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Title	Minutes of the Open Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 6 January 1994.
CONTENTS	<p>File Ref.: HA/COM/2/2 Paper No. HA 9/94</p> <p>Minutes of the Open Meeting of the HONG KONG HOUSING AUTHORITY held on Thursday, 6 January 1994.</p> <p>---0---0---0---</p> <p>PRESENT:</p> <p>Hon Rosanna WONG Yick-ming, OBE, JP (Chairman) Mr FUNG Tung, OBE, JP (Director of Housing) (Vice-Chairman) Mr F K HU, CBE, JP Ms LEUNG Wai-tung, MBE, JP Hon HUI Yin-fat, OBE, JP Hon Edward S T HO, OBE, JP Rev Sean Patrick BURKE, JP Mr Victor SO Hing-woh Mr HAU Shui-pui Hon FUNG Kin-kee Mr Stanford MILLER, JP Ms HO On-nei Mr CHAN Kam-man Hon LEE Wing-tat Mr Daniel LAM Chun Mr Michael M Y SUEN, JP (Secretary for Home Affairs) Mr Leo KWAN Wing-wah, JP (Deputy Secretary for Planning, Environment & Lands /Housing Policy)</p> <p>ABSENT WITH APOLOGIES:</p> <p>Mr PAO Ping-wing, JP Mr Thomas KWOK Ping-kwong, JP) Out of Hong Kong Mr Donald TSANG, OBE, JP (Secretary for the Treasury) Prof YEUNG Yue-man Mr LEUNG Chun-ying) Mr Nicholas BROOKE) Out of Hong Kong Mr YEUNG Ka-sing Mr Anthony WONG Luen-kin) Out of Hong Kong Mr. Donald TSANG, OBE, JP (Secretary for the Treasury)</p> <p>IN ATTENDANCE:</p>

Mr R A BATES, JP (Deputy Director/Construction)(Acting)
Mr LEE Kai-fat (Deputy Director/Administration & Policy)
(Secretary of the Authority)
Mr Simon P H LI, JP (Deputy Director/Housing Management)
(Acting)
Mr Marco M H WU, JP
Mr Stephen S C POON, JP (Assistant Director/Housing Architect)
Mr M L YUEN (Assistant Director/Central Services)
Mr R N CARPENTER (Assistant Director/Maintenance)
Mr R J AVON (Assistant Director/Finance)
Mrs Joy AU (Assistant Director/Regional Management (1))
Mr C W SIU (Assistant Director/Regional Management (2))
Mr KWONG Chung-man (Assistant Director/Central Services & Management Policy)
Mr HO Wing-him (Assistant Director/Policy) :
Mr LEE King-chi (Assistant Director/Redevelopment and Rent Policy)(Acting)
Mr J MARSHALL (Public Relations Officer)
Mr Edward LAW (Principal Executive Officer)
Miss Tracy WONG (Administrative Officer/Policy)
Mrs Isabella WONG (Committees' Secretary)(Meeting Secretary)
Miss Grace KONG (Assistant Committees' Secretary/1)
Miss Olivia TSANG (Assistant Committees' Secretary/2)

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Action

The Chairman opened the meeting at 8:45 a.m. and wished Members a prosperous New Year. Apologies for absence were recorded from Mr PAO Ping-wing, JP, Mr Thomas KWOK Ping-kwong, JP (Out of Hong Kong), Prof Yeung Yue-man, Mr LEUNG Chun-ying (Out of Hong Kong), Mr Nicholas BROOKE (Out of Hong Kong), Mr YEUNG Ka-sing, Mr Anthony WONG Luen-kin (Out of Hong Kong) and Mr Donald TSANG, OBE, JP (Secretary for the Treasury).

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NEW YEAR'S HONOUR LIST

2. The Chairman and Members congratulated Mr FUNG Tung, Director of Housing, for being awarded Officer of the Order of the British Empire and Ms LEUNG Wai-tung for being awarded Members of the Order of the British Empire in the New Year's Honour List.

3. The Chairman informed Members that she had, on behalf of them, written to congratulate an ex-Member, Mr Norman LEUNG Nai-pang for being awarded Officer of the Order of the British Empire.

CONFIRMATION OF THE MINUTES OF THE OPEN MEETING HELD ON 28 OCTOBER 1993

4. The Minutes of the meeting held on 28 October 1993 were confirmed and signed subject to the following amendments proposed by Mr Edward HO Sing-tin -

(a) Para. 49, line 4: after "all possible methods" insert "and which would have to be approved by the Building Committee."

(b) Para. 49, line 5: insert "excessive" between "or" and "time".

MATTERS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING

5. Members noted the Department's report tabled at the meeting. In response to a question from Mr HUI Yin-fat, the Chairman explained that the Department's proposals to tighten up control on the misuse of domestic flats would be submitted to the relevant committee for discussion as part of the follow-up on the Mid-Term Review of the Long Term Housing Strategy.

6. Referring to para. 50, Mr FUNG Kin-kee asked whether the Department had agreed

to the proposal by the Shamshuipo District Board to put up larger signboards in public housing estates. The Director of Housing said that this proposal should be agreeable to the Department. Mr Simon LI Pak-ho pointed out SAD/HM that space was already earmarked for this purpose and the Department would consider each proposal with the DB members concerned.

ITEMS FOR DISCUSSION

(AGENDA Housing Authority's Operating Account, Capital and Item 3) Cash Budgets - 1993/94 Revised Budgets, 1994/95 Proposed Budgets and Five Year Financial Forecasts
(Paper No. HA 72/93)

7. The Chairman said that at its meeting on 16 December 1993, the Establishment and Finance Committee had endorsed the Authority's 1993/94 Revised Budgets, 1994/95 Proposed Budgets and Financial Forecasts for the year 1993/94 to 1997/98. Members' approval of the 1993/94 Revised Budgets and 1994/95 Proposed Budgets was accordingly sought before they were submitted to the Governor for formal approval.

8. Assisted by a slide presentation, Mr Stanford MILLER highlighted the following points in the paper -

(a) on public rental flats, an operating deficit of \$2 billion would be incurred in 1994/95. The average rent per flat per month was estimated to be \$998 as against the total average cost of \$1,272, including \$292 as depreciation and finance costs. A total deficit of \$11.6 billion was projected for the five year period 1993/94 to 1997/8;

(b) on commercial properties, there would be a surplus of \$833 million in 1994/95, and a total surplus of \$4.5 billion over the forecast period;

(c) the Home Ownership Operating Account would show a deficit of \$661 million in 1994/95, an overall surplus of \$5.2 billion from 1993/94 to 1997/98. These costs were inclusive of the full market value of land;

(d) the consolidated accounts showed an operating deficit of \$1.8 billion for 1994/95, while a similar level of operating deficit was also forecast from 1993/94 to 1997/8;

(e) a total capital expenditure of \$53.7 billion was forecast for the period 1993/94 to 1997/98;

(f) expenditure on maintenance and improvements would increase substantially over the five year period with an estimated total commitment of \$18.9 billion;

(g) payments in cash to Government in respect of interest and dividends were projected to total \$12.1 billion over the same period;

(h) a total charge of \$54.7 billion for full land values was included in the forecast. However, the actual land costs payable in cash would only amount to \$6.7 billion. The balance would be the major source of finance for the Authority's capital programmes;

and

(i) a positive cash balance of \$19.7 billion was projected for the period 1993/94 to 1997/98, and the Authority's cash balances would increase to \$29.6 billion at the end of March 1998. However, these balances had to be set against the Authority's current liabilities and Housing Capital Works Fund requirements amounting to \$21.4 billion at the end of March 1998. Additional resources would also be required to fund new initiatives as part of the Mid-Term Review of the Long Term Housing Strategy.

(Mr CHAN Kam-man left the meeting at this juncture.)

9. In reply to Mr HUI Yin-fat, Mr Stanford MILLER explained that the finance cost shown in the accounts referred to the 5% interest payable to Government on capital. The depreciation cost was a non-cash item representing the amortization of properties over 40 years.

10. Mr Victor SO Hing-woh noted that public rental housing remained to be heavily subsidized over the forecast period. Despite the fact that higher rents had been charged in the redeveloped estates, overall rents were still quite low especially for estates in the more remote areas. He considered that the existing policy of setting rents for domestic properties according to affordability might have to be reviewed AD/RRP to bring about a "break even" situations on their operations, or even to achieve a return to finance future construction projects. The Chairman said the proposal would be noted for future review of domestic rent policy. Mr So then asked whether the Department had previously predicted a "break-even" position in the domestic account as our overall stock became newer. In response, Mr LEE Kai-fat confirmed that our domestic rental income had increased steadily to reflect progress in redevelopment and new construction programmes. The deficit incurred for the coming years was mainly due to the substantial increase in expenditure on maintenance and improvements over and above previous levels for this particular item.

11. Referring to the cash balance of \$17.4 billion at the end of the current financial year, Mr FUNG Kin-kee enquired about the utilization and investment strategies of these surplus funds. The Chairman clarified that these funds were only cash balances and not surpluses as such. Mr Stanford MILLER referred Members to Annex E of the paper detailing how funds were earmarked. Cash not required to meet immediate payment had been invested in accordance with approved guidelines.

12. Mr FUNG Kin-kee asked whether significant increase in rates was expected in the coming five years. Mr R J AVON replied that all expenditure items had included provisions to cover for inflation and other likely increases. A 20% increase in rates arising from the General Rates Revaluation exercise was assumed for 1994/95. The same increase was estimated for the three years thereafter. This assumption was based on the historical trend rather than figures provided by the relevant authorities.

13. Mr Edward HO Sing-tin asked about the rate of return on commercial properties after taking into account all costs (including construction costs) and land value. Mr R J AVON replied that the building costs of non-domestic properties were not separately identified in the Authority's balance sheet. However, he stated that for accounting purposes, the rateable values of non-domestic properties pro rata to the rateable value

of domestic properties was taken to apportion depreciation in the operating accounts. On this basis, the split was about 15% for non-domestic and 85% for domestic. The Director of Housing added that it would be possible to calculate the rate of return for new shopping centres or those that had recently been renovated. Itemised cost information was not available for the older estates where the shops were normally located on the ground floor of the blocks. Mr Marco WU Moon-hoi supplemented that the Authority was not required to pay full land premium for the commercial properties, but on the assumption that full land premium was payable, the rate of return for some recently completed shopping centres was estimated to be about 8 %. Mr Edward HO Sing-tin held that the AD/F rate of return was important from a commercial angle. The land AD/CP value should also be included to reflect the opportunity costs. In addition, Mr Daniel LAM Chun said that there should be a market revaluation on the capital value once every two to three years. The Chairman concluded that Members' views would be referred to the relevant policy committee for further consideration. Meanwhile, the Department would, as far as possible, calculate the rates of return for some sample commercial centres if the relevant information was available and present the results to Members.

14. Mr LEE Wing-tat was concerned that the return generated from the investment of the Authority's cash could not offset losses caused by inflation, and asked what was the likely losses. Mr Stanford MILLER responded that the return was due to the low interest rate of the more conservative but secure investment strategies. To achieve a higher yield would involve more speculative and risky investments which would depart from the principle that the Authority should treat public money with extreme prudence. The actual "loss" from inflation would be difficult to assess, but it should be seen in the context of stable or even decreasing construction prices in the past two years.

15. Mr FUNG Kin-kee held that after setting aside those needed for operational requirements, the rest of the Authority's funds should be invested to protect its value. He suggested that investment vehicles which gave a higher yield should be explored. Ms HO On-nei added that US dollar fixed deposits could be considered in view of the pegging of the HK dollar to the US dollar. In response, Mr LEE Kai-fat explained that the Department had moved away from the previous practice of putting all its cash balance in fixed deposits, and adopted new investment vehicles, including Government Bonds and HK dollar Certificates of Deposit. The Department was also seeking Government's advice on the possibility of foreign currency denominated instruments. Mr R J AVON supplemented that with the Funds Management Sub committee's recommendation, the Establishment and Finance Committee had endorsed an investment profile whereby funds could be placed for maturity in different periods up to the maximum of five years. However, he pointed out that placing of a large percentage of available funds in longer maturity period investments would not be desirable because of the need to maintain a fairly high liquidity of funds required in order they are available for policy initiatives and improvements involving substantial expenditure. With the gradual move into longer-dated instruments and more diverse investment vehicles, the overall yield had actually improved despite the prevailing low interest rates. In addition, Mr Stanford MILLER said that the Funds Management Sub-committee was considering the appointment of fund managers to improve the Authority's investments. He revealed that the Sub-committee had advised against more long-term investments which might provide better yield initially but could not respond flexibly to changing market conditions.

16. Mr HUI Yin-fat asked if the Funds Management Sub-committee would report its investment activities to the Housing Authority. Mr Stanford MILLER explained that the Sub-committee only made recommendations and decisions were taken by the Establishment and Finance Committee. Daily investment operations were carried out by the Department in accordance with a set of approved investment guidelines. There were also AD/F monthly updates on the Authority's financial position and funds management. These EFC papers could be made available to Members upon request. Moreover, a summary of the decisions made by the Committee was included in the Secretary's Report. However, in view of Members' concern, the meeting concluded that an executive summary on the management of the Authority's funds should be prepared for Members' information on a quarterly basis. The Chairman reminded Members to exercise caution as some of the information contained was confidential and commercially sensitive.

17. In response to Mr LEE Wing-tat's enquiry concerning expenditure on maintenance and improvements, Mr Stanford MILLER explained that according to paragraph 20 of the paper, about \$18.9 billion was forecast for the five-year period. Additional funding might be required if new policy initiatives were introduced.

18. Mr Daniel LAM Chun noted that there was substantial increase in expenditure on the purchase of computer assets within the five-year period and requested for details of the projects. Mr R J AVON explained that the budget was prepared on AD/F the basis of the approved Information System Strategy. The Department would supply Mr Lam with the information after the meeting.

19. With the above comments, Members approved the Authority's Revised Budget for 1993/94, Proposed Budget for 1994/95 in respect of -

- (a) the consolidated Operating Account Budgets at Annex A (i) of the paper;
- (b) the Capital Expenditure Budgets at Annex B (ii) of the paper; and
- (c) the Consolidated Cash Budgets at Annex C of the paper.

Members also noted the likely use of "available" funds and the calculation of the level of funds required as set out in Annex E and Annex F of the paper respectively.

(AGENDA Follow-up Action to Mid-term Review Item 4) of the Long Term Housing Strategy (Paper No. HA 73/93)

20. Mr HO Wing-him presented the paper reporting on the Department's progress in the collection of public views, and outlining a tentative schedule for the submission of proposals to the relevant policy committees. Mr Ho Wing-him informed the meeting that 10 District Boards had already discussed or placed on agenda to discuss the Mid-term Review of the Long Term Housing Strategy (LTHS) Departmental representatives took part in these discussions.

21. Referring to paragraph 5(d) of the paper, Mr Ho Wing-him said that a forum had been arranged on 10 January 1994 to listen to the views of concern groups having an

interest in housing policies. However, in view of the large number of concern groups in the field of public housing, it is possible that the Department might not have invited all these groups. Members were welcomed to refer to the Department any group that had not yet been invited to attend the forum. In addition, arrangements could be made to discuss the report with the Policy Division at any time.

22. Mr Ho Wing-him pointed out that most of the proposals would be put to the relevant committees for consideration in February/March 1994. While the overall package of recommendation would be put to the Authority in June 1994, some of the proposals would be discussed earlier at the Authority's meeting in March. Regarding Mr HUI Yin-fat's concern about the review of tenancy control measures, Mr Ho Wing-him said the Department's proposals would be submitted to the MOC for discussion in due course.

23. Mr FUNG Kin-kee remarked that some of the proposals to be considered by the Development Committee were also of concern to other policy committees. Mr Edward HO Sing-tin shared the same view and opined that other concern committees e.g. Building Committee should be given an opportunity to discuss the proposals before they were submitted to the DC. AD/P This arrangement would also enable Members who were not represented in the DC to partake in the discussion. In response, the Chairman said the Policy Division would consider what was the best arrangement to take the proposals through the committee network.

24. Mr LEE Wing-tat pointed out that the time-table did not include any discussion on the Sale of Flats to Sitting Tenants Scheme (SFSTS). The Chairman explained that the time-table had only included issues covered by the mid-term review. Other proposals raised by Members, including the SFSTS, would be considered separately by the Department and reported back to the relevant policy committee. In view of Members' interest in reviving the scheme, Mr FUNG Kin-kee suggested that a meeting should be arranged with ExCo to gauge the latter's response before developing the proposal further. The Chairman said that the practicality of the suggestion would be considered in due course.

25. Rev S P BURKE opined that after the policy committees had concluded their discussions, the public should be given another opportunity to comment before the recommendations were finalised and put to the Authority. The Chairman explained that it would be usual practice for committees to hold press briefings after their meetings so that the public was made aware of their deliberations. Any feedback from the public would be taken into consideration by the Authority.

26. With the above discussion, Members noted the paper.

(AGENDA Secretary's Report - Committee Work Item 5) September 1993 - November 1993)

(Paper No. HA 74/93)

27. Members noted the contents of the paper and sought the following clarifications.

Management and Operations Committee - Paragraph 9

28. In response to Mr FUNG Kin-kee's enquiry, Mr Isaac SIU Che-wing confirmed that the tenants had already paid up the rents in full.

Home Ownership Committee

(a) Paragraph 26

29. Ms LEUNG Wai-tung pointed out that the reference to "Phase 15B" should be amended to "Phase 15C".

(b) Paragraph 27

30. Ms LEUNG Wai-tung said that in a radio phone-in programme, callers claimed that they were not aware of the extension of the restriction on property ownership for white form applicants from six months to 24 months prior to applications. Ms LEUNG explained that after the MOC had resolved the revision, the new restriction was publicised at the press briefing immediately after the meeting. Mr Marco WU Moon-hoi added that the restriction was stated clearly on the application forms for Phase 15C.
Special Committee on Clearance of Kowloon Walled City

31. Mr F K HU reported that 98.8% of the households had accepted the compensation. Of the 122 outstanding cases, a few were lacking in progress and might take time to resolve.

Commercial Properties Committee - Paragraph 31

32. On Mr LEE Wing-tat's question, Mr Macro WU Moon-hoi explained that carpark charges were reviewed annually on the basis that there should be no subsidy involved, but if a comparison to the market rates was made, the current charges were only set at about 70% to 80% of the prevailing market levels. Mr FUNG Kin-kee pointed out that carpark charges should not be linked to commercial rates because of the hefty profits made by private carpark management companies. In view of the shortage of carparks, the Authority should not aggravate the problem by pegging the charges to market value.

Appeal Panel - Paragraph 41

33. In response to Ms HO On-nei, Mr Simon LI Pak-ho explained that difficulties were encountered in the collection of evidence to substantiate the emigration of the occupant. However, the Department had been actively stepping up enforcement action and would draw up clear directives for staff to follow. Rev S P BURKE pointed out that tenants often claimed that they would return to their flats after a period of absence in overseas countries of several years. It had to be made clear to the tenants that as soon as they had parted with their public rental housing unit for the purpose of migration, the flats would be recovered. The Chairman said that if Members were interested, they could attend the MOC meeting on 29 January 1994 when tenancy enforcement would be discussed.

Committee on the Allocation and Standards of Vacant Flats

34. In reply to the concern raised by Mr LEE Wing-tat on the refurbishment programme, Ms LEUNG Wai-tung said that at its meeting on 17 December 1993, the ASF had discussed new arrangements introduced to expedite the refurbishment works. The time taken to complete the works could now be shortened to two months. It was expected that 1600 units per month could be turned out later in the year.

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35. There being no other business, the meeting closed at 10:30 am.

CONFIRMED on

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

Mrs Isabella WONG
(Secretary)

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