

**Extracts from the minutes of the meeting
of the Housing Panel held on 7 January 2002**

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V Review of income and asset limits for public housing applicants

- (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 (Chinese version only)
- LC Paper No. CB(1)647/01-02(06) — Information paper provided by the Administration
- LC Paper No. CB(1)724/01-02(05) — List of follow-up action arising from the discussion on 20 December 2001
- LC Paper No. CB(1)724/01-02(06) — Administration's response to CB(1) 724/01-02(05))

Formula for deriving the Waiting List income and asset limits

21. Referring to Annex A to LC Paper CB(1) 724/01-02(06) setting out the comparison of the average monthly non-housing expenditure of CSSA households with that of the reduced Waiting List income limits (WLIL) calculated under the existing formula, Mr LEE Cheuk-yan noted that there was only a marginal difference of about \$1,000 in the non-housing expenditure between CSSA recipients in PRH and WL applicants. This had proved that the inclusion of non-working households, which largely comprised CSSA recipients, had pulled down the non-housing expenditure of the reference groups. To this end, the Administration should review the formula for WLIL taking into account the different expenditure pattern of households with working and non-working members.

22. Dr YEUNG Sum remarked that PRH had not only provided a safety net, but also helped enhance social stability and enabled many families to prosper which was particularly important during the economic downturn and surge in unemployment rate. The proposed reduction of WLIL would defeat the purposes of PRH. He urged the Administration to take into account the plight of the low income group and review the formula for WLIL. Expressing similar concern, Mr LEUNG Yiu-chung held the view that the reduction was aimed at reducing the number of WL applicants in order to achieve the pledge to shorten the average waiting time for PRH without increasing the supply of PRH. Mr Frederick FUNG echoed that the decrease in HOS supply as a result of the moratorium on HOS sales and reduction in HOS production implied that fewer PRH could be vacated for re-allocation. Given the high rentals in the private sector, he urged that instead of reducing WLIL, the Administration should increase WLIL as well as PRH production to make up the shortfall, so that the low income group could improve their living conditions through rehousing to PRH.

23. The Deputy Director of Housing (DD of H) reiterated 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. He clarified that there was no direct correlation between the review of the limits and the pledge for reduction of average waiting time for PRH. Besides, a public housing development programme was already in place which could ensure that at least 20 000 PRH flats per year would be allocated to WL applicants over the next few years. He was confident that the average waiting time for PRH would be reduced to three years by 2003. As for the types of accommodation which were occupied by those who fell outside the eligibility net of PRH, DD of H replied that no relevant information was available.

Motion on relaxation of the formula for deriving the Waiting List income limit by Mr Albert HO, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Mr Frederick FUNG (LC Paper No. CB(1) 711/01-02)

24. The Chairman briefed members on the motion on relaxation of the formula for deriving WLIL. He then invited views from the Administration.

25. On the proposed inclusion of rent for flats of sizes below 20 square metres and bedspaces in the calculation of housing expenditure, DD of H advised that 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 so were the actual rentals paid. The Administration would review the average rent per square metre for the calculation of housing expenditure for different household sizes. As regards the proposal of including a "contingency" sum of 10% of the household income in the calculation of non-housing expenditure, DD of H explained that the average non-housing expenditure for setting the WL and the HOS income limits were derived from the findings of the Household Expenditure Survey (HES) conducted by the Census and Statistics Department. Apart from basic necessities, HES also covered expenditure on non-essential items which accounted for about 10% or more of the total non-housing expenditure of the reference groups. Similarly, the calculation of housing expenditure had assumed a much higher housing cost than what the target households of PRH would actually spend. Therefore, the current formula had already provided for a "contingency" sum in the calculation of both the housing and the non-housing expenditure. As for the proposed adoption of the average of the second lowest quarter expenditure in the calculation of the non-housing expenditure, DD of H clarified that in the past, the lowest one-third expenditure group had been adopted. However, as the use of the average of the lower half expenditure group could better reflect the actual spending pattern of the group, this had been adopted since 1997. The existing formula had ensured that households which had difficulty in renting suitable accommodation in the private sector would be eligible for public housing assistance.

26. Mr CHAN Kam-lam said that Members of the Democratic Alliance for Betterment of Hong Kong had a neutral stance on the motion. He however stressed that WLIL should not be manipulated as a means to control the number of WL applicants in the event of fluctuation in the supply of PRH. Efforts should be made to avoid drastic changes to WLIL as these would affect a large number of WL applicants, particularly those who had registered on WL for a long time. DD of H explained that at present, about 80% of the households in private rented accommodation were covered under the eligibility net of public housing, of which 35% would be eligible for PRH, 25% for HOS and 20% for other SHO schemes, including the Home Starter Loan Scheme. He added that HA might consider exempting the application of the new limits on those applicants who had successfully gone through the vetting process and were awaiting flat allocation should it decide to adjust WLIL as in the case of the last review exercise in 2001. Mr CHAN opined that the exemption should apply to all existing WL applicants. Mr LEE Cheuk-yan however questioned how prospective applicants whose income was marginally above WLIL could afford to buy HOS flats given the low prescribed income and asset limits. He remained of the view that the proposals under the motion would effectively address the problems arising from the current formula for deriving WLIL so that no further changes would be required in the future.

27. The Chairman proposed and Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Mr Frederick FUNG seconded the following motion:

“That this Panel requests the Housing Authority to relax the formula for deriving the Waiting List (WL) income limits taking into account the following proposals -

- (a) To include the rent for flats of sizes below 20 square metres and bedspaces in the calculation of housing expenditure;
- (b) To calculate the rental expenditure per square metre according to household sizes;
- (c) To include an element of “contingency money” equivalent to 10% of the household income in the calculation of non-housing expenditure; and
- (d) To calculate the non-housing expenditure using the average of the second lowest quarter expenditure group, i.e., only the 26-50% of the expenditure group should be used as the basis for calculation.”

28. Of the members present at the meeting, nine voted for the motion and one abstained. The motion was carried. The Chairman instructed that the motion be conveyed to the Administration.

(Post-meeting note: A letter on the motion was issued to the Administration on 8 January 2002.)

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