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13/99

Paper No.: HA

**Minutes of the Open Meeting of the HONG KONG HOUSING
AUTHORITY held on Thursday, 28 January 1999**

PRESENT

Dr the Hon Rosanna WONG Yick-ming, JP **(Chairman)**
Mr J A MILLER, JP (Director of Housing) **(Vice-chairman)**
Mr HAU Shui-pui, BBS
Hon LEUNG Chung-ying, JP
Ms HO On-nei, JP
Mr CHAN Kam-man, BBS, JP
Mr C N BROOKE, JP
Hon LEE Wing-tat
Mr YEUNG Ka-sing, JP
Mr Anthony WONG Luen-kin, JP
Mr Joseph CHOW Ming-kuen, JP
Mr Eddy FONG Ching, JP
Ms SIU Yuen-sheung
Mr Walter CHAN Kar-lok, JP
Dr Anthony CHEUNG Bing-leung
Mr WAN Man-yee, JP
Hon CHENG Kai-nam
Hon NG Leung-sing
Mr NG Shui-lai, JP
Ms Iris TAM Siu-ying
Mr WONG Kwun
Prof. Richard WONG Yue-chim
Mr Dominic WONG Shing-wah, JP (Secretary for Housing)
Miss Jennifer MAK Yee-ming, JP (Director Corporate Services)
(Secretary of the Authority)

ABSENT WITH APOLOGIES

Mr Victor SO Hing-woh, JP
Mr Daniel LAM Chun, JP
Mr Raymond CHOW Wai-kam, JP (Out of Hong Kong)
Mr CHAN Bing-woon, SBS, JP
Mr LAU Kwok-yu (Out of Hong Kong)
Mr Peter WONG Hong-yuen, JP
Miss Denise YUE, JP Secretary for the Treasury
Mr R D POPE, JP Director of Lands

IN ATTENDANCE

Mr Marco M H WU, JP (Deputy Director/Management)
Mr R A BATES, JP (Deputy Director/Works)
Mr T C YUEN, JP (Business Director/Development)
Mr Vincent TONG (Business Director/Management)
Mr K H LAU (Business Director/Allocation & Marketing)
Mr R J AVON (Finance Director)
Mr H T FUNG (Assistant Director/Central Services and
Management Policy)
Mr Joseph KONG (Assistant Director/Construction Services)
Miss Sandy CHAN (Principal Assistant Secretary/2, Housing
Bureau)
Mr Joseph K C LEE (Assistant Director/Management 2)
Mr K T POON (Assistant Director/Information and
Community Relations)
Mr David LEE (Project Director/Works)
Mrs Doris MA (Assistant Director/Development)
Mr Y K CHENG (Assistant Director/Applications and Home
Ownership)
Mr Simon LEE (Assistant Director/Legal Advice)
Mr Andrew LAI (Head, Corporate Strategy Unit)
Mr K N CHEUNG (Assistant Director/Operations and
Redevelopment)
(Acting)
Mr Ricardo WONG (Assistant Director/Management 3)(Acting)
Mrs S M LAI (Chief Housing Manager/Applications)
Ms Cindy SHIH (Chief Finance Manager/Financial
Management)

& Systems)

Mr John NG	(Chief Architect/3)(Acting)
Mrs Katherine YAU Community	(Chief Publicity Officer/Corporate and Relations)
Ms Nellie CHOW Management)	(Senior Finance Manager/Financial Management)
Mr H L SHAM	(Financial Controller/Allocation & Marketing)
Mr Helice CHAN	(Financial Controller/Commercial & Services)
Miss May CHAN Officer/Administration)	(Senior Administrative Officer/Administration)
Miss Angelina KWAN	(Senior Administrative Officer/Policy)
Mr H B CHAN	(Senior Strategic Manager/Co-ordination)
Mr W K TANG	(Senior Building Services Engineer/C10)
Mr Stephen YIM	(Senior Architect/18)
Mr Lawrence CHOW	(Committees' Secretary) (Meeting Secretary)
Miss Patti HO	(Assistant Committees' Secretary/3)
Ms Catherina YU	(Assistant Committees' Secretary/4)

PRESENT BY INVITATION

Mr Christopher LAW (Director, The Oval Partnership Ltd.)

OPENING REMARKS

The Chairman opened the meeting at 8:45 a.m. and welcomed Members to the meeting.

CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 17 SEPTEMBER 1998

(Paper No. HA 61/98)

2. The minutes of the open meeting held on 17 September 1998 were confirmed and signed.

MATTERS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING HELD ON 17 SEPTEMBER 1998

(Paper No. HA 3/99)

3. Members noted the Department's report, "Times New Roman" 14's report.

ITEMS FOR DISCUSSION

(AGENDA Publication of the Housing Authority Corporate Plan for Item 3) 1999/2000

(Paper No. HA 5/99)

4. **Mr Andrew LAI** presented the paper.

5. **Dr Anthony CHEUNG Bing-leung** opined that the three core values of the Housing Authority (HA) - Caring, Customer-focused and Committed - should be reflected in each core business when drawing up the corporate plan. Secondly, in scanning the operating environment, the Department should be more sensitive to the economic factors e.g. factors which would affect people's aspiration for home ownership, particularly in the light of the current economic downturn. Thirdly, as corporatisation had aroused staff's concern and would be an important issue for the HA in 1999/2000, it should be covered in the corporate plan.

6. **Mr Andrew LAI** explained that the corporate plan in its present form mainly set out the HA's corporate objectives and strategies for the forthcoming financial year. He shared Dr CHEUNG's view that the Department should prepare the corporate plan from the customers' viewpoint in future to enable the public to better understand the work of the HA. He assured Members that the Department would be responsive to changes in the operating environment, including people's changing housing needs, which would influence policy formulation and business operations.

7. **Mr LAI** further said that the HA would be invited to consider the findings and recommendations contained in a consultancy report on corporatisation. **Mr Marco WU** supplemented that the Department was still awaiting the consultancy report, and there would be no firm decision on the subject until the HA had agreed on the direction of corporatisation. The forward by the Director of Housing in the Corporate Plan also reflected this position.

8. **Mr YEUNG Ka-sing** considered that it might not be necessary to include corporatisation in the corporate plan explicitly because there was already a key human resources management initiative in this area, namely “to review and fine-tune the manpower strategy for the HA to support the changing needs of the organization”.

9. **Ms HO On-nei** was of the view that a quality organization had to be supported by high quality staff. As corporatisation would considerably affect staff, the Department should consult staff and submit their views together with the Department's recommendations to the HA for consideration.

10. **Mr WAN Man-ye** proposed two amendments to the corporate plan. First, the 50 000 public flats referred to in paragraph 1.2 of the corporate plan should be the *annual* production of flats for the next five years. Second, it should be specified that the Year 2000 rectification exercise under the Support Services Plan in Section 8 would be completed before 2000.

11. Noting that the management and maintenance costs per public rental housing (PRH) unit would remain the same in 1999/2000, **Mr WAN** asked whether the Department could reduce the cost further so as to ensure rational use of resources. **Mr Andrew LAI** explained that it was difficult to increase revenue because of the legislative restriction on adjusting the PRH rents. However, the Department had committed to upgrading security installations and implementing various improvement services in PRH. It would be difficult to reduce the management and maintenance costs for the PRH in view of these new improvement works.

12. **Mr CHENG Kai-nam** considered that the initiative on "rationalizing the flat mix to suit the family sizes for prospective tenants" should be more specific. He was concerned that there might be inadequate supply of 1 and 2-person flats, especially those for the elderly. In reply, **Mr Andrew LAI** said that the Department would continue to review the supply and satisfy customers' needs as far as practicable. He also informed Members that the Building Committee (BC) had recently endorsed the revised design of Harmony Blocks to provide more small flats in future.

13. **Mr Nicholas BROOKE** noted that the corporate plan did not contain any initiatives on the housing for the elderly. He opined that housing for the elderly would be a growing challenge for the HA on which the Department should put more emphasis. In response, **Mr Andrew LAI** said that as 1999 was the International Year of the Older Persons, the Department would introduce more initiatives to improve services for the elderly. He drew Members' attention to the initiatives on reducing the waiting time for PRH and providing more small flats for the

elderly. **The Chairman** shared Mr BROOKE's views. She said that as housing for the elderly was a significant task of the HA, and the Department had introduced many initiatives to cater for the need of the elderly, these initiatives should be given more prominent position in the corporate plan to show the HA's concern for the elderly.

14. **Ms Iris TAM Siu-ying** said that the Advisory Council on the Environment had recently expressed their expectation that Housing Department should help to promote environmental protection through the adoption of environmentally friendly building designs and careful choice of building materials. As the number of HA tenants was huge, a minor environmental improvement initiative would also result in enormous saving in water and energy.

15. **Mr Andrew LAI** said that environmental protection was one of the important subjects covered in the business plans. He assured Ms TAM that the Department would pay special attention to facilitate sustainable development when designing new public housing.

16. **Mr WAN Man-ye** said that the BC should also consider other housing designs with a view to achieving environmental friendliness, efficiency and cost-effectiveness.

17. Referring to paragraphs 6.1 and 7.2 of the corporate plan, which mentioned the HA's target of providing on average 50 000 public flats annually, **the Secretary for Housing** clarified Government's commitment to provide at least 50 000 public flats each year, not on average 50 000 flats. **The Chairman** explained that the 50 000 figure quoted in paragraph 6.1 was an average number starting from 1997 as the production in 1997/1998 and 1998/1999 was less than 50 000. **Mr Andrew LAI** said that as the Government had committed to providing sufficient supply of land to the HA, it was expected that the target of providing 50 000 flats annually would be achieved from 1999/2000 onward. **The Director of Housing** added that if the Kai Tak Airport redevelopment plan was delayed, it would affect 25 000 public housing flats which would be produced in 2004/2005 and 2005/2006. It would be difficult to find other sites to make up for the loss.

18. **Mr NG Leung-sing** noted two of the commercial business initiatives i.e. "to contain the vacancy rate and rent arrears at below 5.5% and 4%", and "to provide 55 000 m² of retail space to meet customer needs". As the vacancy rate was on the high side, he asked whether all

the 55 000 m² of retail space would be taken up. **Mr Andrew LAI** mentioned that the vacancy rate of the HA's commercial properties was relatively low in the present financial climate as a result of the vigorous letting efforts by the Department. The additional 55 000 m² of retail space was mainly provided in new estates and was planned a few years before. It was difficult to change at this stage. The Department was considering new marketing measures and flexible letting methods to achieve a high occupancy rate in shopping centres.

19. **Mr HAU Shui-pui** noted that there was a decrease in PRH rental income of \$2,359 million and a reduction of forecast revenue of \$1,063 million from commercial properties. In addition, the adjustment of Home Ownership Scheme and Private Sector Participation Scheme flat prices would also lead to lower sales proceeds. He wanted to know the actual reduction in total revenue. **Mr Walter CHAN Kar-lok** added that the budget for home ownership business showed a decrease of 34% in operating surplus on 1998/99. **Mr Andrew LAI** added that Mr R J AVON would explain in greater detail under Agenda Item 4 on how the changing operating environment would affect the HA's budget.

20. **Mr WONG Kwun** pointed out that families in the urban area with living density below 4.5m² per person were considered as overcrowded but the relevant standard in the New Territories was below 5.5m² per person. He felt that there should not be two standards. **Mr Marco WU** explained that the Department did not have different standards for defining overcrowded families in urban and New Territories. All families with living density below 5.5m² per person were regarded as overcrowded. **Mr Andrew LAI** said that to rationalise the use of public housing resources, the Department would focus on improving the living standard of families with living density below 4.5m² per person first and solve the overcrowding problem of others when more resources were available.

21. **The Director of Housing** thanked Members of the Strategic Planning Committee and the Finance Committee for their advice and recommendations when the corporate plan and the budget were discussed earlier at their meetings. He remarked that the Department had reached a crucial stage in launching a comprehensive corporate reform under the Management Enhancement Programme. The Department was the only supplier of many services to its customers in the past. With the increasing number of private sector service providers and the significant cost adjustments brought about by the recent economic downturn, the

Department had to review whether its services were really good value for money, and whether services could be procured less costly from the private sector. He further said that the issue should be addressed quickly because with the success of the Tenants Purchase Scheme, the HA's tenants would progressively become home owners. They would have the right to choose whether to use the services provided by the Department or to hire private management agencies. He also informed Members that the consultants appointed to study corporatisation opportunities would submit their report to the Department before the Lunar New Year at the latest. He understood the concerns of staff. He assured Members that the consultancy report would be made available to staff and staff would be given adequate time to express their views. He was confident that staff could rise to the challenges.

22. **The Chairman** also thanked Committee Chairmen and Members for their contributions to the corporate plan. With the above comments, Members endorsed the paper.

(AGENDA Housing Authority's Revised Budgets 1998/99, Proposed Item 4) Budgets 1999/2000 and Financial Forecasts 2000/2001 to 2002/2003

(Paper No. HA 4/99)

23. **Mr R J AVON** presented the paper.

24. **The Chairman** thanked Mr Eddy FONG, Members of the Finance Committee (FC) and Mr AVON for their efforts in the preparation of the budgets.

25. **Mr Eddy FONG** said that the HA's Revised Budgets for 1998/99 and Proposed Budgets for 1999/2000 were endorsed by the FC after detailed discussion at its meeting held in January 1999. Through prudent financial policies, the HA had been able to maintain a healthy budget. The HA's financial position hinged greatly upon external economic factors. The economic downturn had affected the HA's finances. Despite the fact that financial relief measures such as rent freeze, special discount rate for Home Ownership Scheme (HOS) flats, etc. had burdened the HA financially to some extent, he considered it a right move to adopt the measures because the HA, being the largest landlord, should take the lead to help its tenants get through difficult times. He pointed out that although the HA's financial position would

continue to be strong throughout the budgets and forecasts period, it was forecast that it would not be able to have growth in revenue until 2000/2001. The forecast was based on an important assumption that the economy of Hong Kong would revive by 2000 and the financial relief measures would discontinue. Nonetheless, the HA needed to increase efficiency, control costs and explore other sources of income to remain financially strong. All these could not be achieved without the support of HA and Committee Members. Mr FONG said that he would try his best to assist the Department as well as other Business Committees to understand more about the finances of the HA to facilitate the formulation of their business plans. He further remarked that to ensure more equitable allocation of limited public housing resources, those who were in genuine need and had never benefited from subsidized housing should receive more attention. **The Chairman** endorsed Mr FONG's comments.

26. **Dr Anthony CHEUNG Bing-leung** expressed his appreciation to Members of the FC and staff of the Department for producing comprehensive budgets and forecasts. He then referred to the revenue policy stated in paragraph 8 (a) of the paper and asked whether the "revenue accruing to (the HA) from its estates" as stipulated in section 4 of the Housing Ordinance comprised the revenue from commercial premises. **Mr AVON** replied that the Ordinance itself was not explicit enough. A reasonable interpretation would be that each business would be expected to generate sufficient income to meet its recurrent expenditure. **Dr CHEUNG** said that it was unlikely that public rental housing (PRH) could generate sufficient income to meet its operating expenses. There was a need to look at section 4 of the Housing Ordinance critically. **Mr AVON** informed Members that the rental operating account did break even from 1988/89 through 1992/93. It was only in recent years that the HA experienced deficits in PRH. **The Chairman** said that the Business Committees concerned would have to follow up this issue.

27. **Dr CHEUNG** further asked whether the five-year operating deficit for rental housing of \$14.9 billion was based on the assumption that the rent freeze policy would continue for the next five years. **Mr Nicholas BROOKE** opined that it might be better to have a more cautious approach and to assume the worst case scenario for forecasting purpose. In response, **Mr AVON** referred Members to the assumptions contained in Section 3.1 of the Annex to the paper on which the budgets and forecasts were based. He said that the rent freeze policy was not

assumed to continue into 1999/2000. On the contrary, it was assumed that rent increase for 1999/2000 and throughout the forecasts period would be implemented. **The Chairman** added that the five-year operating deficit would be \$6.2 billion if there was rent increase starting from 1999/2000. The operating deficit would be \$14.9 billion the deficit if rent freeze was to continue during the forecasts period.

28. **Mr YEUNG Ka-sing** suggested that a breakdown of the components of the amount chargeable i.e. rates, management fee, maintenance fee and net rent should be listed in the rent receipts to illustrate the levels of subsidy to domestic tenants. **Mr AVON** said that the Department was working on this aspect and a paper on different levels of subsidy would be put forward to the Strategic Planning Committee in mid-1999.

29. **Mr WAN Man-ye** recalled that the bulk of HOS flat production for 2000/01 and 2001/02 was in Tin Shui Wai. The income generated from the sale of these flats might only cover the construction costs. He wondered whether the HA would be able to attain the projected surplus. He was also concerned that the overall operating surplus and cash flow would be adversely affected. **Mr AVON** said that all projects would go through a detailed financial viability study. The projected surplus had already taken into account the current level of sale prices. The sale prices were based on affordability. A discount rate was used to adjust the prices depending on the market situation and the level of affordability. If the HA maintained its policy on affordability and the Home Ownership Committee continued to adopt the discount rate which was compatible with affordability, there should not be a significant reduction in cash flow.

30. With the above comments, Members **approved** the HA's Revised Budgets for 1998/99 and Proposed Budgets for 1999/2000. They also **noted** the Financial Forecasts for 2000/2001 to 2002/2003.

**(AGENDA Housing Authority Customer Service Centre
Item 5)**

31. **The Chairman** informed Members that the Department would centralize all customer services in a Customer Service Centre to improve communication with and services for public rental housing applicants, commercial tenants and home buyers. The Centre would also enhance the HA's corporate image and help promote the HA's core values – Caring, Customer-focused and Committed.

32. **Mr Christopher LAW**, Director of The Oval Partnership Ltd., briefed Members on the design of the Centre, which was located at Wang Tau Hom South Road, next to Lok Fu Shopping Centre. The total cost of the project including construction was about \$500 million. The theme of the design of the Centre was People, Harmony, Family and Happiness. It was intended to bring a warm and welcoming atmosphere to visitors.

33. **Mr K T POON** informed Members that the Department would arrange guided tours to the Centre for the public periodically as part of the publicity drive for the Department's ever-improving services.

34. Members welcomed the construction of the Centre and supported the idea of providing a one stop service to the HA's customers.

35. **Mr NG Shui-lai** suggested that signboards with larger words and characters and specially designed washrooms be provided to cater for the need of the elderly.

36. **The Chairman** invited Members to visit the Centre upon its completion in July 1999.

(AGENDA Healthy Living into the 21st Century : A Progress Report

Item 6) (Paper No. 6/99)

37. A video on the activities of **symbol 147 \f "Times New Roman" \s 14** "Healthy Living into the 21st Century**symbol 148 \f "Times New Roman" \s 14**" campaign was shown. **Mrs Katherine YAU** then presented the paper.

38. **The Chairman** suggested that the Department encourage members of the Estate Management Advisory Committee to participate in the campaign.

39. Members supported the campaign as it had received very good response from estate residents. They also appreciated the good planning and organizing work carried out by staff of the Information & Community Relations Division and frontline staff for the campaign.

40. **Dr Richard WONG Yue-chim** said that the campaign should not be a once and for all activity. Continuous commitment in promoting cleanliness was necessary. Apart from HA Members and departmental staff, participation from estate tenants was also important. He suggested that the Department choose some estates in the private sector as a yardstick for comparison. This could also help the Department improve its estate management work.

ANY OTHER BUSINESS

Enhanced Productivity Programme

41. **The Director of Housing** said that all government departments were required to deliver a productivity gain of 5% between the present financial year and 2002 under the Enhanced Productivity Programme (EPP). The Department was to some extent ahead of the game as a variety of reforms had already been put in place under the Management Enhancement Programme. However, the Department would increase productivity by nearly 1.2% in the following year. He was confident that the Department would meet or even exceed the EPP target. Nevertheless, he noted that the Department's overhead costs were proportionately far higher than that of other government departments. The Department would strive to reduce that cost.

The 45th Anniversary of Public Housing Development in Hong Kong

42. **The Chairman** thanked Members for their support and participation in the 45th Anniversary of Public Housing Development in Hong Kong held on 20 January 1999. A video on the event was shown.

43. There being no other business, the meeting closed at 11:35 a.m.

Date of Next Meeting

44. The next meeting would be held at 8:45 a.m. on Thursday, 4 March 1999.

CONFIRMED on 4 March 1999

Dr the Hon Rosanna WONG Yick-ming, JP
(Chairman)

Lawrence CHOW

(Meeting Secretary)