hereafter. A preliminary estimate has it that 3 to 5 per cent of the units will be bought by public housing tenants and people eligible for public housing.<sup>2</sup> This 5 per cent figure cannot be said to be on the high side. But if this works out well, the second step may be to consider extending the right to purchase to all HOS flat owners so that they can, according to their actual conditions and needs, mutually match their units for the purpose of exchange to satisfy their own demand. For example, Family A bought an HOS flat in the New Territories through balloting. Three years later, the family's financial means improves and it wants to move to the urban area. But it does not have sufficient means to buy private housing in the urban area. Therefore the desire to sell its HOS flat in the secondary market will be none too keen. If, on the contrary, the family qualifies and has the means to buy from Family B an HOS unit in the urban area, the following will be the outcome :



This way of thinking is mainly based on the following grounds : (1) Under the existing policy, after an HOS flat owner has sold his flat in the secondary market, the only course open to him will be to rent or buy a private housing unit in the free market. In view of the present price level for private housing (including HOS housing no longer subject to resale restriction after lapse of 10 years), some HOS flat owners are none too keen to sell their flats. If, on the contrary, HOS flat owners can buy again in the secondary market, no matter whether the new flat be a better or poorer one, this will undoubtedly be an extra way out for them and will speed up the turnover in HOS units. (2) It was through balloting that an HOS flat owner purchased his flat at first instance. His choices were limited. Several years later, there may be change in his household income or family membership which prompts him to

<sup>2</sup> According to the estimate carried in the *HOS Review Report* of April 1996



switch for another flat. But his financial means is such that he can only afford HOS housing prices in the secondary market. (3) To promote higher turnover in HOS units will virtually enhance their attractiveness which will in turn boost future HOS housing sales.

However, I would like to stress that consideration of this proposal will have to wait until after we have observed how the secondary market operates and, particularly, how the public housing residents react to it. What warrants careful deliberation is whether extending the right to purchase to more people will affect the choices available to public housing tenants and applicants eligible for public housing, that is to say, the target group for which the secondary market was originally intended. With more and more HOS units coming on stream and with the secondary market gotten off to a start, we will surely be able to make HOS housing more attractive and more readily available if we care to be a bit more imaginative as well as creative!”

**Mr CHAN Bing-woon** delivered his speech as follows -

14. “Madam Chairman and Members,

The Government is actively encouraging members of the public (particularly public housing residents) to buy their own homes. Today I would like to offer my views on the question of property management that follows home ownership so that members may refer to and discuss them.

The “homes” that I mentioned are mainly homes in estates/courts built under the Home Ownership Scheme, transferred blocks located within a handful of public housing estates, estates of varying sizes under the Private Sector Participation Scheme, estates under the Sandwich Class Housing Scheme and units on offer under the soon-to-be-launched Sale of Rental Flats to Tenants Scheme.

The above variety of home ownership schemes are key items given promotional treatment in the Government’s *Long Term Housing Strategy Review Consultative Document*. Such treatment is meant to blaze a trail for the Government to launch the strategy of encouraging members of the public — particularly public housing residents — to move into their own purchased property. In view of the soaring property prices in Hong Kong, the difficulty encountered by middle and lower income people in buying their own homes and poor people’s keen demand for public housing, it is beyond doubt that this move on the part of the Government by way of solution of the problems concerned is well intentioned.

Estates/courts, irrespective of what home ownership schemes they are under, are private property. Flat owners have their rights and obligations pursuant to the deed of mutual covenant and the Building Management Ordinance. They are entitled to form owners' corporations to manage their estates/courts. The Housing Authority has all along been actively promoting this mode of "autonomous management" for which the Agency Management Scheme, already in operation for a long time, has laid a fair foundation. Recently, further steps have been taken to encourage flat owners in these estates/courts to form corporations to take back as soon as possible the power of property management so as to carry out autonomous management.

I have to point out that to flat owners — particularly former public housing residents who enjoyed for years the care of the Housing Authority — the formation of owners' corporations is a complex matter involving a multitude of minutiae. This, coupled with the wide scope of activities related to the management of today's private buildings, including law of contract enforcement, labour relations, compliance with the Fire Services Ordinance, insurance arrangements, building maintenance, ownership rights, apportionment of management charges and legal disputes, will mean a bewildering array of details to people without the relevant expertise. They have to rely on professional management companies. At present the assistance given to the flat owners by the Home Affairs Department is limited to promotion, help, consultation, advice and coordination. Let me boldly assert that such meagre assistance falls pretty short of meeting the owners' practical needs when it comes to dealing with substantive management matters which are susceptible to a myriad of changes.

With the formation one after another of owners' corporations in these estates/courts, we need to figure out how much substantive support the Government will be offering in order to reinforce the confidence of these corporations in carrying out autonomous management. What we need to face as a matter of urgency is the question of how to increase manpower resources so as to train up high-quality housing management professionals to meet market demand. Secondly, a private building management resources centre should be set up where, under the Government's leadership, zealous people with professional expertise in this regard will be enlisted to give professional advice through a summary procedure. Thirdly, the Government should step up its effort to promote the concept of "autonomous management" in order to lead property management companies into improving their professional conduct. This will cause the owners' corporations and management companies to trust each other and build up a good working relationship.

Madam Chairman, it is right and fitting to set up owners' corporations to manage private property on an autonomous basis. However, as to how autonomous management

can be effectively implemented in these estates / courts, that will indeed require wise and prudent thinking on our part.”

**Mr CHENG Kai-nam** delivered his speech as follows -

15. “The consultation period in respect of the 1997-2006 Long Term Housing Strategy (LTHS) has just been concluded. But discussion of the housing question among the community, so far from subsiding, will certainly become more heated. In sum, the prospect of housing development in Hong Kong should be public sector housing-led. Home Ownership Scheme (HOS) units should be built in greater numbers and the supply of rental units should be assured. To make this possible, the Government’s decision-making mechanisms should be revamped and integrated to ensure that planning be implemented. This is a matter of foremost importance that will need to be decided upon.

The main theme of the LTHS is in fact to encourage, persuade and lure members of the public to buy their own homes. And Housing Department officials have repeatedly made the point that Hong Kong should in course of time become a “society of home owners” rather than a “society of tenants”. Granted that this development direction is correct, there would be only one way to fulfill this in view of property prices staying high at present and likely to remain so in the foreseeable future. That is to say, assistance should be given to members of the public to enable them to buy their own homes. In other words, the HOS and the Sandwich Class Housing Scheme should be vigorously implemented, HOS housing production should be boosted and reasonable prices be set. At the same time, prices for private housing should be kept at a reasonable level.

As I said in an earlier Housing Authority meeting, it would not be appropriate to argue as to whether the public sector housing programme should be dominated by public rental housing or HOS housing. That would only provide a talking point for political forums. It would neither reflect the present state nor future prospects of housing development. There should instead be a clear and unequivocal proposition to the effect that “HOS housing production be increased”. Of course, this should not detract from our commitment of providing public rental housing to the multitude of people who have no means to solve their housing problem.

Hong Kong people really aspire keenly to home ownership. But the crux of the question is affordability. In terms of resolving Hong Kong people’s housing problem, the Government’s position is very clear. That is to say, those on the Waiting List be allocated public housing units as soon as possible, public housing tenants to buy their rented units or

HOS units as soon as possible, and HOS flat owners to sell and switch to private housing as soon as possible. What then is the position of members of the public? Theirs is this : Those on the Waiting List be allocated public housing as soon as possible; whether sitting tenants will buy their rented units will depend on pricing and affordability; and those who have the means will of course want to buy HOS flats. What about HOS flat owners? According to contacts I made with people in the HOS courts, most of them want to switch to a bigger and better HOS unit though they are aware of the virtual impossibility. Those who want to switch from HOS housing to private housing will have to overcome one hurdle, which is the patent price gap between the former and the latter. So long as HOS flat owners fail to overcome this hurdle, that is to say, their bank balances fail to match up with private housing prices, the LTHS's attempt to promote "mobility" among tenants and owners of various types of housing will be doomed to failure. At present, we are of course only too well aware that it would be impossible for HOS flat owners to switch to a bigger HOS unit. Yet such demand on the part of members of the public reflects, in large measure, the reality that they want to have better and more spacious accommodation but the high prices of private housing have limited their room for manoeuvre.

What reality are we faced with? First, too few HOS flats; second, too many people not eligible for public housing; third, private housing prices are surely too much on the high side; and, fourth, population will grow drastically in the days to come.

Increase in HOS housing production will actually be the most reasonable and effective strategy in stabilizing property prices in Hong Kong. Various proposals to curb property prices by means of administrative measures on the part the Government will indeed have certain positive effects but at the same time some degree of negative impact will be inevitable. Ultimately, we will have to rely on the play of free market forces, that is to say, supply and demand, to adjust prices as a means to solve this problem.

I and many others, including a number of members seated here today, have expressed doubt and pessimism over the Government's commitment in relation to the volume of housing production in the next 10 years. The key reasons for this are :

1. In the LTHS, though the Government has manifested greater confidence in terms of land grants in the future, yet there is at the same time a failure to give any guarantee as to its housing production capacity.
2. The government departments in charge of land administration and housing have as yet failed to launch an integrated effort to further ensure the speed of housing production. To rely solely on the newly established Action Team will obviously

fail to produce results.

3. Division and contradiction exist between the Housing Branch and Housing Department in relation to a number of issues, such as the procedure for land grants and other questions of principle.

In the years ahead, the housing production programme to which the Hong Kong Government is committed will have a vital bearing on the housing plans of millions of Hong Kong people and on whether the “society of home owners” concept will be realized. It will have a direct impact in terms of curbing property prices. I earnestly hope that the relevant government departments and policy branches will within the shortest possible time come up with a specific and practical housing production programme.

If the positive effects that would otherwise have been sustainable were negated by unimplemented policies or internal government waste — rather than by our society’s lack of the requisite conditions or for other reasons — then it would be an intolerable mistake on the part of the Government and a mistake that would be to the detriment of millions of Hong Kong families into the bargain.”

**Mr NG Leung-sing** delivered his speech as follows -

16. “Madam Chairman,

Currently, Hong Kong’s public sector housing solves the housing problem of about half the population and plays an important role in enabling Hong Kong people to live and work peacefully and happily. In the years ahead, Hong Kong people’s keen demand for public sector housing will stay undiminished. The main reason is that there are already 150 000 eligible families on the Waiting List for public housing. Moreover, because of immigration from the Chinese mainland, low-income people will make up the bulk of future population increases. According to the Census and Statistics Department’s projection, in the next 20 years Hong Kong’s population will grow by 1.9 million of which 1.08 million will be immigrants from the Chinese mainland. These people will mainly turn to public sector housing to satisfy their housing demand. Therefore, the formulation of a long-term housing policy consistent with Hong Kong’s population growth will have a very significant bearing in terms of promotion of Hong Kong society’s long-term prosperity and stability. In this connection, I have the following views to offer :

1. In view of the vast number of families on the Waiting List for public rental housing and

the limited social resources available, the demand for public housing will have to be met stage by stage and part by part having regard to the merits of individual cases and urgency of need. Therefore, accurate data must be available based on which public housing units will be allocated to families on the Waiting List to ensure that the limited resources will be meted out as a matter of priority to those who are in most need. However, the existing data and vetting system have been in use for a long time. A review for the purpose of improvement is called for to ascertain whether the present system can accurately reflect the true conditions of families on the Waiting List.

2. That Home Ownership Scheme (HOS) housing be made the mainstay of public sector housing development should be conducive to social stability. In relative terms, some members of the public used to think that the building quality and management of Hong Kong's public rental housing was comparatively poor. With the rise in Hong Kong people's living standards, public housing residents will make ever stronger demands for improvement of their living environment and for home ownership. If the supply of public rental housing keeps growing, it will create a heavy burden on Hong Kong society. Therefore, over the long term, the production of low-cost and better-quality HOS housing should be the direction in which public sector housing development should proceed. Of course, there are still a vast number of less well-off families who cannot afford HOS housing. Therefore, over the short term, the supply of public rental housing will need to be replenished in a planned fashion. However, its ratio should be gradually decreased. It should be feasible for public sector housing production to go through the transition to HOS housing production as its mainstream development in the next five years.
3. In view of society's long-term demand for public housing, the powers and responsibilities vested in the Housing Authority (HA) should be balanced such that public sector housing development can be effectively promoted. At present, the responsibility to develop public sector housing basically rests with the HA. But the HA is subject to a variety of constraints in the course of housing production and very often the HA finds it difficult to carry out development according to schedule. For instance, the HA is not vested with the power to vet and dispose of land nor can it participate in the planning process for the public facilities which will go with a housing estate development. This imbalance between power and responsibility has had a direct impact on the speed of public housing development. Over the long term, the Government should vest the HA with the necessary powers so that the Authority can participate in the vetting and disposal process in respect of land for public sector housing and the planning process in respect of public facilities related to the housing development. Only in so doing will the HA's social functions be fulfilled in greater

measure so that the Authority will provide a more effective driving force in relation to public sector housing construction and development.

Finally, I wish the Chairman and Members every success in whatever work they will be undertaking in the soon-to-be-established Special Administrative Region of Hong Kong. I wish them good health! Thank you.”

**Mr NG Shui-lai** delivered his speech as follows -

17. “In terms of priority, housing leapt to the forefront of the Government’s agenda during the past year. With the publication of the *Long Term Housing Strategy Review* consultative document, housing policies have further become the focus of public attention.

The *Long Term Housing Strategy Review* consultative document involves a number of important housing policies. However, the way the executive organ in question operates will have a significant bearing on whether the policies will be capable of implementation and whether the mechanism for enforcement will attain perfection. In this connection, the Housing Authority (HA) and the Housing Department (HD) are respectively the principal mechanism for framing Hong Kong’s housing policies and the executive organ for enforcing them.

The policy questions canvassed in the *Long Term Housing Strategy Review* consultative document have been exhaustively discussed in the HA Committees. In today’s annual meeting, I shall focus on discussing ways and means to enable us to move towards a new management culture.

Through the endeavour of HA members and colleagues in the HD, a number of new management reforms and measures have been initiated. Here I would only address three conceptual questions in order to expedite our process of moving towards a new management culture. Culture cannot be transplanted in a rigid or ossified manner. Culture need to undergo a nurturing and formative process. Therefore, to build up a new management culture, we cannot solely rely on implementing a series of new measures. It would be more important to explore ways to change mentalities in order to produce new ideologies. Not only should this new culture be cherished by HA members and colleagues in the HD, it should also be externally manifested so that those at the receiving end would personally feel its effect.

A most important attribute of a management culture is that it should have a clear, common objective. At present we have a clear objective. But the objective may be spelt

out in generalized terms. It may not stand out in a singular fashion. As a public body, we should enable our promise made to the needy to stand out more markedly against the backdrop of the existing objective. If we can project such an image, we shall be able to remove the misunderstanding arising from many of the discussions with regard to policies, or even remove the mistaken view that we are hatching some ulterior “plot”.

What I would like to discuss next relates to ways and means to strengthen internal organization from the management level down to the front-line staff so that they will together create this new culture. It would take an inordinately long time for a new culture to come about on its own. We must allocate more resources to strengthen the process of internal cultural change.

Thirdly, our new management culture must be in the form of an open system in which the residents will take part. It must not be the sort of culture which is confrontational to the residents’ culture. It should be a new management methodology jointly created by three parties, namely, the residents, the HA and the HD.

As I have mentioned earlier on, several of our reforms are proceeding in this direction. What I would like to stress here is that we must beef up our effort to put into effect these three concepts. Only when we have built up a strong and vigorous new management culture can we implement any long term housing strategy.”

18. The Chairman thanked Members for their views. She told Members that responses would be given by her and the Director of Housing at the Authority’s meeting to be held on 26 June 1997.

19. There being no other business, the meeting closed at 10:31 a.m..

CONFIRMED on 26 June 1997

Hon Rosanna WONG Yick-ming, CBE, JP  
(Chairman)

Lawrence CHOW  
(Meeting Secretary)