

Review of the Institutional Framework for Public Housing
(Comments to the LegCo Panel on Housing)

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Introduction

There are two major issues with regard to the review of the institutional framework for public housing. First of all, it is the merging of the Housing Bureau and the Bureau of Planning and Lands into a new policy-making bureau: Bureau of Housing, Planning and Lands. Secondly, it is the centralization of the policy-making power to this new bureau by changing the Housing Authority into a pure consultative body.

Careful consideration must be given to the above two issues before any decision is made. It is because many problems can be resulted from the merging of the bureaus and changing the role of the Housing Authority. They include:

- (1) conflict of interest of the new policy-making bureau
- (2) ambiguity of identity of the new policy-making bureau
- (3) lack of transparency in policy-making
- (4) lack of public accountability in policy-making
- (5) lack of public participation in housing policy

The problems in (a) and (b) are more related to the merging of the two bureaus into the new Bureau of Housing, Planning and Lands. The rest of the problems will be triggered off by changing the Housing Authority into a pure consultative body. I will explain in my comments below on why the proposed new institutional framework will cause these problems.

(1) Merging of the Housing Bureau and Planning and Lands Bureau

(a) Conflict of Interest

Since both the Bureau of Housing and Bureau of Planning and Lands are government bureaus, there should not be major barriers for their communication and cooperation in joint policy-making. Even if there is efficiency gain in merging the two bureaus, it should be small and insignificant, especially when compared with the conflict of interest and ambiguous identity problems resulted. Consequently, the efficiency gain, if any, in policy-making may simply be produced at the expense of the public interest.

A very delicate balance has to be maintained in the housing policy of Hong Kong. It is the balance between the supply of public housing and private housing. This balance can further be related to the balance of the interest between the lower income households who rely heavily on public housing for their housing needs and the land developers who profit from the private housing. It is often believed that the HKSAR Government is biased towards the housing developers in maintaining such a balance. For instance, the HKSAR Government has stopped the sale of housing under the Home Ownership Scheme after the major land developers openly criticized the Home Ownership Scheme as a cause of the falling prices in the private housing market.

There are both economic and political reasons for the policy bias of the HKSAR Government in housing. Politically, the Chief Executive is elected by the election constituency of only 800 people. The constituency is heavily dominated by business interest, including land developers and other parties that benefit from the prosperity in the private housing market, such as the banking and financial sectors. Hence, the land developers and the related interests are strong interest groups that have powerful lobbying power on the HKSAR Government on the supply of public housing.

Economically, the HKSAR Government has a financial incentive to limit the supply of public housing to create high property prices in the private housing market. It is because land sales is a major revenue source of the HKSAR Government. In 1997-98, land sales accounts for 23% of the government revenue. In 1999-2000, even after the substantial adjustment in property prices under the Asian Financial Crisis, it still accounts for 15% of the government revenue. Therefore, even without the influence of the land developers, the HKSAR Government itself still has a “natural” bias towards having less public housing.

(b) Ambiguity of Identity

To resolve the above conflict of interest problem, multiple solutions must be sought. Politically, Hong Kong should have a popularly elected Chief Executive so that the CE will not be subject to the big political influence of land developers any more. He will make more policy decisions in the interest of the general public, instead of the vested interest of the rich minority. To remove the economic bias, the public finance system must also be reformed to reduce the dependence of government on land sales as a revenue source.

However, it is understandable that both political reform and public finance reform take time. In the meantime, having a separate bureau of housing will be the minimum institutional safeguard against the conflict of interest. Even if the Housing Bureau is going to be merged, it will be a very bad decision to merge it with the Bureau of Planning and Lands. As land sales is the responsibility of the Bureau of Planning and Lands, the bureau has a natural tendency to reduce the supply of public housing to boost up the profit from land sales. Given the strong lobbying power of the land developers, it is very likely that the new bureau created after the merging will emphasize more on profit from

land sales and profit of the land developers rather than the interest of citizens who depends on public housing.

This argument of the conflict of interest of the new bureau is similar to the argument against the merging of the Environment and Food Bureau and the Education and Manpower Bureau into the new Bureau of Commerce, Industry and Manpower. It will be difficult for the new Bureau of Commerce, Industry and Manpower to balance the interest of the business and the labor. Similarly, it will be difficult for the new Bureau of Housing, Planning and Lands to balance the interest of the general public and the land developers in the provision of public housing.

Because of the conflict of interest, the new bureau will also face an identify crisis which creates ambiguity, stress and tension in its internal management and external relationship management. Finally, it must be pointed out that perception is often reality in politics. The merging of the bureaus will unavoidably further weaken the public confidence on the integrity and social justice of public housing policy.

(2) Changing the Housing Authority into a Pure Consultative Body

(a) Reduction in Public Accountability and Transparency

The existing institutional framework for public housing is not perfect. However, the new institutional framework is not addressing the existing problems. To make things worse, it is weakening its institutional strengths. Therefore, to quote the words of Anson Chan, the former Chief Secretary, in commenting the existing civil service reforms, the proposed institutional framework is “throwing the baby out with the bath water.”

In the existing structure of the Housing Authority, it consists of 28 non-official members and 4 official members who are appointed by the Chief Executive for a two-year term. Although the members are appointed, not popularly elected, the Housing Authority still provides a channel for the public to participate in the policy-making of public housing. By taking away the policy-making power of the Housing Authority and centralizing the power to the new bureau, even the existing very limited public accountability is stripped away.

Since the Chief Executive himself is not directly elected, it is hard to imagine that the centralization of the policy-making power will do any good to public accountability. Additionally, it is not hard to imagine that the reduction in public accountability is further intensified by the newly proposed ministerial system. By using political appointees, who possibility have a business and upper class background, instead of the civil service, to head the new bureau, it is doubtful whether the values and interest of the public can be safeguarded in the making of public housing policy under the new ministerial system.

In addition, the Housing Authority is a relatively open and transparent policy-making body. For example, the meetings of the Housing Authority are open to the public.

When the policy-making power is centralized to the new bureau, it is very doubtful that whether such level of openness and transparency can be maintained. At least, it is not the usual practice for a government bureau to make their meetings open to the public. The “politics” of public housing policy will be “administrativized” in the new institutional structure.

The proposed new institutional framework is taking away both the right of the public to know and to influence. What are needed for the institutional reform are more openness, more transparency and more accountability. Ironically, all these characteristics are being weakened in the new institutional framework.

(b) Denial of Public Participation

Even if the Administration can make a convincing argument that the new ministerial system can ensure public accountability, taking away the policy-making power of the Housing Authority will still deny the right of the public to participate in the housing policy. In fact, this argument is still valid even if we have a fully democratic government. Having a democratic political system in general will not automatically compensate for the lack of public participation in the housing policy.

In the US, it is common to set up a special district or single-purpose government to take care of a single function of government. Special district or single-purpose government refers to popularly elected government that is in charge of a single function, such as education or transportation. Examples of them include school districts, water districts and transportation districts. This kind of government is very different from the traditional government, the general-purpose government, which is responsible for the provision of multiple services for the citizens.

There are many advantages in setting up single-purpose government. One of the advantages that is relevant to our discussion is to resolve the problem of “bundling” in democracy. Bundling is a technical term used in the literature of Political Economy to refer to one of the “government failures”. In a very simple sense, bundling is the problem that a politician can still win an election in a democracy though not all his policies are supported by the voters. It is mainly because when the voter votes for a politician, he is voting for a bundle of policies of the politician. For example, it is possible that a voter may still vote for a politician because he supports the education and environmental policies of the politician but not the foreign policy of the politician. However, by setting up a single-purpose government, the voter will have a chance to vote for a politician who can exactly reflect his preference in that particular policy area. Single-purpose is especially useful for important policy areas, such as education.

Although the Housing Authority is not popularly elected, at the very least, it has involved members coming from the general public to express the preference of the public on public housing policy. Housing is also a very important policy area for Hong Kong. In this sense, Housing Authority can be viewed as a single-purpose government on

housing. Even if we have a democratic political system, by taking away the policy-making power of Housing Authority, we will still have the problem of bundling and do not allow the public to express completely their preference on housing. An important channel for the expression of public preference on housing is abolished by the new institutional framework. Given the fact that Hong Kong still does not has a democratic political system, it is also very doubtful that to what extent will the public's concerns be taken into consideration in the making of housing policy.

Conclusion

The proposed new institutional framework will lead to a series of problems. They include the conflict of interest and ambiguous identity in the new Bureau of Housing, Planning and Lands. This will compromise the normal functioning of the bureau and the public trust it can earn from the public. The centralization of housing policy-making power to the new bureau and changing the Housing Authority into a pure consultative body will greatly weaken the public accountability, transparency and public participation in public policy-making in general and housing policy-making in particular in Hong Kong.

By criticizing the new institutional framework, it does not mean that the existing institutional framework is perfect and there is no need for change. In fact, there is still so much room for the existing system to be reformed and improved, particularly by making it more open, transparent, and accountable. Unfortunately, the proposed new institutional framework is reforming the system in the opposite and wrong direction.