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27 March 2003

Miss Becky Yu
Clerk to Panel on Housing
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Miss Yu,

LegCo Panel on Housing
Follow-up to meeting on 18 March 2003

Thank you for your letter of 18 March 2003 relaying the motion passed by the LegCo Panel on Housing on the same day concerning the review of the Waiting List (WL) income and asset limits for public rental housing (PRH) applicants.

We duly conveyed the motion to Members of the Rental Housing Committee (RHC) of the Housing Authority (HA) for consideration at its meeting held on 20 March 2003. Having carefully considered the views of the Panel and those expressed by various quarters in the community, the RHC decided, in accordance with the established mechanism, to reduce the existing WL income and asset limits by an average of 3.8% and 5.1% respectively. The new limits, which will be effective on 1 April 2003, are at **Annex**.

In making the decision, the RHC took into account the following considerations -

- (a) it has been a long established practice of the HA to review the WL income and asset limits annually. The objective is to ensure that the limits reflect the prevailing economic and social conditions and that only those in genuine need are eligible for PRH;

- (b) following a comprehensive review last year, the HA decided to adopt a series of measures to improve the mechanism and formula for assessing the WL income and asset limits. Among the improvement measures is the adoption of a tighter discipline in following strictly the outcome of the review based on the agreed formula;
- (c) the RHC believed that an incremental approach in adjusting the limits would cause the least inconvenience and disturbance to the existing and prospective WL applicants. Freezing the limits this year would render it even more difficult and controversial to implement any adjustment in the next year should the gap between the existing limits and those warranted under the formula become widened;
- (d) following the reduction in the WL income limits, it is estimated that some 134,000 households, or 35.8% of the total number of private sector non-owner occupiers in Hong Kong, would still remain eligible for PRH. This is much higher than the 10-year average of 109,700 households, or 32.5% of total, between 1992/93 and 2001/02; and
- (e) as regards the concern over the potential increase in the burden on the general public arising from possible increase in Government fees and charges in the coming year, the RHC was of the view that it would not be appropriate to speculate on the issue when Government had yet to announce such changes. In any event, the impact of any increase in Government fees would be reflected in the calculation of the limits next year.

To minimize any adverse impact on the existing WL applicants, the RHC also decided to exempt WL applicants who have gone through the vetting stage by 31 March 2003 from the application of the reduced WL income and asset limits. Amongst the 92,000 applicants on the WL as at end February, some 35,000 households, or 38% of the total, already went through the vetting stage and thus would not be affected by the adjustments. In addition, those WL applicants who fail in the income/asset tests but subsequently become qualified under the prevailing eligibility rules as a result of income/asset limits revisions or substantiated changes in family circumstances could reinstate their original applications within two years.

I should be grateful if you would convey the above to Members of the Panel.

Yours sincerely

(Elaine Chung)
for Director of Housing

Annex

Waiting List Income and Asset Limits for 2003/04

<u>Household Size</u>	<u>Income Limit</u>		<u>Asset Limit</u>
1-Person	\$6,900	(\$7,263)	\$180,000
2-Person	\$10,400	(\$10,947)	\$250,000
3-Person	\$12,200	(\$12,842)	\$330,000
4-Person	\$14,600	(\$15,368)	\$380,000
5-Person	\$16,500	(\$17,368)	\$430,000
6-Person	\$18,100	(\$19,053)	\$470,000
7-Person	\$19,600	(\$20,632)	\$510,000
8-Person	\$20,700	(\$21,789)	\$520,000
9-Person	\$22,300	(\$23,474)	\$570,000
10-Person and above	\$23,600	(\$24,842)	\$610,000

Figures in () denotes the effective income limits should a household be contributing 5% of its income under the Mandatory Provident Fund (MPF) Scheme as required by the law.