

**Review of the institutional framework for public housing:
statement by the Chief Secretary for Administration on 20 June 2002**

Ladies and Gentlemen,

Introduction

The Committee on the Review of the Institutional Framework for Public Housing (the Committee), which I chair, has now completed its task. Our report is published today (20 June), following endorsement of its recommendations by the Chief Executive in Council. I thank members of the Legislative Council, the Housing Authority, the Housing Society, Government colleagues, organisations and private individuals who have forwarded their views on the many complex issues involved.

2. As well as making specific recommendations for organisational change, the Report contains a re-statement of our housing policy and identifies the problems confronting the present institutional framework. I will now outline to you these key features of the Report.

Re-statement of policy

3. The main objectives underlying our housing strategy remain to provide “Better Housing for All” to the Hong Kong community, and to do so by making maximum use of private sector resources, so that public resources can be focused efficiently on families in genuine need. In meeting demand from families in the low income group, we will increasingly rely on direct fiscal subsidy. The traditional construction of public housing by Government agencies will become secondary. This will make the best use of public funds, provide greater choice to consumers and allow us to respond quickly and flexibly to short term changes in housing demand.

4. In delivering our public housing programmes, we will also ensure the stability of the private sector market by avoiding any overlap with the subsidised home ownership market, and by a clear and transparent system of land sale and allocation.

Successes and challenges

5. Chapter 3 of the Report highlights the successes of our housing strategy to date and the challenges we face. Since 1997, the Government has provided more than 1 300 000 people with public housing assistance, whether in the form of public rental flats or allowances, home ownership flats or home ownership loans. Redevelopment and clearance programmes have radically reduced the number of inadequately housed households. And the average waiting time for the low income group to gain access to public rental housing has been more than halved, to three years.

6. At the same time, the Report recognises that the efficient delivery of our public housing programmes is hampered by organisational and structural problems, many of which have arisen for historical reasons. They include –

- Overlapping of functions between different agencies, notably in the grey area between the formulation of strategic policy, which now rests with the Housing Bureau, and operational policy, which rests mainly with the Housing Authority.
- Confusion in relation to the individuals or agencies who should properly be regarded as spokesmen on housing matters.
- Proliferation of bureaucracy in the organisations involved in the development and implementation of the Government's public housing policy.
- Involvement of the Housing Authority and the Housing Department in areas unrelated to public housing provision.
- Uncertainty over the long term role of the Housing Society.

Recommendations for structural change

7. To address these and other related problems identified during the course of our review, the Report contains twenty recommendations in all. They fall into five groups:

- Recommendations concerning the role of the new Principal Official with responsibility for housing.

- Recommendations concerning the merger of the Housing Bureau and the Housing Department into a new housing organisation.
- Recommendations concerning the evolution of the role of the Housing Authority.
- Recommendations concerning the future role of the Housing Society.
- Miscellaneous recommendations.

Let me deal briefly with these in turn.

Role of the Principal Official

8. The Committee considers that control of housing policy should be vested in the concerned Principal Official, subject to direction by the Chief Executive acting on the advice of the Executive Council. The Principal Official will become Chairman of the Housing Authority ex officio following an appropriate change to the relevant legislation. The new arrangements will serve to integrate the operations of the Housing Authority into the Government's overall policy making process, since the Principal Official will be both Chairman of the Housing Authority and head of the new housing organisation. The Principal Official will become the sole spokesman on the Government's housing policy. He will also strengthen the links between the new housing organisation and the Legislative Council.

9. The new measures will allow for greater accountability to the Legislative Council and the public on our housing policies and programmes, and will complement the introduction of the new accountability system for Principal Officials. They will also address the criticism that, in the past, there have been too many spokesmen on housing matters, with consequent confusion to the public and to the market. They will give the general public greater certainty and clarity about the responsibility for housing policy making and delivery, and will remove any doubt about who is in charge of the decision making process.

The work of Housing Bureau and Housing Department

10. The Committee recommends that a new housing organisation should be formed by the merger of the Housing Bureau and the Housing Department. This new organisation will operate differently from the present structure in several important ways.

11. First, it will provide a unified chain of command running from formulation of housing strategy through to implementation of individual public housing programmes. The organisation will work to the Principal Official through a Permanent Secretary who will play an important role in the Housing, Planning and Lands Bureau. With effect from 1 July 2002, the Permanent Secretary will also be designated as the Director of Housing. The grey areas that now exist between the Housing Bureau and the Housing Department in terms of responsibility for operational policies will be removed.

12. Second, the new organisation will place greater emphasis on strategic planning and research, in line with our commitment to meet the fast-changing aspirations of the community. The suggested framework for the new housing organisation envisages a dedicated team working to the Principal Official through the Permanent Secretary to undertake research, co-ordinate housing policies with policies on town planning and land allocation and serve the major committees advising the Principal Official on housing strategy. Apart from the Housing Authority, these include the Steering Committee on Land Supply for Housing (HOUSCOM), now chaired by me, which will continue under the Principal Official to bear the key responsibility for forecasting land supply required for housing development and the demand for and supply of public sector housing.

13. Third, the new organisation will in future focus on the core activities of the present Housing Department: the provision of public rental housing; the procurement of services from the private sector; the assessment of eligibility for public housing assistance; and the issue of housing loans and allowances. Other extraneous functions will be transferred to other Government agencies or hived off to the private sector.

14. Fourth, the new housing organisation will pursue the initiatives already set in motion by the Housing Authority to enhance the quality of public housing construction. These include moving away from standardised designs, reviewing procurement systems, checking on non-performing contractors, updating the ISO 9000 quality system and moving towards transferring responsibility for building control of public housing projects to the Buildings Department. These measures will serve to address any residual public concerns over the quality of public housing developments, which gave rise to the commissioning of our report.

15. We envisage that the heads of all the sections of the new organisation will share the responsibility for both operational programmes and for assisting the Principal Official in policy formulation. The result will be that, in addition to the unified, “vertical” line-of command running down from the Principal Official, there will also be a holistic, "horizontal" approach to public and private housing policy, within the new organisation. All these will serve to enhance the efficiency in formulation and implementation of housing policies.

16. There will be potential for savings in directorate staff following the establishment of the new housing organisation. I know that some staff may be concerned that streamlining could lead to redundancy. This is not the intention. The Report makes it clear that the impact of these measures on the out-sourcing programme of the Housing Authority and its on-going corporate reforms will need to be carefully assessed. No significant changes will be made to existing staff levels without prior and full consultation of the staff concerned.

Role of the Housing Authority

17. The Committee gives full recognition to the major social achievements of the Housing Authority since its establishment in 1973, including the provision of nearly half the total housing stock in Hong Kong. At the same time, the Committee accepts the need for the role of the Housing Authority to evolve in the light of changing economic circumstances and community aspirations.

18. The Report recommends a two stage approach to the evolution of the Housing Authority's role within the new organisational structure. In stage one, the Principal Official will become Chairman of the Housing Authority ex officio, as I just mentioned. The necessary legislative amendments will be introduced early in the next session of the Legislative Council.

19. In this stage, new financial arrangements will be put in place with the Housing Authority to allow it to continue to provide housing assistance to families in genuine need. The Housing Authority's committee structure will also be simplified. This process will begin immediately upon the appointment of the Permanent Secretary in the new organisation. I hope that the associated administrative and financial changes can also be in place by the end of this year.

20. In phase two of the reform, the role of the Housing Authority will evolve further. First, there will be scope for additional streamlining of its executive functions and those of its committees in line with the objective of a unified structure working directly to the new Principal Official. Second, with the progressive replacement of traditional "bricks and mortar" provision of public housing by the use of direct fiscal subsidies, the responsibility for financing the public housing programme will ultimately need to return to the Government. Third, in parallel with the decrease in the traditional executive functions of the Housing Authority, it will by contrast play a much wider role in providing advice to the Government - on the private sector property market as well as housing strategy. At that time, it will be able to subsume the present role of the Long Term Housing Strategy Advisory Committee. The present, pluralistic system of appointment of Housing Authority members will remain in place.

21. The Committee considers that the changes envisaged in stage two of the reform are necessary. They will enable the Government to continue to draw on the extensive expertise of the Housing Authority and its members and to broaden the Housing Authority's advisory role, while at the same avoiding a duplication of administrative and executive function with those of the new housing organisation. The Housing Authority, by advising the Government on both private and public housing policies, will enable the Government to take a holistic approach to the development of our housing strategy. The Housing Authority members will continue to come from different sectors and tender expert advice in a transparent manner. The speed and manner in which these changes take place will be for the Principal Official to determine.

Role of the Housing Society

22. The Report acknowledges the important role played by the Housing Society in implementing various housing loan schemes and pilot schemes in response to changing market conditions. Now that the Government has firmly moved away from the provision of public housing through the traditional “bricks and mortar” approach, we will no longer need to look to the Housing Society to build public rental or subsidised home ownership flats. Again, the administration of future schemes for loans and rental allowances will be most efficiently co-ordinated under the new housing organisation.

23. However, given the extensive experience and professional skills of its members, we believe that the Housing Society has a major new role to play in partnership with the Urban Renewal Authority, to implement a comprehensive programme of urban development. At the same time, we believe our goals of transparency and accountability will be well served by the drawing up of a Memorandum of Understanding between the Housing Society and the Government to cover the Society's remaining public housing activities, for example the redevelopment of its existing public housing estates.

Other recommendations

24. Finally, in looking carefully at the portfolios of other agencies concerned in the process of housing development, we have noted particular areas that merit further attention. We have concluded that the new housing organisation should monitor actively the progress of rail-related housing developments and those of the Urban Renewal Authority, assess their implications for the Government's housing policy objectives and proactively seek HOUSCOM's guidance on these implications when necessary. This will facilitate the better planning of land supply for housing.

Conclusion

25. We have approached this entire exercise with the interests of the community as our first priority. I believe that we have struck a balance that will allow our public housing programmes to be delivered more efficiently, to resolve organisational anomalies, to improve public perceptions of the process of housing policy development, and to ensure the safe and cost-effective operation of our public housing programme.