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Summary of PRH Rent Review Proposals

Options#	Pros	Cons	HA's Financial Loss ($B)	Financial Loss for the Public Purse* ($B)
(I) An Across the Board Rent Adjustment				
An Across the Board Rent Reduction of 38%	• Existing rent structure not affected • Easy to implement • Welcome by PRH tenants	• Huge financial loss, rendering it extremely difficult for the HA to fulfill its duties under S.4(1) and S.4(4) of the Housing Ordinance • Members of the community may find this option difficult to accept • May not be able to maintain the average waiting time at three years • Fail to take into account whether the existing rent levels are beyond the affordability of the majority of PRH tenants	• 1 yr -3.44 • 3 yrs -11.2	• 1yr - 2.88 • 3 yrs - 9.29
(II) A More Targeted Approach of Rent Adjustment				
(i) 40% rent reduction for households with rent-to-income ratios (RIRs) above 10%	• Rent reduction is targeted at tenants with a greater rental burden • less financial loss	• Detailed income vetting involving extremely high administrative costs • Unfair to tenants with RIRs just below 10% as they would not get any rent reduction • Major impact on the allocation policy as households would be more inclined to choose flats with higher rentals • Infeasible to adjust rents frequently according to changes in tenants' income	• 1 yr - 2.36 • 3 yrs - 7.95	• 1 yr -1.82 • 3 yrs- 6.13
(ii) Differential rent reductions for new and old estates/blocks- - 31% for estates completed before 1973 (pre-HA estates) - 36% for estates completed between 1974 and 1992 - 41% for post-1993 estates (mainly Harmony and HOS transferred blocks)	• Address the alleged problem of high rentals of new estates	• No objective basis for drawing any distinction between new and old estates and for determining the relative degrees of rent adjustment • Distort the overall rent structure as the rents of new estates with better facilities would be made on a par with those of old estates • Huge financial loss	• 1 yr - 3.35 • 3 yrs – 10.99	• 1 yr - 2.78 • 3 yrs - 9.14
(iii) Rent waiver for elderly households plus 17%rent reduction for other households	• Address the problem of high rental burden generally found among elderly households • Relatively easy to implement • Less financial loss	• Run contrary to the principle of rational allocation of resources as no means test would be conducted • Not necessary to waive the rents of elderly households when 57% of them are already in receipt of CSSA and another 5% are drawing assistance under the Rent Assistance Scheme • No objective basis for a 17% rent reduction for the other non-elderly households • Encourage family splitting, both genuine and false, that could easily lead to major abuse • Number of elderly tenants on the rise which would result in even greater financial loss in the long run	• 1 yr - 2.36 • 3 yrs - 7.41	• 1 yr -1.47 • 3 yrs - 4.7
(iv) Rent waiver for CSSA households plus 10% rent reduction for other households	• Address the problem of a rising MRIR due in a large part to increase in CSSA households • Provide a viable framework to practise a "reasonable" level of rent reduction which should be more acceptable by the public • Least financial loss to the public purse	• Might be mistaken as providing further benefits to them (**N.B.** Irrespective of the option to be adopted, SWD will correspondingly adjust the amount of CSSA payment and therefore there would be no effect on the financial status of the CSSA households) • May be accused of fiddling the MRIR figures • Detailed implementation arrangements need to be sorted out with SWD	• 1 yr - 2.52 • 3 yrs - 7.76	• 1 yr - 0.74 • 3 yrs - 2.42

* Derived by combining the respective financial gains and losses for the Government and the HA under the various options, taking into account the corresponding reduction in CSSA payment by Government after the rent reduction.

\# It is estimated that under the various options, we should be able to keep the overall median rent-to-income ratio (MRIR) within 10% throughout the rent review cycle of three years if we adopt similar rates of rent adjustments in the rent reviews for 2004 and 2005.