

Legislative Council Panel on Housing

Divestment of Housing Authority's Retail and Car-parking Facilities

Financial Information

Purpose

This paper provides financial information about the operating results of the Housing Authority (HA) in general, and its retail and car-parking (RC) facilities particularly.

Background

2. At the Panel meeting held on 3 November 2003, we briefed Members on HA's divestment project. During the discussion, Members requested information about the operating results of HA and its RC facilities. Relevant information for the years 2001/02 (actual), 2002/03 (actual) and 2003/04 (approved budget) are at the Annex.

Consolidated Operating Result

3. HA's consolidated operating surplus reduced from \$2,260 million in 2001/02 to \$565 million in 2002/03, and a deficit of \$524 million has been projected for 2003/04. The substantial deterioration in operating results over the period is mainly due to the loss of income resulting from the moratorium on sale of Home Ownership Scheme (HOS) flats from September 2001 to June 2002, as well as the cessation of HOS and suspension of the Tenant Purchase Scheme beginning from November 2002. As at 31 March 2003, HA had a cash balance of \$27.6 billion, which represented a decrease of \$5.0 billion as compared with \$32.6 billion at 31 March 2002.

Retail and Car-parking Operation

4. The income for RC operation in 2002/03 shows a reduction of \$334 million (7.3%) as compared to 2001/02. This reduction was due to an increase in vacancy rate and a decrease in rental income resulting from

the full-year effect of the rent re-assessment for retail facilities in November 2001 as well as reductions in car-park charges in January 2002 and January 2003. For 2003/04, since some new facilities will come into operation, income from RC operation is projected to increase over the previous year, even after accounting for the full-year effect of the reduction in car-park charges in 2002/03, and the continued softening of commercial rentals generally. However, the operating surplus is projected to decrease because of an increase in expenditure on property management and depreciation due to the commissioning of the new RC facilities. The rent concession provided to tenants in 2003/04 as a result of the SARS outbreak is likely to impact further on the actual performance for the year.

Housing, Planning and Lands Bureau
November 2003

Operating Account of Housing Authority and Retail & Car-parking Facilities

	2001/02 Actual		2002/03 Actual		2003/04 Approved Budget	
	Housing Authority - Consolidated Operating Account \$'M	Retail and Car-parking Facilities \$'M	Housing Authority - Consolidated Operating Account \$'M	Retail and Car-parking Facilities \$'M	Housing Authority - Consolidated Operating Account \$'M	Retail and Car-parking Facilities \$'M
Income						
Rental	13,841	4,345	14,272	3,969	15,331	4,088
Sales	20,070		6,392		4,104	
Other income ^{Note 1}	269	173	294	215	235	174
TOTAL INCOME	34,180	4,518	20,958	4,184	19,670	4,262
Expenditure ^{Note 2}	14,391	2,729	13,578	2,835	15,779	3,128
Home Ownership (HO) expenditure	12,200	-	4,754	-	3,429	-
TOTAL EXPENDITURE	26,591	2,729	18,332	2,835	19,208	3,128
Operating Surplus/(deficit) before exceptional items	7,589	1,789	2,626	1,349	462	1,134
Less: Exceptional items ^{Note 3}	5,057	265	1,235	193	896	233
Operating surplus/ (deficit) after exceptional items	2,532	1,524	1,391	1,156	(434)	901
Special write off/ Income/ Adjustment/ Provision ^{Note 4}	(399)	-	(826)	-	(90)	-
Write back of Insurance Fund	127	-	-	-	-	-
Operating surplus	2,260	1,524	565	1,156	(524)	901

Note:

1. Other income for retail & car-parking facilities mainly includes fees and charges (e.g. air-conditioning charges) recovered from tenants.
2. Expenditure includes personal emoluments, Government rent and rates, maintenance and improvements, other recurrent expenditures such as utility and property management expenditures, depreciation and share of corporate supervision and support services expenses.
3. Exceptional items include enhanced lump sum and monthly pension, ex-gratia and other special payments under the Voluntary Departure Scheme, and others such as provision for the present value of future interest liability on the outstanding HPLS loan portfolio.
4. Special write off/ income/ adjustment/ provision include write off of costs funded by HA for the Tiu Keng Leng Development, adjustment for clearance & demolition costs funded by HA for clearance projects where the vacated sites were or will be returned to the Government.