

**Information Paper for
LegCo Panel on Housing**

**Member's Bill proposed by Hon Frederick FUNG —
Housing (Amendment) Bill 2000**

1. Background

In December 2000, the Housing Department (HD) announced that the overall median rent-income ratio (MRIR) of all public rental housing (PRH) estates in the second quarter was 10.2%, which exceeded the statutory ceiling of 10%. HD stressed that this was not resulted from rent revision and was therefore not in contravention of the law, and it had no legal obligation to reduce rent. To plug this loophole in the law, Hon Frederick FUNG, Legislative Councillor from the Association for Democracy and People's Livelihood (ADPL), submitted to the Legislative Council a Member's bill, namely the Housing (Amendment) Bill 2000, seeking to amend the existing Housing Ordinance.

2. The Bill

The Bill seeks to:

- (1) require the Housing Authority (HA) to announce on a regular basis data of the rent-to-income ratio (RIR) of PRH households; and
- (2) require HA to take action to adjust the rent if MRIR is found to have exceeded the statutory requirement of 10% so as to comply with the MRIR ceiling of 10% as provided for in the law.

3. Present Situation and Recommendation

3.1 MRIR Ceiling

Before the reunification in 1997, the Legislative Council had passed a legislative provision stipulating that any determination of variation of rent by HA in respect of any PRH estates should only take effect at least three years after the preceding rent determination came into effect and the rent determined should be of such amount that the overall MRIR of all PRH estates should not exceed 10%. However, there exists a loophole in that the law applies only to variation of rent. If HA freezes the rent and makes no variation of rent, it will not violate the law even if MRIR exceeds 10%.

ADPL and I consider that this loophole in the law enables HA to evade its duty to ease the pressure of rent on tenants by freezing the rent of PRH estates, and this indeed runs contrary to the original legislative intent. I therefore proposed a Member's bill requiring HA to publish MRIR as soon as practicable when the result of calculation is available. In the event that MRIR exceeds 10%, HA is required to take action to adjust the rent to a level that meets the requirement.

Given that the income of PRH tenants has consistently dropped in recent years, the median household income of PRH tenants has dropped from \$15,000 in the first quarter of 1998 to \$12,400 in the third quarter of 2000, representing a reduction of over 17.3%. It also means that the monthly rental payable by PRH tenants accounts for a far greater proportion of their income and exceeds the rent-setting standards of HA. At the same time, as a large number of old PRH estates are due for redevelopment, the affected tenants have to move to new PRH estates and the new rent payable by them have increased by many folds. Under these circumstances, it is very likely that the level of rent has already exceeded the MRIR ceiling of 10%.

While the latest MRIR in the second quarter of 2000 is 10.2%, this is not considered a breach of the law if HA freezes the rent and makes no variation of rent despite the level of rent has now exceeded the MRIR ceiling of 10%. I am of the opinion that since PRH rental has already outstripped the statutory ceiling, HA should take action to reduce the rent for PRH estates and should not cheat by freezing the rent.

3.2 Credibility of the Calculation of MRIR

The credibility of HA's calculation of RIR is also questionable. The MRIR in 1998 announced by HA was 9.6%. Despite a substantial drop in the income of PRH tenants in the last two years, the figure announced in 2000 was nevertheless 9.9%, which is hardly convincing. In my view, there is an obvious conflict of roles on the part of HA which is responsible for analysing MRIR on the one hand and implementing rent increases on the other. I therefore urge that an independent body be set up to analyse MRIR to ensure impartiality. (This is not covered in my bill.)

4. Position of the Bill

I submitted the Housing (Amendment) Bill 2000 to the Legislative Council on 20 October 2000. In early January 2001, I received a reply from the Housing Bureau (HB) regarding the Bill. In its reply, HB pointed out that my Bill had contravened Article 74 of the Basic Law in that the Bill related to public expenditure, structure and operation of the government. After careful

studies, ADPL and I consider that as HA's income comes from PRH rental and proceeds from the sale of PRH flats and Home Ownership Scheme flats, but not tax revenue, and policies of HA are not government policies, the Bill is not in contravention of Article 74 of the Basic Law. In response to HB's views, I am now trying to collect more relevant information so as to seek a ruling of the President of the Legislative Council later on.

5. Conclusion

The ultimate objectives of the proposed amendments to the existing Housing Ordinance put forward by ADPL and me are to ensure that the MRIR for PRH estates complies with the statutory requirement, and that the rent payable by tenants will not take up too large a proportion of their income to affect their overall living standard.

I call on the Panel on Housing to support the discussion and endorse the proposal of requiring HA to take action to adjust PRH rental to a level that meets the requirement if MRIR has exceeded 10% so as to alleviate the pressure of rent on PRH tenants.

Frederick FUNG
Legislative Councillor
January 2001