

**Extracts from the minutes of the special meeting
of the Housing Panel held on 20 December 2001**

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I Review of income and asset limits for public housing applicants

Meeting with Dr Lawrence LAI

(LC Paper No. CB(1) 647/01-02(01) -- Submission from Dr Lawrence LAI)

Dr Lawrence LAI remained of the view that the Home Ownership Scheme (HOS) should be abolished as it was not appropriate for the Government to subsidize the purchase of flats and/or construct flats for sale in direct competition with the private sector. As regards public rental housing (PRH), Dr LAI noted that while the proposed reduction of income and asset limits for applicants on the Waiting List (WL) was made in response to the changing circumstances, it was unwise for the Administration to make any drastic changes amid the current economic situation, particularly when the unemployment rate was expected to surge. The proposed reduction would affect social stability. He also emphasized the need to ensure a balanced mix of public and private flats in remote new development areas. Otherwise, the Administration would need to provide most of the community facilities since it would take longer time for private developments to mature in these areas.

2. In reply to Mr Albert CHAN's question on the number of tenant households which would choose to buy their own flats in the light of the proposed reduction of WL income and asset limits, Dr LAI said that he was not able to comment on this given the current economic situation. However, it was expected that the average waiting time for PRH would be shortened as many WL applicants would be taken out of the eligibility net for PRH as a result of the reduction. To facilitate members' understanding, Dr LAI considered it useful for the Administration to provide the number of people who would be affected by the proposed reduction.

Meeting with the Federation of H.K., Kln. and N.T. Public Housing Estates Resident & Shopowner Organizations

(LC Paper No. CB(1) 647/01-02(02) -- Submission from the Federation)

3. Mr MAN Yu-ming said that the Federation was strongly opposed to the proposed reduction of WL income and asset limits as it would deprive eligible applicants of their opportunity for PRH. Mr CHAN Wai-kwan cautioned that in order to be eligible for PRH, some WL applicants might choose to quit their jobs and apply for Comprehensive Social Security Assistance (CSSA). This would increase the financial burden on welfare. As regards the WL income and asset limits, the Federation considered that instead of using the lower 25% of the expenditure group, the Housing Authority (HA) should use the lower three-fifth group in calculating the average non-housing expenditure. Consideration should also be given to excluding

contributions to the Mandatory Provident Fund and other voluntary provident funds, as well as employee compensation and disability allowances from the calculation of WL income and asset limits.

Meeting with Hong Kong People's Council on Housing Policy (HKPCHP)
(LC Paper No. CB(1) 647/01-02(03) -- Submission from HKPCHP)

4. Mr YAU Siu-cheung and Mr CHOW Wing-kan said that HKPCHP was strongly opposed to the proposed reduction of WL income and asset limits amid the economic downturn. The proposal would not only defeat the purpose of PRH of providing adequate accommodation to those in genuine need of housing, but also depriving eligible applicants of the opportunity to improve their living conditions through PRH, thereby forcing them to cut down their expenses to cope with the high rentals in the private sector. The reduction would also mean that only the poorest would be eligible for PRH. HKPCHP considered that the Administration should review the definitions of inadequately housed households and adequate accommodation before reducing the WL income and asset limits.

5. Expressing similar views, Dr WONG Hung said that he would like to comment on the proposed reduction as an academic. He pointed out that the expenditure pattern of tenant households in the private sector had changed over the past few years. While the various subsidized home ownership schemes had enabled many tenant households to become home owners, those who could not afford to buy their own flats had to remain in private tenements and had to cut down their expenditure to cope with the high rentals amid the economic downturn. As a result, the WL income and asset limits derived from this expenditure group would inevitably be lower. He opined that the Administration should review the basis for calculating these limits taking into account the changing circumstances. Consideration should also be given to including a contingency of about 10% in the calculation of housing and non-housing expenditure of tenant households and to excluding sub-tenants in the calculation of non-housing expenditure.

Meeting with the Neighbourhood and Workers' Service Centre (NWSC)
(LC Paper No. CB(1) 647/01-02(04) -- Submission from NWSC)

6. Mr LEE Tai-shing, Miss CHEUNG Yau-ling and Ms WONG Suk-han said that NWSC admonished the Administration for reducing the income and asset limits for public housing applicants as this was at variance with the Government's pledge for provision of better housing for all. They held the view that the Administration was trying to reduce the number of WL applicants by lowering the WL income and asset limits with a view to reducing the average waiting time for PRH as pledged. On the other hand, the reduction of HOS income and asset limits was aimed at propping up the property market. They also pointed out that the current income limits for WL and HOS were unreasonably low, and that applicants would not be able to support their families with the prescribed levels of income. NWSC urged the Administration to:

- (a) uphold its pledge for annual provision of 50 000 PRH flats;
- (b) abolish the well-off tenant policy;
- (c) increase the non-housing expenditure to reasonable levels in the calculation of income and asset limits;
- (d) include an element of contingency in the non-housing expenditure;
- (e) use the average rent of all sub-tenant households in Hong Kong for calculating the housing expenditure for one-person and two-person households; and
- (f) adopt a more lenient approach in setting the income limits for HOS to enable applicants to buy the most expensive flats in a particular HOS sale exercise with ease.

Meeting with the Coalition for Defending the Housing Rights of the Grass Roots

7. Mr NG Wing-chak and Ms CHAN Tung-mui said that the Coalition objected to the proposed reduction of WL income and asset limits amid the economic downturn. They considered that the proposal was against the interest of the public and would only encourage applicants to quit their jobs and apply for CSSA in order to be eligible for PRH.

Meeting with the Administration

(LC Paper No. CB(1) 429/01-02(04) -- Information paper provided by the Administration
LC Paper No. CB(1) 492/01-02 -- Power-point presentation materials
LC Paper No. CB(1) 647/01-02(05) -- Extracts from the draft minutes of the meeting held on 3 December 2001
LC Paper No. CB(1) 647/01-02(06) -- Information paper provided by the Administration)

Proposed reduction of income and asset limits

8. Dr YEUNG Sum opined that the Administration had adopted a double standard in reducing the income and asset limits in the light of the drop in rentals and property prices on the one hand, but failing to adjust the PRH rents accordingly on the other. He cautioned that the proposed reduction amid the economic downturn would inevitably aggravate the pressure on the public, thereby causing adverse psychological impact on social stability. Some applicants might also choose to quit their jobs and apply for CSSA in order to be eligible for PRH. Members of the Democratic Party were strongly opposed to any proposal to reduce the income and asset limits for public housing applicants.

9. Miss CHAN Yuen-han echoed that efforts should be made to encourage people to work instead of relying on CSSA. The proposed reduction however would force some applicants to quit their jobs and apply for CSSA in order to retain their eligibility

for PRH. Members of the Hong Kong Federation of Trade Unions therefore objected to the proposed reduction of income and asset limits for public housing applicants.

10. Mr LEE Cheuk-yan remarked that the public housing policy had fostered a sense of security among the public in the past. However, the proposed reduction of income and asset limits was at variance with the public housing policy and would arouse social instability, particularly amid the economic downturn, as a large number of WL applicants would be taken out of the eligibility net and about 7 000 sitting tenants would be required to pay additional rent. He agreed with Dr YEUNG Sum that social stability was of utmost importance under the current economic climate, and that the Administration should not reduce the income and asset limits for public housing applicants.

11. In response, the Director of Housing (Acting) (D of H (Ag)) said that there was an established review mechanism for both the WL and the HOS income and asset limits. The major consideration for these reviews was applicants' affordability which would be affected by changes in household income and market conditions. It was therefore necessary for HA to regularly review the two sets of limits to ensure rational allocation of the scarce public housing resources. Those who failed to meet the respective limits would be able to afford to rent and buy a reasonable accommodation in the private sector.

12. Mr SZETO Wah opined that the proposed reduction was unfair as many eligible applicants, particularly those who had been registered on WL for a long time, would be deprived of the opportunity for PRH. To retain their eligibility, some applicants might resort to extreme means such as filing for divorce. He questioned if the proposed reduction was aimed at reducing the number of WL applicants so as to shorten the average waiting time for PRH as pledged. If this was the case, the Administration should increase the production of PRH instead. D of H (Ag) clarified that there was no direct correlation between the review of WL income and asset limits and the pledge for reduction of average waiting time for PRH. Besides, a housing production programme was already in place for the next few years. He was confident that the annual provision of 50 000 subsidized housing opportunities to eligible households would be able to meet the housing demand.

13. As the demand for PRH would increase amid the economic downturn, Mr SZETO considered that the Administration should increase the PRH production, particularly after the implementation of the moratorium on HOS sales as fewer PRH flats would be vacated for re-allocation since sitting tenants were deprived of the opportunity to buy HOS flats. He also urged the Administration to reduce PRH rents as the current median rent-income ratio had exceeded 10% as provided under the Housing Ordinance (Cap. 283). The Head, Corporate Strategy Unit (H/CSU) explained that when drawing up the housing production programme, consideration had been given to all relevant factors, including the effect of the Tenants Purchase Scheme and the moratorium on HOS sales. D of H (Ag) added that to prevent large number of HOS flats from being left vacant, some of these flats had been transferred to PRH for allocation to those in genuine need.

14. Mr CHAN Kam-lam declared interest as a HA member. Having regard to the current economic situation, he agreed that the Administration should maintain status quo. In the event that the proposed reduction was inevitable, consideration should be given to exempting existing WL applicants from the application of the revised limits in order to minimize the adverse effect of the change on those who had been registered on WL for a long time. He also undertook to relay members' concerns to HA.

Calculation of housing and non-housing expenditure

15. Dr YEUNG Sum said that Members of the Democratic Party was considering a proposal of including a contingency sum in the formula for calculating the WL income and asset limits. Miss CHAN Yuen-han supported the inclusion which was also in line with the proposal put forward by Dr WONG Hung. She considered it necessary for the Administration to review the basis for calculating the non-housing expenditure taking into account the changing expenditure pattern of tenant households in private tenements.

16. Referring to the table appended to LC Paper No. CB(1) 647/01-02(06) which set out the different WL income limits using different expenditure groups, Mr LEE Cheuk-yan opined that the inclusion of the lower 25% of the expenditure group would pull down the non-housing expenditure of households, particularly those of working singletons as the one-person expenditure group mainly comprised non-working elderly singletons. The situation would be further aggravated in the event of surge in unemployment rate. The use of the median expenditure group could therefore better reflect the expenditure pattern of households. He said that as the purpose of public housing was to assist not only the poorest but also people in genuine need which included those low-income households, the Administration should seriously consider using the median expenditure group for setting the WL income limits.

17. Mr Frederick FUNG also expressed concern about the low WL income limit for one-person households, which was 40% less than that for 2-person households. It was doubtful that a singleton with the prescribed income could afford a rented accommodation in the private sector which met the standard set by the Administration. The Chairman echoed that the non-housing expenditure of singletons would be comparable to that of two or three-person households as they could not share the expenses with other family members. He concurred with Mr FUNG that the Administration should separately review the WL income limit for singletons.

18. H/CSU explained that the housing expenditure was calculated on the basis of the housing expenditure of tenant households in private tenements of comparable sizes to that of PRH flats for different household sizes. In reality, the sizes of the private dwellings currently occupied by these households were much smaller and hence the actual rentals paid were much lower. The Administration would review the average rent per square metre for the calculation of housing expenditure. He added that the non-housing expenditure of an expenditure group reflected the general expenditure pattern of that particular group as a whole. It was therefore not appropriate to adopt different non-housing expenditure for working singletons and non-working elderly singletons in setting the WL income limit. In addition, the use of the "average"

figure was more representative of the expenditure pattern of the particular expenditure group than the “median” or “percentile” figures. The latter only indicated the expenditure of a particular household at the specified percentile point.

19. Mr LEE Cheuk-yan was not convinced of the Administration’s response. He questioned if the Administration had taken into account the different expenditure patterns of households with working and non-working members. H/CSU advised that the average non-housing expenditure were derived from the findings of the Household Expenditure Survey (HES) conducted by the Census and Statistics Department every five years. According to the latest Survey, the average non-housing expenditure for singletons living in rental accommodation in the private sector had increased by some 40%. This was partly attributable to HA’s efforts in rehousing the low income elderly singletons to PRH over the past years. D of H (Ag) supplemented that apart from non-housing expenditure, the Administration would take into account the housing expenditure in setting the WL income limits. According to information, 35% of households living in rented accommodation in the private sector were eligible for PRH while 25% were eligible for HOS. In other words, about 60% of all households in private rented accommodation in Hong Kong were covered under the eligibility net of public housing, let alone those beneficiaries of other subsidized ownership schemes. At members’ request, the Administration undertook to -

- (a) provide a breakdown of the increase in non-housing expenditure of one-person households;
- (b) advise whether the 35% referred to applied to the situation before or after the proposed reduction of WL income and asset limits and to provide the figure for the year 1991; and
- (c) advise the statistical deviations adopted in deriving the different WL income and asset limits using different expenditure groups as set out in the table appended to LC Paper No. CB(1) 647/01-02(06).

20. Mr Frederick FUNG remained of the view that the lower one-third expenditure group should be used in the calculation of the non-housing expenditure. H/CSU advised that prior to 1997, the average expenditure of the lowest one-third expenditure group had been adopted in the calculation of non-housing expenditure. HA had only recently relaxed the calculation by using the average of the lower half expenditure group in 1997. Mr LEUNG Yiu-chung questioned whether such a decision was made to take account of the resources earmarked for public housing. Noting that the number of eligible households for PRH would only be increased by 45 000 if the median expenditure group were adopted for setting the WL income limits, he considered that additional resources should be allocated to meet the demand. Besides, not all eligible households would apply for PRH.

21. Mr Frederick FUNG and Mr LEE Cheuk-yan remarked that the proposed WL income limits were too low, almost comparable to CSSA. H/CSU replied that this was not the case. By way of illustration, the WL income limit for one-person households was \$6,200 which was much higher than that for CSSA of \$3,700.

Miss CHAN Yuen-han however pointed out that the Administration had failed to take into account other allowances under CSSA in making the comparison. She opined that reference should be made to the CSSA Scheme in the calculation of non-housing expenditure. The Chairman also urged the Administration to re-consider whether PRH was targeted at the poorest such as CSSA recipients. If not, a more lenient approach should be adopted in deriving the WL income and asset limits so that PRH tenants could have a better quality of life and could provide better education for their children to enable them to climb up the social ladder. D of H (Ag) reiterated that there was an established mechanism to regularly review the WL income and asset limits in order to ensure rational allocation of the public housing resources. He added that sitting tenants who had been living in PRH for ten years or more were required to declare household income at a biennial cycle, and that only those with a household income exceeding the corresponding Subsidy Income Limit were required to pay 1.5 times or double net rent plus rates as appropriate. At members' request, the Administration undertook to set out in a table the housing and non-housing expenditure of recipients of CSSA living in private tenements and in public rental housing estates.

22. Given the far-reaching implications of the issue, members agreed to continue discussion of the subject at the next regular Panel meeting to be held on 7 January 2002. The item on "Rehousing policy for residents affected by squatter clearances" originally scheduled for discussion at that meeting would be deferred to the meeting in February 2002. To facilitate future discussion, the Administration was requested to -

- (a) re-consider including a contingency sum of about 10% in the housing and non-housing expenditure of the reference group in deriving the WL and HOS income and asset limits; and
- (b) advise how the Administration could determine who was in genuine need of housing.

Meanwhile, members were requested to forward their further views and proposals in writing to the Secretariat for onward transmission to the Administration. A paper setting out its response and additional information requested by members should be provided by the Administration before the next meeting.

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