

**立法會**  
***Legislative Council***

LC Paper No. CB(1)506/16-17  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/HG/1

**Panel on Housing**

**Minutes of meeting**  
**held on Monday, 5 December 2016, at 2:30 pm**  
**in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon Alice MAK Mei-kuen, BBS, JP (Chairman)  
Hon Andrew WAN Siu-kin (Deputy Chairman)  
Hon James TO Kun-sun  
Hon LEUNG Yiu-chung  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon Tommy CHEUNG Yu-yan, GBS, JP  
Prof Hon Joseph LEE Kok-long, SBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon CHAN Hak-kan, BBS, JP  
Hon CHAN Kin-por, BBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon LEUNG Kwok-hung  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon CHAN Chi-chuen  
Hon CHAN Han-pan, JP  
Hon LEUNG Che-cheung, BBS, MH, JP  
Dr Hon KWOK Ka-ki  
Hon KWOK Wai-keung  
Dr Hon Fernando CHEUNG Chiu-hung  
Dr Hon Helena WONG Pik-wan  
Hon POON Siu-ping, BBS, MH  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP

Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Dr Hon Junius HO Kwan-yiu, JP  
Hon HO Kai-ming  
Hon SHIU Ka-fai  
Hon Wilson OR Chong-shing, MH  
Hon YUNG Hoi-yan  
Hon Tanya CHAN  
Hon CHEUNG Kwok-kwan, JP  
Hon HUI Chi-fung  
Hon LUK Chung-hung  
Hon LAU Kwok-fan, MH  
Dr Hon CHENG Chung-tai  
Hon KWONG Chun-yu  
Hon Jeremy TAM Man-ho  
Hon Nathan LAW Kwun-chung  
Dr Hon YIU Chung-yim  
Dr Hon LAU Siu-lai

**Members absent** : Hon WONG Kwok-kin, SBS, JP  
Hon Kenneth LEUNG  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon SHIU Ka-chun  
Hon Kenneth LAU Ip-keung, MH, JP

**Public Officers attending** : Agenda Item III  
  
Ms Ada FUNG, JP  
Deputy Director (Development & Construction)  
Housing Department  
  
Mr Kenneth LEUNG  
Acting Chief Civil Engineer (Public Works Programme)  
Housing Department  
  
Ms Ann Mary TAM  
Chief Architect (5)  
Housing Department

Mr Stephen LEUNG  
Chief Architect (6)  
Housing Department

Mr HO Hin-leung  
Chief Civil Engineer (1)  
Housing Department

Mr IP Shing-tim  
Chief Civil Engineer (2)  
Housing Department

Mr Bosco CHAN  
Deputy Project Manager  
(Hong Kong Island and Islands)  
Civil Engineering and Development Department

Mr David LO  
Chief Engineer / Islands  
Civil Engineering and Development Department

Mr Keith TANG  
Deputy Head of Civil Engineering Office  
(Port & Land)  
Civil Engineering and Development Department

Mr WAN Man-leung  
Principal Project Coordinator / Housing Projects 1  
Civil Engineering and Development Department

Mr KOK Che-leung  
Assistant Director (Subventions)  
Social Welfare Department

Mr Peter KWOK  
Assistant District Officer (Sai Kung) (1)  
Sai Kung District Office  
Home Affairs Department

Agenda Item IV

Professor Anthony CHEUNG, GBS, JP  
Secretary for Transport and Housing

Mr Stanley YING, JP  
Permanent Secretary for Transport and Housing (Housing)

Miss Agnes WONG, JP  
Deputy Secretary for Transport and Housing (Housing)

Mr Andrew LAI, JP  
Deputy Secretary (Treasury)<sup>2</sup>  
Financial Services and the Treasury Bureau

Mr Adolph LEUNG, JP  
Principal Economist (2)  
Economic Analysis and Business Facilitation Unit  
Financial Secretary's Office

Mr TAM Tai-pang, JP  
Deputy Commissioner (Operations)  
Inland Revenue Department

Agenda Item V

Mr Stanley YING, JP  
Permanent Secretary for Transport and Housing (Housing)

Ms Ada FUNG, JP  
Deputy Director (Development & Construction)  
Housing Department

Miss Sandra LAM  
Assistant Director (Special Support)  
Housing Department

Mr Stephen YIM  
Assistant Director (Development & Procurement)  
Housing Department

Miss Leanne MA  
Senior Administrative Officer (Private Housing) (2)  
Housing Department

**Clerk in attendance** : Mr Derek LO  
Chief Council Secretary (1)5

**Staff in attendance** : Mr Timothy TSO  
Senior Assistant Legal Adviser 1

Mr YICK Wing-kin  
Assistant Legal Adviser 8

Mr Fred PANG  
Senior Council Secretary (1)5

Ms Ada LAU  
Senior Council Secretary (1)7

Ms Michelle NIEN  
Legislative Assistant (1)5

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**I. Information papers issued since last meeting**

Members noted that no information paper had been issued since the last regular meeting.

**II. Items for discussion at the next meeting**

(LC Paper No. CB(1)217/16-17(01) — List of follow-up actions

LC Paper No. CB(1)217/16-17(02) — List of outstanding items for discussion)

2. Members agreed to discuss the following items at the next regular meeting scheduled for Tuesday, 10 January 2017, at 4:30 pm –

- (a) Long Term Housing Strategy Annual Progress Report 2016; and
- (b) Priorities of demands for public rental housing.

3. The Chairman suggested that as the above two items involved common issues of concern, the discussion on them would be combined. Members raised no objection to the suggestion. The Chairman advised that item nos. 16 to 19,

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namely, policies on tackling under-occupation in public rental housing ("PRH") estates and overcrowding relief measures, income and net assets declarations by PRH tenants, Well-off Tenants Policies, and various housing schemes, on the List of outstanding items for discussion (LC Paper No. CB(1)217/16-17(02)) would be subsumed under the combined item.

*(Post-meeting note: On the advice of the Chairman, the regular meeting originally scheduled for 10 January 2017 was re-scheduled to 9 January 2017 at 10:45 am. At the request of the Administration and with the concurrence of the Chairman, the title of the combined item "Long Term Housing Strategy Annual Progress Report 2016 and priorities of demands for public rental housing" was revised to "Long Term Housing Strategy Annual Progress Report 2016 and Hong Kong Housing Authority's measures to maximise the rational use of public rental housing resources". Members were informed of the arrangements vide LC Paper Nos. CB(1)267/16-17 and CB(1)385/16-17.)*

**III. Head 711 projects no. B778CL-1 – Site formation and infrastructure works for public housing developments at Chung Nga Road and Area 9, Tai Po – Phase 1; no. B781CL – Infrastructure works for public housing development at Area 54, Tung Chung; and no. B186GK – Ancillary facilities block at Tseung Kwan O Area 65C2**

(LC Paper No. CB(1)217/16-17(03) — Administration's paper on Public Works Programme Items No. B778CL-1, B781CL and B186GK Site Formation, Infrastructure, Community and Welfare Facilities to Support Public Housing Developments in Tai Po, Tung Chung and Tseung Kwan O)

4. With the aid of PowerPoint, Deputy Director of Housing (Development & Construction) ("DDH(D&C)") briefed members on the Administration's proposal to upgrade three Public Works Programme items to Category A to support the public housing developments at the sites of Area 9, Tai Po and Chung Nga Road East; Area 54, Tung Chung; and Tseung Kwan O ("TKO") Area 65C2, details of which were set out in the Administration's paper (LC Paper No. CB(1)217/16-17(03)).

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(*Post-meeting note:* Presentation materials for the item were issued to members vide LC Paper No. CB(1)257/16-17(01) on 6 December 2016 in electronic form.)

5. The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP") of LegCo, they should disclose the nature of any direct or indirect pecuniary interests relating to the subjects under discussion at the meeting before they spoke on the subjects. She further drew members' attention to Rule 84 of the RoP on voting in case of direct pecuniary interest.

Scope and estimated costs of the proposed projects

6. Dr YIU Chung-yim enquired about the reasons for the significant difference in the estimated cost between the proposed projects at the sites in Tai Po and at Area 54, Tung Chung. DDH(D&C) replied that the cost difference was mainly attributable to the provision of different types of supporting infrastructure. Deputy Head of Civil Engineering Office (Port & Land), Civil Engineering and Development Department ("DHCEO(P&L), CEDD") advised that the scope of the project at the Tai Po sites mainly covered provision of formed land at Area 9 site, construction of a new carriageway and ancillary works, etc. Deputy Project Manager (Hong Kong Island and Islands), Civil Engineering and Development Department said that the project at Tung Chung was less complex than that at the Tai Po sites, and its capital cost would mainly comprise construction of sewers and a new carriageway. In response to Dr YIU's request, the Administration would provide the respective breakdown of the cost estimates for the three projects.

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(*Post-meeting note:* The Administration's supplementary information was issued to members vide LC Paper No. CB(1)336/16-17(01) on 19 December 2016.)

7. Dr KWOK Ka-ki said the media had reported that some tenants of a newly-completed PRH estate had disposed toilet/kitchen facilities such as sinks installed in their units, hence resulting in wastage. He enquired whether the case reflected the Hong Kong Housing Authority ("HA")'s quality assurance problems. DDH(D&C) replied that HA's projects had been implemented with stringent quality assurance. The case might not necessarily be related to construction quality of PRH units. On Dr KWOK's question whether the Administration had taken into account such possible wastage of public resources when working out the cost estimates for the proposed projects, DDH(D&C) advised that the three proposed projects did not cover the construction of public housing units.

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Housing developments at the proposed sites in Tai Po

8. Dr Fernando CHEUNG said the Administration had advised at a meeting of Tai Po District Council ("TPDC") in 2009 that an area within the proposed Tai Po sites was not suitable for high-density public housing development. He asked whether there was a change of the Administration's position on the matter. DDH(D&C) replied that when consulting TPDC in 2009, the Administration had advised that the Area 9 site was not suitable for public housing developments in view of its original proposed small development area. Under the current proposal, the sites of Area 9 and Chung Nga Road would be a sufficiently large area for public housing developments, allowing better provision of infrastructure and supporting facilities.

9. Mr LEUNG Che-cheung asked whether the Tai Po project involved clearance and rehousing, and whether the Administration would compress the timetable of its implementation and public housing construction. He said that the Administration should have made clear in its paper the types of public housing to be provided at the proposed sites, and enquired whether small housing units would be provided. DDH(D&C) replied that the Administration had all along followed an established mechanism to determine the housing type at a new site. Subsidized sale flats for households of about three persons would be provided at Area 54, Tung Chung, while some of the PRH units provided at the Tai Po sites would be small units.

10. Mr CHU Hoi-dick said that the developments at the Tai Po sites involved a proposal to rezone "Green Belt" land of about 27.28 hectares. Of the rezoned land, about 66% which comprised among others some land lots located close to the railway station had been reserved/sold for private housing, and only about nine hectares of land would be used for public housing. He opined that the Administration had not made good use of the rezoned land for providing public housing, and queried whether the rezoning proposal was only aimed at maximizing revenue from land sale. Dr Fernando CHEUNG said that residents nearby were not aware of the rezoning plan, and cast doubt on the effectiveness of the relevant consultation exercise. DDH(D&C) replied that under the current mechanism, after a suitable site for public housing development had been identified by the relevant bureaux, HA/Housing Department ("HD") would explore and develop the site diligently and in a timely manner.

11. Mr LEUNG Kwok-hung said that the Administration should provide more PRH units to meet the needs of the applicants on the Waiting List for PRH ("WL"). The fact that private housing accounted for a high proportion of housing supply on the rezoned land in Tai Po showed that public money would



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be used to finance the proposed site formation and infrastructure works to support private housing developments in the area, which would in turn safeguard the interests of developers and banks engaging in mortgage business.

12. Mr WU Chi-wai enquired whether the housing mix at the proposed sites would cater for the demand of the long waiting WL applicants, in particular those applying for large units, and non-elderly one-person applicants. DDH(D&C) replied that in planning PRH production, the Administration would take into account different applicants' needs. Recovered units in existing PRH estates would also be re-allocated to suitable applicants.

13. Mr CHAN Chi-chuen enquired about the Administration's follow-up actions on a motion passed at a TPDC meeting urging the Administration to re-launch consultation on housing developments at Chung Nga Road West site. Chief Architect (6), Housing Department ("CA(6), HD") replied that the Administration would prepare the development plan at Chung Nga Road West site for further consultation in due course. The Tai Po project proposed to be part-upgraded was mainly to support the proposed developments at Chung Nga Road East and Area 9.

Impacts of the proposed developments on local communities in Tai Po

14. Mr POON Siu-ping and Mr CHU Hoi-dick opined that the proposed housing developments at the Tai Po sites might cause further congestion to the nearby roads. Considering that the housing developments would be provided near Fu Hang Estate, and were not located close to the railway station, Dr CHENG Chung-tai and Dr Fernando CHEUNG were concerned about the future pressure on transport and community facilities in the area. Dr CHENG asked if there were plans to introduce new feeder bus services to the railway station and to re-organize the existing bus routes concerned.

15. DHCEO(P&L), CEDD replied that the relevant traffic impact assessment had indicated that the volume to capacity ratio during peak hours on Chuen On Road would increase from 0.3 currently to 0.58 after the new population intake, implying that the road capacity would be sufficient to cater for the new developments. Upon completion of road widening and junction improvement works, the reserve capacity of road junctions along Chung Nga Road would be at least 16%. The Transport Department would look into the transport situation in Tai Po after the new population intake, and would re-organize bus routes where appropriate. DDH(D&C) added that a new public transport interchange would be provided in Area 9 under a separate project. Mr CHU opined that the Administration should decide before the new population intake at the Tai Po sites whether it would introduce new bus services. He requested the

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Admin Administration to provide the relevant assessment on the traffic impact arising from the proposed public housing developments.

*(Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)336/16-17(01) on 19 December 2016.)*

16. On Dr CHENG's question about the impact of the Tai Po project on the two nearby hospitals, DHCEO(P&L), CEDD advised that the contractors would take into account the hospitals' operation needs when implementing traffic and environmental mitigation measures during the project period. The road sections near the hospitals would be laid with noise absorptive materials.

17. Mr CHAN Chi-chuen enquired about the environmental assessment study ("EAS") of the Tai Po project, and the number and species of trees to be removed. DDH(D&C) replied that the assessment was completed. CA(6), HD advised that about 1 900 trees at the Area 9 site would be felled and about 10 trees would be transplanted. Those trees were not of rare species.

#### Utilization of land resources at the proposed site in Tseung Kwan O

18. Dr KWOK Ka-ki enquired whether the Administration had fully utilized the proposed TKO Area 65C2 site for providing community facilities such as wet markets and cooked food centres, and elderly care facilities. Chief Architect (5), Housing Department replied that the proposed development for the site would fully utilize the development potential of the site, and the plot ratios for domestic and non-domestic uses were close to the respective maximum ratios permitted. Assistant Director (Subventions), Social Welfare Department ("AD(S),SWD") advised that the TKO site would provide a Neighbourhood Elderly Centre, and facilities for children and youth, etc. The Administration had been formulating plans to provide residential care services for elderly in the TKO district.

19. Dr CHENG Chung-tai asked whether the proposed ancillary facilities block at the TKO site would provide sport facilities such as indoor swimming pool, and sports centre to cater for the local community demand. Dr Fernando CHEUNG enquired about the provision of child care services at the site. DDH(D&C) replied that a swimming pool would not be provided in the proposed site, but another nearby site, i.e. TKO Area 65. AD(S),SWD advised that the Administration would provide child care centres in TKO Area 67 and would continue to identify suitable sites for providing such services.  
Admin Dr CHEUNG requested the Administration to provide information on the types,

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number of places and scale of child care services that would be provided additionally in TKO in the coming five years, and the relevant timetables.

- Admin 20. In response to Mr WU Chi-wai's enquiry on whether the plot ratios of non-domestic portions of the proposed sites had been fully utilized for providing necessary community and welfare facilities, DDH(D&C) advised that the plot ratios of the developments had been fully utilized. Mr WU requested the Administration to provide information on the plot ratio calculations, and the proposed uses/facilities that would be provided in the respective non-domestic portions of the sites. Dr KWOK Ka-ki said that the proposed project at the TKO site should be taken out for separate consideration when the relevant funding proposal was submitted to the Finance Committee. The Chairman requested the Admin Administration to provide information on the types of facilities that would be accommodated in the proposed ancillary facilities block in TKO Area 65C2.

*(Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)336/16-17(01) on 19 December 2016.)*

Concluding remarks

21. Concluding the discussion, the Chairman said that members supported the submission of the proposal to the Public Works Subcommittee for consideration.

**IV. Further measure to address the overheated residential property market**

(issued by the Transport and Housing— The Legislative Council Brief Bureau in November 2016 on further measures to address the overheated residential property market

LC Paper No. CB(1)217/16-17(04) — Paper on measures to address the overheated residential property market prepared by the Legislative Council Secretariat (background brief))

22. At the invitation of the Chairman, the Secretary for Transport and Housing ("STH") briefed members on the Administration's latest round of demand-side management measure with effect from 5 November 2016 to address the overheated residential property market ("the new measure"), namely

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to introduce a new flat rate of 15% for the ad valorem stamp duty ("AVD") chargeable on residential property transactions, in lieu of the existing AVD rates at Scale 1 (commonly known as "doubled ad valorem stamp duty" ("DSD")).

*(Post-meeting note: STH's speaking note, which was tabled at the meeting, was issued to members vide LC Paper No. CB(1)257/16-17(02) on 6 December 2016 in electronic form.)*

23. Members noted that the Administration had on 2 December 2016 commenced legal proceedings in respect of the oath-taking by Dr LAU Siu-lai and other three Members. Dr LAU Siu-lai enquired whether STH had received any directives not to respond to questions raised by the four Members at the meeting. STH replied that there would be a discussion between the Chief Secretary for Administration and the Chairman and Deputy Chairman of the House Committee on this matter in the afternoon. The Administration would, without prejudice to its position in respect of the pending legal proceedings, respond to questions or comments from members of the Panel at the meeting.

Effectiveness of the new measure

24. Mr KWOK Wai-keung pointed out that under the new measure, the new AVD rate for residential properties with market value of \$2 million or below was ten times the DSD rate, whereas the new AVD rate for higher-priced flats such as those with market values over \$6 million were only 2 times the corresponding DSD rates or less. He was concerned whether the new measure could address the impact of speculative activities for high-priced flats, and enquired why the Administration did not charge a higher AVD rate on the transactions of such flats. STH replied that the DSD had in general doubled the AVD rates at Scale 2, which was charged on a progressive scale. While applying a uniform rate to all residential property transactions might have relatively larger impact on lower-priced flats, the new measure was in line with the policy intent to address exuberance in the mass market in particular.

25. Ms YUNG Hoi-yan was concerned whether after its implementation for a month, the new measure had achieved its policy intent. She opined that apart from the implementation of short-term demand management measure with immediate effect, the Administration should also formulate long-term measures to halt the rise in flat prices, so as to clear the public's doubts on the Administration's capability to address the overheated property market. Dr LAU Siu-lai commented that the past several rounds of demand management measures could not help curb the property prices, but had made it more difficult for those aspiring to purchase their first flats to attain their goal. She urged the Administration to identify and address the root causes of the flat price increases,

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and to ensure that it would achieve its public housing supply target. STH replied that adequate housing land supply would be the fundamental solution to housing problem. According to experience, the price effect of a new round of demand-side management measure might not always be immediately observable. Apart from the housing demand-supply imbalance, other factors affecting flat prices included ultra-low interest rates, abundant liquidity, cheap credit under the loose global monetary environment, etc.

26. Mr HO Kai-ming and Mr LUK Chung-hung opined that members should support the initiatives to increase housing land supply. Mr LUK drew the Administration's attention to the home ownership need of sandwich class families, and urged the Administration to look into the prevailing problem of high selling prices of Home Ownership Scheme ("HOS") flats. Citing cases where land sites reserved for housing development had been left idle for a considerable period including a site at Cha Kwo Ling, Kwun Tong, and a site at Anderson Road, Mr HO said that the Administration should expedite development of housing sites including those for providing HOS flats so as to give a signal to the market that it could address the overheated property market. STH replied that to address the tight housing demand-supply balance, the Administration would continue to make good use of housing sites and overcome challenges in taking forward public housing development projects. He hoped that members and the society would support the Administration to press ahead with the housing supply initiatives.

27. Mr CHU Hoi dick said that members of the public who did not have strong home ownership aspirations would expect a steady supply of flats of different types for rental. He reiterated the concern he raised at the meeting under item III that private housing occupied more than 60% of an area rezoned from "Green Belt" in Tai Po, and enquired whether the Administration would look into the situation. STH responded that as stated in the Long Term Housing Strategy Annual Progress Report 2016, the public-private split of 60:40 would continue to be adopted in the ten-year housing supply target. The Administration had all along paid due regard to the home ownership aspirations of the community. There were currently more than 700 000 PRH units, representing almost one-third of all flats in Hong Kong, and a supply target of 200 000 new PRH units for the ten-year period from 2016-2017 to 2025-2026 was adopted. In response to Mr CHU's enquiry on whether the Administration had set a target amount of revenue from land sale to finance the projects under the Capital Works Reserve Fund ("CWRF"), Deputy Secretary (Treasury) 2, Financial Services and the Treasury Bureau advised that while the income of CWRF mainly came from land premium, the Administration could transfer fund from the General Revenue Account to implement the public works programme as necessary.

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28. Dr YIU Chung-yim said that according to the Inland Revenue Department's information, while residential property prices had increased by 8.88% from March to September 2016, there was a 4.4% increase in the property rentals for the same period. He held the view that reacceleration of investment demand for residential properties in recent months was not the only factor causing increase in flat prices, and enquired on the measures to address the increase in rentals. STH replied that the rise in flat prices and rentals in the past few years lied with the demand-supply imbalance in housing. The purpose of introducing the new measure was to help cool down the residential property market before the demand-supply situation returned to a more balanced level. With reference to the experience from previous rounds of demand-side management measures implemented since 2012, the Administration realized that when the relevant measure had driven down flat prices, there would be downward pressure on property rentals at the same time.

29. Mr Jeremy TAM said that youngsters who wished to own a flat, but could not secure a first mortgage from banks due to the large initial down payment involved might tend to accept some developers' offers for a second mortgage to top up their mortgage loans. Developers had taken advantage of this market opportunity to sell their flats at high prices, and hence might push up the overall flat prices. STH responded that the Administration had been taking a holistic view in devising different rounds of demand-side management measures. He added that established mechanism was in place to monitor the sales practices for residential properties, and in order to strengthen banks' risk management and resilience, the Hong Kong Monetary Authority had also put in place several rounds of macroprudential measures on property mortgages.

Refund mechanism under the ad valorem stamp duty regime

30. Members noted that Hong Kong Permanent Residents ("HKPRs") who acquired a new property for replacement of their original one might file partial refund of AVD paid if the original property was disposed of within six months from the date of acquiring the new property. Mr CHEUNG Kwok-kwan said that some parents living in a small flat might wish to acquire a larger unit when their children grew up. They might have cash flow problems if they were required to pay the 15% AVD in advance and could only get back the refund later. He enquired whether the Administration would take measures to relieve their difficulties in this regard. Dr CHENG Chung-tai opined that the Administration should consider relaxing the six-month timeframe, taking in view that it was not practicable for transferees of residential properties to sell their original flat within the timeframe. STH replied that the new AVD rate, including the six-month timeframe requirement for stamp duty refund, would

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not affect a HKPR if he/she did not own any other residential property at the time of acquiring a residential property. The Administration had no plan to relax such timeframe.

Purchases by non-local buyers

31. Mr CHAN Chi-chuen said that continuous depreciation of renminbi might encourage more Mainland investors to purchase flats in Hong Kong for speculative purposes, and there were cases in which flat buyers had paid for the requisite stamp duty on behalf of the sellers. He enquired whether the Administration would take further measures to curb such external demands. Dr KWOK Ka-ki raised similar enquiry, and asked about the percentage of residential property transactions involving non-local buyers. Dr KWOK and Mr LUK Chung-hung asked about the Administration's position in respect of the case where an investor had purchased a batch of 14 flats after implementation of the new measure. In reply, STH said that there might be cases where a buyer was willing to pay a higher cost for acquiring a flat due to personal preference. Under the proposed regime, apart from paying the 15% Buyer's Stamp Duty and the 15% new AVD, non-local buyers of residential properties were also required to pay the Special Stamp Duty if the relevant transaction involved short-term resale. As advised in the Administration's paper, in the third quarter of 2016, non-local buyers accounted for only 1.5% of the total residential property transactions. While the relevant figures for November 2016 were not yet available, the Administration had noticed that after implementation of the new measure, the housing market sentiment had somewhat cooled down, and residential property investors had become more cautious in making purchase decisions.

Rent control and other tax measures

32. Mr LUK Chung-hung enquired whether apart from the new measure, the Administration would consider reinstating rent control and introducing measures such as capital gains tax, vacant property tax, etc. for curbing speculative activities. Mr LEUNG Che-cheung and Mr KWOK Wai-keung opined that the new measure might discourage owners from offering their unoccupied flats for sale or lease, hence affecting the flat supply in the market. Mr LEUNG enquired whether the Administration would comprehensively implement the "Hong Kong Property for Hong Kong People" measure to assist HKPRs in buying their homes or in improving their living environment.

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33. Dr Fernando CHEUNG said that according to information, the number of households in Hong Kong was about 240 000 less than the number of permanent flats in Hong Kong. A handful of people were owners of multiple flats, and the new measure might not effectively address such allocation problem. Apart from tenancy control measures, the Administration should consider levying vacant property tax in Hong Kong like other overseas cities such as Vancouver in Canada.

34. In reply, STH said that he would relay members' views on capital gains tax and vacancy property tax to the Financial Secretary. He added that the residential flat vacancy rate in Hong Kong as at end-2015 was in fact at a low level of about 3.7%. As regards tenancy control, STH replied that as previously explained on different occasions, the Administration was of the view that such measures might bring even more disadvantages to the tenants before the benefits could be realized.

35. Dr CHENG Chung-tai and Mr Andrew WAN echoed the need for the Administration to consider introducing vacant property tax. Dr CHENG said that the new measure had limited effectiveness in suppressing speculative activities in residential property market. Mr WAN said that the total number of residential property transactions had decreased by 40% after the Vancouver authorities' announcement of the introduction of vacant property tax. Mr LEUNG Kwok hung opined that the Administration should introduce vacant property tax and then review its effectiveness. STH replied that similar to vacant property tax, the new measure should have the effect of reducing speculative activities and hence residential property transactions. On Mr WAN's question about the rate of decrease in residential property transactions since the implementation of the new measure, STH advised that such figure was not yet available at the moment.

Non-residential properties

36. Dr KWOK Ka-ki asked whether the Administration would take measures to curb the recent significant increase in speculative activities for parking spaces for cars and goods vehicles. Mr Andrew WAN said his office had projected that between introduction of the new measure on 5 November 2016 and end December 2016, there would be a total of about 1 000 transactions of car parking spaces, of which the transaction price of a car parking space could be as high as \$4 million. He expressed concern about the risk of another bubble in the market. STH replied that the new measure applied to residential properties only because the Administration noticed that the performance of the non-residential property market had been largely tepid in 2016 so far. The Administration



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would monitor the property market closely, and would implement decisive measures wherever appropriate.

*(At 4:23 pm, the Chairman announced that the meeting be extended for 15 minutes to 4:55 pm to allow more time for discussion.)*

**V. Excessive lead in drinking water in public rental housing estates incident**

(LC Paper No. CB(1)217/16-17(05) — Administration's paper on updates on issues arising from the excessive lead in drinking water in public rental housing estates incident

LC Paper No. CB(1)217/16-17(06) — Paper on excessive lead in drinking water in public rental housing estates incident prepared by the Legislative Council Secretariat (updated background brief))

37. Permanent Secretary for Transport and Housing (Housing) ("PSTH(H)") said that since the start of the "excess lead in drinking water in public rental housing" incident ("the incident"), the Administration had been providing LegCo and the public with updates on the major developments. LC Paper No. CB(1)217/16-17(05) set out the latest developments, including efforts to enhance the HA's quality assurance mechanism. DDH(D&C) then explained the enhancement measure to strengthen the HA's risk assessment system for building materials.

*(Post-meeting note: Administration's paper on the risk assessment system, which had been tabled at the meeting, was issued to members vide LC Paper No. CB(1)257/16-17(03) on 6 December 2016 in electronic form.)*

Quality assurance mechanism

Admin 38. Dr Helena WONG referred to the risk assessment system for building materials, and requested the Administration to provide the updated list of the materials that would be assessed under the system.

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(*Post-meeting note*: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)425/16-17(01) on 10 January 2017.)

Rectification works in public rental housing estates

39. The Panel noted that contractors would replace the non-compliant pipes inside domestic units of the 11 PRH developments in which excess lead in drinking water was found. Dr Helena WONG enquired whether the Administration would carry out the rectification works on weekday evenings, Saturdays and Sundays upon tenants' requests. DDH(D&C) replied that the contractors would make such special arrangements if necessary.

40. Mr Wilson OR was concerned about the progress of rectification works inside flats at Kwai Yuet House in Lower Ngau Tau Kok Estate. He further enquired whether it was the contractors to handle compensation claims by tenants for damages to the furnishings of their premises as a consequence of the works. Assistant Director (Special Support), Housing Department replied that contractors had been contacting tenants in Kwai Yuet House for household visits to work out arrangements for the rectification works since 17 October 2016, and had commenced the works on 2 November 2016 with a target of completing the works for four flats daily. Tenants so far had not reported problems caused by the works. PSTH(H) said that HA had asked the contractors to make good any damages to the furnishings as a consequence of the rectification works and to handle any compensation claims by tenants.

41. Ir Dr LO Wai-kwok and Mr Wilson OR enquired how the Administration would deal with tenants' requests for opting out of the rectification works inside their flats. PSTH(H) replied that in considering the matter, HA needed to take into account its and tenants' legal obligations under the Waterworks Ordinance/Waterworks Regulation. It was stipulated in the tenancy agreement that PRH tenants should allow HA to carry out works deemed necessary in their flats. HA believed that to safeguard the quality of drinking water, tenants should allow contractors to replace water pipes inside their flats. As some tenants might not be able to make arrangements to tie in with contractors' works programmes, such cases would be dealt with after the contractors had completed other units of the same estate. Ir Dr LO opined that the Administration should allow tenants to opt out of the works upon their requests if the test results of water samples taken from their units after replacement of water pipes in the common areas and other units in their estate were satisfactory. PSTH(H) said that he would relay members' views to the Water Supplies Department ("WSD").

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Water sampling tests for public housing estates

42. Referring to the water sampling tests to be conducted after completion of the rectification works would follow among others the WSD's Circular Letter No. 5/2015, Dr Helena WONG commented that the sampling procedures referred to in the circular which required that one should let water flow for two to five minutes before taking the sample would cause wastage of water resources. She said that in light of the recommendation of the Commission of Inquiry into Excess Lead Found in Drinking Water ("the Commission") to assess the lead content of stagnant water in the new water pipes, the Administration should take "initial draw-off" samples, instead of adopting the flushing methodology.

43. Dr Fernando CHEUNG commented that although the Commission's report published in May 2016 had pointed out that there was a collective failure on the part of all stakeholders to guard against the use of non-compliant solder in the plumbing system, no public officers had so far admitted responsibility for the incident. He said that Professor Joseph LEE who was an expert witness appointed by the Commission had conducted independent investigation into the causes of excess lead in drinking water. "Initial draw-off" water samples had been taken from the 11 affected PRH developments and six "unaffected estates". The results indicated that 47.2% of the samples had excess lead, as compared with 8% of the fully flushed samples taken by the Administration for the 11 affected estates. He asked how the Administration would address the tenants' concerns on drinking water quality, given the findings of Professor LEE's team.

44. PSTH(H) replied that the WSD Circular Letter No. 5/2015 was applicable to all properties in Hong Kong, including those managed by HA. The Development Bureau and WSD had previously reported on their follow-up work in relation to the recommendations of the Commission's report and aimed to complete the studies on the development of a water sampling protocol and put forward a proposal around March 2017. Members could refer to the Administration's recent reply to a question raised at the LegCo meeting of 30 November 2016 for details.

45. Dr KWOK Ka-ki referred to a media report that iron powders had been found in drinking water, and enquired whether such materials were one of the parameters for testing of water samples. PSTH(H) replied that in July 2015, WSD had promulgated additional test parameters of water samples covering the four heavy metals of lead, chromium, cadmium and nickel on top of the original eight test parameters. On Dr KWOK's question about the water sampling test results for the PRH estates other than the 11 affected estates, PSTH(H) advised that the water samples taken from all other PRH estates had complied with the

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provisional guideline value of the World Health Organization's "Guidelines for Drinking-Water Quality".

Children affected by the incident

Admin 46. Dr Fernando CHEUNG enquired about the latest situation of the 126 children living in the 11 affected PRH developments who had been found to have borderline raised blood lead levels. PSTH(H) undertook to provide supplementary information in this respect.

*(Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)425/16-17(01) on 10 January 2017.)*

Actions against contractors

Admin 47. Dr CHENG Chung-tai said tenants of the affected PRH developments held the view that the public officers concerned should bear the responsibilities for the incident, and queried why so far no public officers had taken the blame and resigned. Referring to the performance bond provided by contractors to HA, he enquired under what situation HA could seek recovery from the guarantor, and whether there had been cases of recovery. PSTH(H) replied that since the incident, HA had been taking actions against the four contractors for their liabilities under the contracts. On 6 November 2015, HA announced that the four contractors had agreed to provide a performance bond undertaking, in respect of each of the affected PRH developments, to provide additional commitment to implementing measures to provide safe water supply to residents. If the contractors were verified to be in default of performing any of these measures, HA could seek recovery according to the terms of the performance bond. In response to Dr CHENG's enquiry about the arrangement with respect to the contractors' commitment for providing each affected household with a subsidy of \$660, PSTH(H) said that the subsidies were provided to the households to offset part of the water and sewage charges payable within three years starting from 1 January 2016. The Administration undertook to provide details of the arrangement after the meeting.

*(Post-meeting note: The Administration's supplementary information was issued to members vide LC Paper No. CB(1)425/16-17(01) on 10 January 2017.)*

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**VI. Any other business**

48. There being no other business, the meeting ended at 4:51 pm.

Council Business Division 1  
Legislative Council Secretariat  
2 February 2017