

**Speech by Secretary for Housing, Planning and Lands
at the Special Meeting of Legislative Council Finance Committee
on 15 March 2006**

Madam Chairman,

I would like to brief you on the major activities and estimated expenditure on housing in the coming year.

Major Activities

2. First of all, the Government will continue to maintain the policy of facilitating the free operation of the residential property market so as to create a stable environment for home ownership and investment. To enhance transparency and to make information on the market situation available to prospective home buyers, we will continue to release statistics on private housing supply in the primary market regularly. We will also closely monitor the operation of the self-regulatory regime instituted by the real estate sector for the sale of uncompleted flats.

3. Second, in the area of public rental housing, the Housing Authority will continue to put in adequate resources to maintain the average waiting time for public rental housing at around three years. Following listing of The Link REIT and conclusion of the judicial review concerning public housing rent, the uncertainties bearing on the Housing Authority's financial position in the past have been cleared up. The Housing Authority's financial situation has improved and should be sustainable in the short to medium term. It will continue to manage its funds prudently to maintain a sufficient working capital to meet its recurrent and construction expenditure while fulfilling its policy commitments.

4. With a more stable financial position, the Housing Authority will launch the Total Maintenance Scheme at a cost of \$6.3 billion over the next five years to carry out inspections and maintenance works in all public rental flats. Meanwhile, a programme to enhance the support and

care services for visually impaired residents in public housing estates, which will cost about \$110 million, will also be implemented. To enhance our assistance to tenants beset with financial difficulties, the Housing Authority has also relaxed the eligibility criteria for the Rent Assistance Scheme. These targeted measures are aimed at helping public housing tenants in genuine need. On a separate front, a three-month public consultation on the Housing Authority's domestic rent policy commenced on 9 March. The aim of the consultation exercise is to formulate a more flexible rent adjustment mechanism that reflects better tenants' affordability and promotes the long-term sustainability of the public housing programme. The issue will be considered at the coming meeting of the Legislative Council Panel on Housing on 17 March. The policy on public housing rent is an important subject carrying far-reaching implications. We will listen widely so as to work out an acceptable proposal that serves the best interest of our community.

Public Expenditure on Housing

5. The public expenditure on housing in 2006-07 will be about \$15.82 billion, representing 6% of the total public expenditure. The Housing Authority accounts for \$15.66 billion or 99% of the expenditure, which will be mainly used for the construction and management of public rental housing. Of the remaining 1%, \$89 million is allocated to the Housing Department from the General Revenue to meet the Government's expenditure on four programme areas, namely, matters related to the private housing market, application of statutory building control over Housing Authority's sold and divested properties, provision of administrative support to the Appeal Panel (Housing) and rehousing eligible families affected by clearance and natural disasters.

6. To achieve efficiency savings, the Housing Authority has been striving to streamline its organisation structure and re-engineer its business processes with a view to achieving a reduction of about 3 500 posts between October 2002 and March 2007. By the end of this month, a total of 3 117 posts (including more than 20 directorate posts) will have been deleted. The resulting reduction in civil service establishment is 22%, which exceeds the target reduction of 10% set by the Government.

The Housing Authority plans to further delete about 380 posts, thereby meeting the target of downsizing the overall establishment by 30%. The achievement of the above target will bring an annual savings of around \$1.3 billion in payroll costs.

Conclusion

7. In conclusion, the Housing Authority is committed to ensuring the availability of adequate resources and sites for the development of a sustainable public housing programme. Looking ahead, the Government will continue to implement a clear, comprehensive and consistent housing policy to foster the healthy development of the residential property market. The Government will also ensure rational use of scarce housing resources to meet the needs of the society.

8. My colleagues and I will be pleased to take questions from Members. Thank you.