

Statement by Prof. Ho Lok Sang, Director of Centre for Public Policy Studies, Lingnan University

The present set up, with the Housing Bureau, Housing Department, the Housing Authority and the Housing Society being in charge of housing policy and implementation is certainly not optimal. Simplifying and streamlining the structure will save the government money, and may improve the efficiency of policy implementation. However, how helpful is the effective implementation of a policy if it is wrong? The crux of the problem behind Hong Kong's misguided housing policy lies deeper. I implore the honorable members of the Legislative Council to consider the following argument.

In principle, today the Housing Bureau is in charge of Hong Kong's housing policy. The Housing Department, the Housing Authority, and the Housing Society are just different agents to implement the policy, while the Planning and Lands Bureau and the Lands Department provide policy and infrastructure support. There is obviously some unnecessary duplication, and to outsiders the profusion of government and semi-government agencies are a cause for confusion. But these problems are far secondary to the crucial question of wherein lies the brain center for Hong Kong's housing policies, and whether this brain center is well informed and prudent in its decisions.

How much authority does the Housing Authority have? How much authority does the Housing Bureau have? Does the Housing Department have any say at all in regard to housing policy? What is the role of the Hon. Donald Tsang, who is understood to have assumed the role of spokesman for the SAR's housing policy, as suggested a few times by the Hon. Antony Leung? Is the Hon. Donald Tsang the brain center for Hong Kong's housing policy now? Once upon a time, Mr. Tung Chee-hwa surprised the media and some members of the Executive Council by his remark that "the policy of constructing 85,000 units a year had long been non-existent." Is Mr. Tung Chee-hwa the brain center of Hong Kong's housing policy?

How well informed is the brain center, whoever it is? How well does this brain center come into grips with the way the housing market works? How much understanding does this brain center have about how the various components of the housing market hang together? Does it know anything about the ecology of the housing market and its relations with the employment picture and the economy in general? Does it understand that it is the poorly conceived and designed tenant purchase scheme(TPS) that destroys the equity values of hundreds of thousands of homeowners in Hong Kong? Is it brave

enough to recognize its mistakes and correct its mistakes? Is the brain center “accountable”?

In his first Policy Address on 8 October 1997, the Chief Executive announced major new initiatives to help all households gain access to adequate and affordable housing, and to encourage home ownership in the community. In particular, he pledged that the Government will:

- Build not less than 85 000 flats a year (public and private sectors), starting from 1999-2000, as a long-term target to meet the future needs of the community;
- Achieve a home ownership rate of 70% by 2007; and
- Reduce the average waiting time for public rental housing to three years by 2005.

Table: Number of Households and Housing Stock: 1978-1996 (thousands)

Year	Number of Households	Housing Stock			<i>Households minus Housing Stock.</i>	
		Private Housing	<i>Public Housing</i> Renter ;Owner-occupied	<i>Total</i>		
1982	1319	522	505	26	1053	266
1983	1350	542	533	36	1111	239
1984	1405	563	554	48	1165	240
1985	1435	592	572	67	1231	204
1986	1488	625	579	81	1285	203
1987	1515	658	596	86	1340	175
1988	1544	692	621	98	1411	133
1989	1553	726	651	118	1495	59
1990	1574	753	667	130	1550	24
1991	1622	781	681	143	1605	17
1992	1663	805	672	166	1643	20
1993	1706	833	677	186	1696	10
1994	1763	866	684	204	1754	9
1995	1815	886	691	222	1799	16
1996	1840	903	708	239	1850	-10

Note: Figures for 1996 are estimated.

Source: Richard Wong, “How severe is the housing shortage in Hong Kong,” HKCER Letters, Vol. 42, January, 1997

According to official statistics, which are reproduced by Richard Wong in an early article in the HKCER Letters, the housing quantity shortage had been redressed by 1996, as shown in the above Table. As Prof. Wong himself acknowledges in his article, the price rise very much reflect the public’s bid for quality. What was the rationale for introducing the 85,000 unit per year production target—which is a quantity response?

Will restructuring the organization of the housing policy arms of the government avoid such policy mistake?

I am truly worried that this brain center is not well informed, does not understand the way the housing market works, and prescribes poor policies for Hong Kong. If this is the case, restructuring the policy implementation machinery will not help.

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