

Bills Committee on Housing (Amendment) Bill 2007

Summary of deputations' views expressed at the meetings on 8 March and 10 May 2007 and the Administration's responses

	<u>LC Paper No.</u>
Kowloon Choi Hung Estate Residents Association	CB(1)1037/06-07(01)
Sham Shui Po Community Association	CB(1)1570/06-07(08)
Alliance for Defending Grassroots Housing Rights	CB(1)1037/06-07(02)
	CB(1)1037/06-07(03)
	CB(1)1570/06-07(06)
The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy	CB(1)1037/06-07(04)
Oi Man Estate Kar Man House Mutual Aid Committee	CB(1)1037/06-07(05)
	CB(1)1570/06-07(05)
Dr HUI Chi-man, Eddie, Professor of the Department of Building and Real Estate of Hong Kong Polytechnic University	CB(1)1074/06-07(01)
Lee On Estate Lee Wah House Mutual-Aid Committee	CB(1)1093/06-07(01)
Hong Kong Association for Democracy and People's Livelihood	CB(1)1093/06-07(02)
Mr CHIU Ka-po, Tsuen Wan District Councillor	CB(1)1093/06-07(03)
	CB(1)1570/06-07(07)
The Federation of H.K., KLN. and N.T. Public Housing Estates Resident and Shopowner Organizations	CB(1)1093/06-07(04)
Reasonable Housing Rights Concern Group	CB(1)1109/06-07(01)
	CB(1)1575/06-07(04)

	<u>LC Paper No.</u>
Chinese Grey Power	CB(1)1109/06-07(02)
	CB(1)1575/06-07(03)
Democratic Party	CB(1)1109/06-07(03)
	CB(1)1575/06-07(01)
Neighbourhood and Worker's Service Centre	CB(1)1109/06-07(04)
Mr LAI Ho-wing, Wong Tai Sin District Councillor	CB(1)1109/06-07(05)
盧兆華社區服務處	CB(1)1109/06-07(06)
Tsz Lok Community Residents' Association	CB(1)1109/06-07(07)
Tsz Wan Shan Residents' Association	CB(1)1109/06-07(08)
Social Policies Committee of the Hong Kong Federation of Trade Unions	CB(1)1171/06-07(01)
Dr Jonathan K S CHENG, Honorary Researcher of the Centre of Asia Studies of The University of Hong Kong	-
Kwai Chung Estate Housing Problem Concern Group	CB(1)1575/06-07(02)
Kwai Chung Estate Resident's Right Concern Group	CB(1)1575/06-07(05)
Mr CHAN Cheong, Kwun Tong District Councillor	-
Hong Kong People's Council on Housing Policy	-
Hong Kong Owners Club Ltd	-
Kai Yip Community Affairs Association	-
Kwai Fong Residents' Association	-
Shek Lei Estate Resident's Right Concern Group	-
Dr YIP Ngai-ming, Associate Professor of Department of Public and Social Administration of City University of Hong Kong	

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	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
1.		<i>Removal of the 10% median rent-to-income ratio (MRIR) cap</i>	
1.1	Kowloon Choi Hung Estate Residents Association	The only statutory safeguard for public rental housing (PRH) tenants in respect of increases in PRH rents will no longer be available upon the removal of the 10% MRIR cap.	<p>The rationale behind LegCo's enactment of the private members' bill to introduce the statutory MRIR cap is to ensure that PRH rents would remain within tenants' affordability. However, detailed analysis of the past movements in the MRIR has clearly shown that the figure is affected by a number of extraneous factors other than the income of PRH households and the rent they pay. These extraneous factors include changes in household size distribution, number of Comprehensive Social Security Assistance (CSSA) recipients, living space standards, etc.</p> <p>The Court of Final Appeal's ruling in 2005 is that the HA is not under any statutory duty to ensure that the MRIR does not exceed 10% at any time. Nor is the 10% MRIR a statutory definition of affordability.</p> <p>The MRIR cap is not relevant to individual households since by</p>

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			<p>definition, there is always 50% of households with their rent-to-income ratios above any given MRIR figures. The MRIR cap also provides no clear guidelines or places no restriction on the extent of rent increase within the prescribed cap. We have been using the MRIR, amongst other indicators, to track tenants' affordability bearing in mind the fact that it is susceptible to influence by many extraneous factors.</p> <p>On the other hand, section 16A(4) proposed by the Housing (Amendment) Bill 2007 requires the HA to adjust PRH rent strictly in accordance with the rate of increase or decrease in the income index reflecting changes in PRH tenants' household income. In other words, PRH rent will be increased only if there is a general increase in PRH tenants' household income. This provision has in effect placed a statutory cap on the extent of rent increase in any future rent adjustment.</p>

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			In addition, under the Housing Authority's (HA) Rent Assistance Scheme (RAS), tenants with rent exceeding 20% of their household income would be eligible for rent assistance. In some lower income cases, household will get rent assistance with rent-to-income ratios (RIRs) as low as 15% or below.
1.2	Lee On Estate Lee Wah House Mutual-Aid Committee	Objection to repeal the MRIR provisions as it is a statutory safeguard for PRH tenants. It is contradictory for Housing Authority (HA) to propose removing the MRIR cap while continuing using MRIR as a general indicator for measuring tenants' affordability in allocation of PRH units.	Please refer to the response to item 1.1 above.
1.3	Dr HUI Chi-man, Eddie Professor Department of Building and Real Estate Hong Kong Polytechnic University	<ul style="list-style-type: none"> • MRIR, though a simple-and-easy measure for affordability, focuses only on median rent and median income and fails to provide the influence of other demographic and economic indicators on tenants' affordability. • The current subsidy policy based on MRIR may create financial burden on HA in the long run. 	Noted. Noted.
1.4	Democratic Party	<ul style="list-style-type: none"> • The 10% MRIR provisions were introduced to provide PRH tenants with statutory safeguard by capping the level of rent increases. After removal of the rent increase cap, HA could increase rents without taking into account tenants' affordability. The livelihood of PRH tenants could not be 	Please refer to the response to item 1.1 above.

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		<p>safeguarded.</p> <ul style="list-style-type: none"> • HA proposes to remove the MRIR cap while continue to make reference to MRIRs for measuring the affordability of tenants and fixing rents for newly completed estates. This reflects that MRIR may have its own merits in measuring tenants' affordability. • HA proposes to repeal the 10% MRIR provisions as they have restricted HA's power to increase rents. However, with a cash balance of over \$50 billion, which is estimated to increase to \$70 billion in 2011, there is no need for HA to increase rents to finance its expenditure. Moreover, with the rental operating account recording a surplus of \$600 million and \$460 million in 2004/05 and 2005/06, HA should be able to maintain a healthy balance between income and expenditure by effective control of operating costs. If necessary, HA could finance the construction of PRH by resuming the sales of flats under the Home Ownership Scheme or Tenant Purchase Scheme, or through commercial investment income. Hence, there is no need to increase rents nor to seek funds from the Government for subsidizing the operation of PRH. 	<p>Please refer to the response to item 1.1 above.</p> <p>The cash reserve of the HA is mainly the result of the proceeds from the listing of Link REIT and sale of surplus Home Ownership Scheme (HOS) flats. These proceeds are one-off in nature and are needed to generate recurrent investment income. The recurrent investment income and the HA's cash reserve are important sources of capital to sustain the PRH construction programme. To maintain an average waiting time for PRH at around 3 years, the HA needs to build some 72 000 new PRH units over the next 5 years, incurring an average construction cost of around \$6 billion per annum.</p> <p>While there is a moderate surplus of the HA's rental operating account in 2004/05 and 2005/06, the rental</p>

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			<p>operation recorded accumulated deficits of \$11.9 billion from 1994/95 to 2003/04, and we forecast a total deficit of \$8.9 billion for the five-year period between 2006/07 and 2010/11 (assuming the introduction of a rent reduction of 11.6% with effect from September 2007). Section 4(4) of the HO obliges the HA to direct its policy towards ensuring that the revenue from its estates “shall be sufficient to meet its recurrent expenditure on its estates”.</p> <p>To effectively control its operating costs, the HA has been pursuing a continuous and vigorous process of streamlining its operation and enhancing its productivity. For example, the HA’s staff establishment was radically scaled back by over 40% from 15000 in 1997/98 to 8700 in 2006/07. The construction cost of new PRH projects has been cut down by some 7% following the adoption of the “Functional and Cost-effective” design approach.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
1.5	Neighbourhood and Worker's Service Centre	<ul style="list-style-type: none"> • The purpose of the Bill is to pave way for rent increases. • Objection to repeal the MRIR provisions without which HA could increase rents without limitation. • The provision of PRH is a form of redistribution of wealth in society. The mission of PRH will be undermined by the Bill. • The Housing Ordinance (HO) has incorporated the 10% MRIR provisions to provide tenants with a safeguard against rent increases. Removing the 10% MRIR provisions will violate the objective of PRH in safeguarding citizens' basic accommodation rights. The 10% MRIR should be retained to safeguard the rights of PRH tenants. • With the proposed across-the-board rent reduction by 11.6%, the Administration argues that PRH rents will not revert to the present level in the future 10 years as income increase for PRH tenants in each rent review cycle will only be 2% to 3%. However, according to the information of Census & Statistics 	<p>The purpose of the Bill is to put in place a more equitable and rational rent adjustment mechanism that provides for both upward and downward rent adjustment according to changes in PRH tenants' household income. It matches more closely tenants' affordability and helps to promote the long-term sustainability of the PRH programme.</p> <p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p> <p>Please refer to the response to item 1.1 above.</p> <p>Section 16A(4) proposed by the Housing (Amendment) Bill 2007 requires the HA to adjust PRH rent strictly in accordance with the rate of increase or decrease in the income</p>

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		<p>Department (C&SD), the MRIRs for 2-person household, 4-person household and 5-person household have increased by 7.7%, 4.6% and 3.9% respectively in 2004-05. Apparently, the Administration has underestimated the extent of income increase for PRH tenants.</p>	<p>index reflecting changes in PRH tenants' household income. In other words, PRH rent will be increased only if there is a general increase in PRH tenants' household income, and the extent of any such increase in PRH rent is related to the extent of increase in PRH tenants' household income.</p>
1.6	<p>Hong Kong Association for Democracy and People's Livelihood</p>	<p>The MRIR cap under the HO is to prevent HA from using economic improvement as an excuse to increase rents substantially.</p>	<p>Please refer to the response to item 1.1 above.</p>
1.7	<p>Mr CHIU Ka-po Tsuen Wan District Councillor</p>	<ul style="list-style-type: none"> • Objection to the proposed legislative amendments. • The primary aim of PRH is to provide affordable housing for grassroot people. By repealing the 10% MRIR provisions and adopting an "upward and downward" rent adjustment mechanism, the Government only aims to increase rents in future. 	<p>Noted.</p> <p>Please refer to the response to items 1.1 and 1.5 above.</p>
1.8	<p>Sham Shui Po Community Association</p>	<ul style="list-style-type: none"> • Objection to repeal the 10% MRIR provisions as it can effectively restrict HA's power to increase rents when the living standard of PRH tenants is declining. After repealing the provisions, HA will be able to increase rents without limitation. 	<p>Please refer to the response to item 1.1 above</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"> Given that HA has a fiscal reserve of over \$50 billion and a surplus in its rental operating account, the existing MRIR provisions do not jeopardize the balance of income and expenditure of HA. In order to ensure that PRH rents are affordable to tenants, the MRIR provisions should not be repealed. 	<p>Please refer to the response to items 1.1 and 1.4 above.</p>
1.9	Reasonable Housing Rights Concern Group	<ul style="list-style-type: none"> The purpose of repealing the MRIR provisions is only to remove the rent increase restrictions which are currently available in the HO. Strongly objects to repeal the 10% MRIR provisions in exchange for a rent reduction. According to the ruling of the Court of Final Appeal, the purpose and effect of the MRIR provisions is "to limit both the frequency with which and the amount by which the HA may vary rents ... Limiting the HA's powers to increase rents makes social sense and is in the tenants' interests." Therefore, it is necessary to retain such provisions in HO to provide PRH tenants a safeguard against rent increases. The Administration proposes to remove the MRIR cap on the ground that it is affected by a number of extraneous factors. However, the imbalances in the "rent structure" and the "household structure" of PRH are the consequences of 20 years of policy blunders. Since the introduction of the Long Term Housing Strategy in 1987, HA has implemented a series of measures, including the Comprehensive Redevelopment Programme and the well-off tenant policy. As a result, over 	<p>Please refer to the response to items 1.1 and 1.5 above.</p> <p>Please refer to the response to items 1.1 and 1.5 above. Section 16A(5) proposed by the Housing (Amendment) Bill 2007 provides limitation on the frequency of rent variation by the HA.</p> <p>Please refer to the response to items 1.1 and also the Administration's responses to members' requests raised at the Bills Committee meeting on 16 March 2007 [CB(1)1234/06-07(01)].</p> <p>In recent years, there is a sharp rise in the proportion of small households</p>

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		<p>400 000 households have moved out from PRH in the past 20 years, leaving behind many elderly and small households, and that has given rise to the "imbalances in the household structure" and "destitution of PRH tenants".</p> <ul style="list-style-type: none"> • The Administration argues that RAS has provided a cap for rent increase. However, RAS only serves as a safety net to individual needy tenants. It could not function as a general and statutory safeguard for general PRH tenants against rent increases. Also, RAS is only a policy without statutory effect and subject to changes by HA. Therefore, the 10% MIRR provisions should be retained to safeguard all PRH tenants against rent increases. • Urge for LegCo Members not to make a political deal with the Government to accept the repeal of the MRIR provisions in exchange for a rent reduction. 	<p>among the new intake families to PRH. At present, about 41% of PRH waiting list applicants are one-person households and some 39% new PRH applications are submitted by one-person households.</p> <p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p>
1.10	Chinese Grey Power	<ul style="list-style-type: none"> • Objection to repeal the MRIR provisions in exchange for a rent reduction. • The MRIR provisions provide a safeguard for PRH tenants. The purpose of repealing the provisions is only to pave way for rent increases. 	<p>Please refer to the response to item 1.1 above.</p> <p>Please refer to the response to item 1.5 above.</p>

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1.11	Alliance for Defending Grassroots Housing Rights	<ul style="list-style-type: none"> • Strong objection to amend the 1998 Housing Amendment Ordinance and to repeal the MRIR provisions as they were enacted with strong public support. The purpose of repealing these provisions is to remove the restriction on HA's power to increase rents and resume the "executive-led" practice which is a retrograde step in democracy. • According to the ruling of the Court of Final Appeal, the purpose and effect of the MRIR provisions is to "limit both the frequency with which and the amount by which the HA may vary rents". The ruling also recognizes that "limiting the HA's powers to increase rents makes social sense and is in the tenants' interests". Although the provisions do not apply to "placing constraints" on HA's "powers to reduce rents", it does not mean that HA has no obligation and power to adjust rents as the provisions do not preclude HA from making rent adjustment on its own to fulfil its statutory duty to provide affordable public housing to people who are in need. • Given that HO has clearly defined the legislative intent which was to restrain and delineate HA's statutory power, and stipulated that MRIR provides the basis for HA to exercise its power to adjust rents, the provisions have provided sufficient conditions for the MRIR rent adjustment mechanism to operate. Hence, the Administration's allegation that the current rent adjustment mechanism cannot operate effectively is misleading. 	<p>Please refer to the response to item 1.1 above.</p> <p>The Court of Final Appeal already ruled in 2005 that the HA is not under any statutory duty to ensure that the MRIR does not exceed 10% at any time. The concerned statutory provisions in the HO only require that when a decision to increase rents is made by the HA, the overall MRIR shall not exceed 10% following such increase. The 10% MRIR cap is also not a statutory definition of affordability.</p> <p>Please refer to the response to item 1.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"> • Strongly demands to retain the "statutory safeguard" against rent increases and defend the legislative intent of the MRIR provisions for capping PRH rent increase. • Any rent adjustment must be made in accordance with the requirements set out in HO and cannot be done through administrative means. Making a political deal with the Government to accept the repeal of the MRIR provisions in exchange for a rent reduction will jeopardize the rule of law. 	<p>Please refer to the response to item 1.1 above.</p> <p>The Amendment Bill introduces a statutory rent adjustment mechanism that links rent variation strictly to changes in PRH tenants' household income.</p>
1.12	The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy	Strongly demands to defend the legislative intent of HO to cap PRH rent increases, ensuring that rent adjustments are within tenants' affordability.	Please refer to the response to item 1.1 above.
1.13	Dr Jonathan K S CHENG Honorary Researcher Centre of Asia Studies The University of Hong Kong	Supports the removal of the 10% MRIR provisions as they could not be implemented fairly for all PRH tenants.	Noted.
1.14	Kwai Chung Estate Housing Problem Concern Group	<ul style="list-style-type: none"> • The statutory 10% MRIR cap was enacted based on public consensus to safeguard the interests of PRH tenants against rental increase by HA. The 10% MRIR cap should be retained. The Bill, which is introduced to pave the way for rent increases, should be withdrawn. 	Please refer to the response to items 1.1 and 1.5 above.

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		<ul style="list-style-type: none"> With the proposed across-the-board rent reduction by 11.6%, the Administration argues that PRH rents will not revert to the present level in the future 10 years as income increase for PRH tenants in each rent review cycle is estimated to be only 2% to 3%. However, if the Administration underestimates the extent of income increase, PRH tenants will suffer from higher rents. 	(Administration's responses awaited)
1.15	Kwai Chung Estate Resident's Right Concern Group	HA has betrayed PRH tenants by divesting retail and car-parking facilities in public housing estates and seeking to repeal the 10% MRIR provisions to remove the statutory safeguard for tenants.	Please refer to the response to items 1.1 and 1.4 above.
1.16	Mr CHAN Cheong Kwun Tong District Councillor	If HA considers the 10% MRIR cap unsuitable and unsustainable, it should consider revising the cap. It should be noted that a rent-to-income ratio (RIR) of 20% already met the eligibility criteria for RAS.	Please refer to the response to item 1.1 above.
1.17	Kwai Fong Residents' Association	<ul style="list-style-type: none"> Objection to repeal the MRIR provisions. Urge for LegCo Members to safeguard PRH tenants by defending the rent increase cap in HO and to ensure that HA must adjust rent according to the provisions in HO instead of through administrative means. 	<ul style="list-style-type: none"> Noted. Please refer to the response to items 1.1 and 1.11 above.
1.18	Shek Lei Estate Resident's Right Concern Group	Objection to repeal the 10% MRIR provisions in exchange for a rent reduction. In fact, HA should have reduced PRH rents by 10% immediately after conclusion of the judicial review in 2005 concerning deferral of rent reviews.	(Administration's responses awaited)

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1.19	Dr YIP Ngai-ming Associate Professor, Deaprtment of Public and Social Administration City University of Hong Kong	<ul style="list-style-type: none"> MRIR could not reflect tenants' affordability and the 10% MRIR regime was not sustainable. The 10% MRIR cap failed to protect the interests of low-income households. HA should formulate a fair domestic rent policy by exploring other mechanisms which could truly reflect the rental affordability of tenants and address concerns of needy tenants in particular. 	<p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p>
2.	<i>New rent adjustment mechanism</i>		
2.1	Lee On Estate Lee Wah House Mutual-Aid Committee	<ul style="list-style-type: none"> Under the new rent adjustment mechanism, HA can work out its own index to reflect the average income of PRH tenants and adjust rents at its discretion. The new mechanism is introduced to pave the way for rent increases. 	<p>The Housing (Amendment) Bill prescribes strictly the operation of the new rent adjustment mechanism and the income index including the frequency of rent review and rent adjustment, as well as the parameters according to which the income index should be compiled. It also requires the HA to adjust PRH rent strictly in accordance with the rate of increase or decrease in the income index reflecting changes in PRH tenants' household income. In other words, PRH rent will be increased only if there is a general increase in PRH tenants' household income, and the extent of any such increase in PRH rent cannot be higher than the extent</p>

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		<ul style="list-style-type: none"> • The increase in the number of small and elderly households is the consequence of HA's "well-off" tenants policy. Under the policy, household members with high income have moved out from the PRH flats, leaving behind elderly tenants to live by themselves. • Objection to the exclusion of "well-off" tenants and Comprehensive Social Security Assistance (CSSA) households from the calculation of the income index which will bring about division and negative impact on the harmony among PRH residents. 	<p>of increase in PRH tenants' household income.</p> <p>(Administration's responses awaited)</p> <p>The new mechanism seeks to introduce a rent adjustment framework that is more rational, equitable and reflects more closely tenants' affordability.</p> <p>The purpose of not including CSSA and additional rent paying households in the coverage of the income index is to minimize the potential distortion brought about by tenants with extreme income profile. In calculating the income index, we would exclude additional rent-paying households and households with outlying income levels (estimated to be the top 1% household income in each household size group based on the current profile of PRH tenants' household income). CSSA</p>

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		<ul style="list-style-type: none">• Objection to the mandatory declaration system requiring PRH tenants to provide their income data. The system will duplicate the current work of C&SD and disturb tenants. Moreover, it is difficult for some PRH residents to provide income data to HA because of their unsteady income.	<p>households would also be excluded since their “income” is effectively social security allowance and changes in the CSSA amount might not be in line with changes in normal income received by other PRH tenants. Please also refer to our replies of 17 April 2007 [CB(1)1455/06-07(01)] and 16 March 2007 [CB(1)1234/06-07(01)] to the Bills Committee .</p> <p>The declaration arrangement to collect monthly household income data from sampled PRH households is introduced by the HA for general statistical analysis purposes. The declaration arrangement is designed specifically to suit the needs of the HA and the circumstances of PRH households. To mitigate the reporting burden on the part of the sampled households, only some 2000 PRH households would be selected each month from all PRH estates and no PRH households would be selected more than once within a period of 12 months. The HA’s estate offices would provide</p>

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			assistance to individual households encountering difficulties in completing the income declaration form.
2.2	Dr HUI Chi-man, Eddie Professor Department of Building and Real Estate Hong Kong Polytechnic University	<ul style="list-style-type: none"> • Welcomes the proposed income-based rent adjustment mechanism as income affects tenants' affordability more directly than other indicators like Gross Domestic Product, Consumer Price Index A and unemployment rate. The change of household income will help determine the extent of rent adjustment. The mechanism allows both upward and downward rent adjustment and is easily understood by the general public. It will ensure that PRH rental trend is in line with tenants' affordability. • As the extent of increase in households income may not correspond with rises in the Consumer Price Index, the impact of inflation should also be taken into account when assessing PRH tenants' affordability. • Under the new rent adjustment mechanism, HA needs to ensure availability of a "safety net" to provide rental assistance for the low-income households. • In the long run, HA may consider making reference to the impact of other macro-variables on tenants' affordability to develop a more market-oriented mechanism. It may also consider adopting a socially acceptable minimum standard for housing and non-housing consumption. 	<p>Noted.</p> <p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p> <p>Apart from the income index, different possible reference indicators and alternative methods such as consumer price index (A) (CPI(A)) and "residual income approach" have</p>

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		<ul style="list-style-type: none"> <li data-bbox="600 683 1545 879">• A board-brush rent adjustment approach may not be fair enough because some locations/regions are bound to have more households in lower income brackets. Therefore, rent adjustment may be a little more location-specific or region-specific. 	<p data-bbox="1581 284 2119 639">been put forth by the HA in the Consultation Paper on Review of Domestic Rent Policy. The respondents generally supported an income-based rent adjustment mechanism which could provide a stronger connection between future rent adjustments and tenants' affordability.</p> <p data-bbox="1581 683 2119 1075">The HA uses a probability-based statistical method to draw a random sample of 2 000 PRH households each month from all PRH estates in all regions. A sample size of 24 000 PRH households in a period of 12 months would be used for compiling the income index. This could help achieve good precision of the income index.</p> <p data-bbox="1581 1126 2119 1398">The compilation methodology of the income index has also been designed to effectively minimize possible distortion brought about by tenants with extreme income profile. Please refer to the response to item 2.1 above for details.</p>

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		<ul style="list-style-type: none"> HA may consider operating its own system to collect PRH tenants' income data on a mandatory basis but the whole exercise should not create unnecessary nuisance to tenants. Rather than sample survey, every household living in PRH should declare their income on a regular basis. 	Noted. Please also refer to the response to item 2.1 above.
2.3	Mr LAI Wing-ho Wong Tai Sin District Councillor	<ul style="list-style-type: none"> Supports the proposed rent adjustment mechanism which allows both upward and downward adjustments in PRH rents. 	Noted.
2.4	盧兆華社區服務處		
2.5	Tsz Lok Community Residents' Association		
2.6	Tsz Wan Shan Residents' Association		
2.7	The Federation of H.K., KLN. and N.T. Public Housing Estates Resident and Shopowner Organizations (the Federation)	<ul style="list-style-type: none"> The proposed mechanism is a reasonable mechanism for adjusting PRH rents. A rent increase cap of 10% inflation should be provided. 	Noted. Section 16A(4) proposed by the Housing (Amendment) Bill 2007 already requires the HA to adjust PRH rent strictly in accordance with the rate of increase or decrease in the income index reflecting changes in PRH tenants' household income. This provides a de facto cap in rent increase since the extent of any such

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		<ul style="list-style-type: none"> • RAS should be further relaxed such that PRH tenants with RIRs exceeding 18% will be eligible for assistance. • Objection to exclude "well-off" tenants and CSSA households from the calculation of the proposed income index. 	<p>increase in PRH rent is related to the extent of increase in PRH tenants' household income.</p> <p>The HA twice relaxed the income thresholds respectively in 2002 and 2005. At present, tenants with rent exceeding 20% of their household income would be eligible for rent assistance. In some lower income cases, household will get rent assistance with RIRs as low as 15% or below. Details of the RAS eligibility criteria are set out in Appendix V to our reply of 9 March 2007 to the Bills Committee [CB(1)1114/06-07(01)].</p> <p>Please refer to the response to item 2.1 above.</p>
2.8	Democratic Party	<ul style="list-style-type: none"> • The new mechanism could not provide adequate safeguard for PRH tenants as it fails to take into account other factors such as the impact of inflation on the affordability of PRH households. As the extent of increase in households' incomes might not correspond with rises in consumer price, PRH households' affordability may be weakened during the inflationary period and a rent increase would only increase their financial burden. 	<p>Other possible rent adjustment reference indices including the consumer price index (A) (CPI(A)) were put forward in the Consultation Paper on Review of Domestic Rent Policy. However, many respondents expressed concern that the increase in household income might not catch up</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			<p>with the rate of inflation. They supported an income-based rent adjustment which would match more closely with tenants' affordability. Under the proposed income index-based rent adjustment mechanism, PRH rent will be increased only if there is a general increase in PRH tenants' household income. It would therefore provide a strong link between rent adjustments and tenants' affordability.</p>
2.9	<p>Oi Man Estate Kar Man House Mutual Aid Committee</p>	<ul style="list-style-type: none"> • The legislative amendments must include a cap on rent increases to provide a safeguard for PRH tenants. • Given that the income and affordability of individual tenants are different, it is fairer to use the Consumer Price Index and median income as the indicators for rent fixing. 	<p>Please refer to the response to items 1.1 and 2.7 above.</p> <p>Similar to the MRIR, median income is deficient in that its movement is affected by extraneous factors other than changes in household income, in particular the changes in household size distribution. Compared with median income, the income index could discount the effects of changes in household size distribution and assess the "pure income changes" of PRH households.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"> CSSA households should not be excluded from the calculation of the income of PRH households and hence MRIR since they also have to pay rents as other tenants. Moreover, given that management fee and rates are households' fixed expenditure, they should not be separated from rent. 	<p>For CPI, please reference to the response to item 2.8 above.</p> <p>As the rental expenditure of CSSA households is fully covered by Government in most cases, the question of affordability is largely irrelevant to this group of PRH tenants. Inclusion of the CSSA households in the MRIR calculation would distort the results. The distortion is aggravated by the drastic increase in the number of CSSA households in recent years, which now account for some 20% of all PRH households</p> <p>The HA has decided to continue to collect rent inclusive of rates and management fees. Please refer to the HA's "Report on the Review of Domestic Rent Policy".</p>
2.10	Hong Kong Association for Democracy and People's Livelihood	<ul style="list-style-type: none"> Using the proposed income index of PRH households as the basis for rent adjustments fails to provide a cap on rent increases, PRH tenants are concerned that HA will increase rents to the extent of exceeding their affordability. 	Please refer to the response to items 1.1 and 2.7 above.

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
2.11	Social Policies Committee of the Hong Kong Federation of Trade Unions	<ul style="list-style-type: none"> • According to the Administration, the shortcoming of MRIR is that it would be affected by changes in household income and variations of household size distribution. However, the proposed income index also uses household income as the basis for rent adjustments. In this connection, the Administration is obliged to give a detailed explanation on the justification for adopting income index instead of MRIR. In the absence of the justification, it is not possible to fully assess whether the introduction of the proposed income index could ensure that the level of rents is a fair and objective reflection of PRH tenants' affordability. • The existing rent adjustment mechanism under with MRIR and imposes a 10% MRIR cap on rent increase. This mechanism is a better indicator for measuring tenants' affordability than the proposed income index. • The Administration has not provided sound justification for excluding CSSA households and "well-off" tenants from the calculation of the income index. The living standard of general PRH households is similar to that of CSSA households. Also, the "well-off" tenants are required to vacate their PRH flats if their income or asset levels have exceeded the specified threshold for a period of time. Given that both CSSA households and "well-off" tenants are PRH tenants and their income can also reflect tenants' affordability, they should not be excluded from the calculation of the income index. 	<p>Please refer to the response to items 1.1. A comprehensive comparison between the MRIR and the income index is set out in the Administration's responses to members requests raised at the meeting on 29 March 2007 [[CB(1)1341/06-07(01)].</p> <p>Please refer to the response to item 2.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
2.12	Sham Shui Po Community Association	<ul style="list-style-type: none"> The idea of the so-called "income index" is not clear. There is a lack of clear definition regarding the computation method, criteria and targets of the index in the proposed legislative amendments. HA could even select only specific category of households for calculating the income index. Moreover, the income index does not discount inflation, which will distort the actual affordability of PRH tenants. Furthermore, HA has sole discretion in setting the "income index" which is not subject to the monitoring by PRH residents and LegCo. It is stipulated in the Bill that CSSA tenants and "well-off" tenants are excluded from the application of the new mechanism. Also, the definition of "well-off" tenants will be subject to the decision of HA. As such, LegCo will have no power to prevent HA from increasing the rents for "well-off" tenants. Therefore, the Association objects to exclude CSSA tenants and well-off tenants from the calculation of the income index as this would bring about division among PRH residents and 	<p>The Housing (Amendment) Bill prescribes strictly the operation of the new rent adjustment mechanism and the income index including the frequency of rent review and rent adjustment, as well as the parameters according to which the income index should be compiled.</p> <p>Details of the compilation, operation and coverage of the income index have also been set out in the HA's Report on the Review of Domestic Rent Policy which is an open document available to the public. Reference can also be made to the Administration's responses to members requests raised at the meeting on 17 April 2007 [[CB(1)1455/06-07(01)].</p> <p>Please refer to the Administration's reply to the Assistant Legal Advisor of 9 March 2007 [CB(1)1114/06-07(03)] on the adjustments of rent of additional rent paying households and RAS recipients under the new rent adjustment mechanism.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		distort the general affordability of PRH tenants.	The rent paid by CSSA households is subject to review and variation under the new rent adjustment mechanism.
2.13	Chinese Grey Power	<ul style="list-style-type: none"> • Objection to adopt the income index to track the income movement of PRH. The increase in the number of small and elderly households is the consequence of HA's "well-off" tenant policy. Under the policy, most of the PRH tenants with financial means have moved out from PRH, leaving behind many elderly tenants, and that has given rise to the rising proportion of elderly and small households. • Objection to exclude CSSA households from the application of the new rent adjustment mechanism as they are also PRH tenants. • It is necessary to introduce a statutory rent level cap. 	<p>Please refer to the response to item 1.9 above and the Administration's responses to members' requests raised at the Bills Committee meeting on 16 March 2007 [CB(1)1234/06-07(01)]</p> <p>The rent paid by CSSA households is subject to review and variation under the new rent adjustment mechanism.</p> <p>(Administration's responses awaited)</p>
2.14	The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy	<ul style="list-style-type: none"> • In consideration that the economy of Hong Kong has improved, it is unlikely that deflation will reappear. As such, with the introduction of the new rent adjustment mechanism, PRH rents will only go up but not go down. • The rents for newly completed estates are already very high and the current 10% MRIR is the maximum rate of rent increase they can afford. HA should adopt a low-rent policy to enable grassroot tenants to have a fair opportunity to pursue further education and improve their standard of living. 	<p>Please refer to the response to item 1.5 above.</p> <p>To provide a fair starting point for the proposed income-index based rent adjustment mechanism to operate effectively, the HA has decided that, upon the introduction of the new rent</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none">• Objection to discount CSSA tenants and "well-off" tenants from the calculation of the income index as Housing Department (HD) has indeed charged them rents.	<p>adjustment mechanism, an across-the-board rent reduction of 11.6% should be introduced. After the rent reduction, some 70% of PRH units would have a monthly rent less than \$1 500 and some 90% less than \$2 000.</p> <p>Under the proposed rent adjustment mechanism, rent of the entire PRH stock, including the "best rent" flats in newly completed PRH estates, would be reviewed and adjusted in one go according to the same rate of change of income index. The HA's RAS would also provide assistance to those PRH households with rent exceeding a certain percentage of their household income. In some lower income cases, household will get rent assistance with RIRs as low as 15% or below.</p> <p>Please refer to the response to item 2.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
2.15	Dr Jonathan K S CHENG Honorary Researcher Centre of Asia Studies The University of Hong Kong	Supports the Bill as the new rent adjustment mechanism will eliminate the effect of extraneous factors such as household size distribution, and will enable rents to be adjusted purely according to the movement in household incomes of PRH tenants.	Noted.
2.16	Kwai Chung Estate Resident's Right Concern Group	Objection to the Bill as it is introduced to pave the way for unlimited rent increases by HA.	Please refer to the response to item 1.5 above.
2.17	Hong Kong People's Council on Housing Policy	Objection to the Bill. Given that a tenant with a RIR of 20% will be eligible for RAS, by virtue of the Bill, the MRIR cap will be relaxed to 19.9%.	Please refer to the response to item 1.1 above.
2.18	Kai Yip Community Affairs Association	<ul style="list-style-type: none"> • While agreeing that a rent adjustment mechanism should allow both upward and downward adjustments of PRH rents, the mechanism should also include a rent increase cap to safeguard the interests of PRH tenants. • As many PRH residents have not benefited from the recovery of the economy, the proposed income-based index should truly reflect the affordability of PRH tenants. • Objection to exclude "well-off" tenants and CSSA households from the calculation of the proposed income index. An index representing the general affordability should be worked out by a random sampling of all PRH households. 	<p>Please refer to the response to item 1.1 above. The changes in the income index provides a statutory cap on the extent of rent variation.</p> <p>Please refer to the response to items 1.1 and 1.5 above.</p> <p>Please refer to the response to item 2.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
2.19	Kwai Fong Residents' Association	Objection to introduce the proposed new rent adjustment mechanism as it only paves the way for rent increases.	Please refer to the response to item 1.5 above.
2.20	Neighbourhood and Worker's Service Centre	<ul style="list-style-type: none"> • The proposed mechanism for rent adjustments is unclear and confusing. • Objection to exclude the "well-off" tenants and CSSA households from the calculation of the income index as this will distort the general affordability of PRH tenants and is unfair to them. 	<p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p>
2.21	Alliance for Defending Grassroots Housing Rights	<ul style="list-style-type: none"> • The new rent adjustment mechanism which base on the change of the income index of PRH households is not in line with the legislative intent of the 10% MRIR provisions. In addition, it is contrary to the social functions of PRH in safeguarding grassroots basic accommodation rights, maintaining a stable society and leaving wealth with the people. • It is necessary to introduce a statutory rent increase cap 	<p>(Administration's responses awaited)</p> <p>(Administration's responses awaited)</p>
3.	<i>Compilation of the income index</i>		
3.1	Neighbourhood and Worker's Service Centre	<ul style="list-style-type: none"> • A sample of 1 500 to 2 000 households might not be sufficient to reflect the actual affordability of PRH tenants, thus the reliability of the income index so derived. The Administration should reconsider whether the sample size is too small and consult PRH tenants and relevant bodies on the methodology of and arrangements for income data collection. 	The HA uses a probability-based statistical method to draw a random sample of 2000 PRH households each month. This will give a sample size of 24000 PRH households in a period of 12 months for compiling the

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"><li data-bbox="600 1166 1547 1321">• To ensure the credibility and acknowledgment of the income-based index, HA should submit a report on the survey result of income data to the LegCo for endorsement before making reference to the data for rent adjustments.	<p data-bbox="1581 288 2121 520">income index. This sample size could help achieve good precision of the income index. Besides, the sampled households would be randomly drawn from all PRH estates through a systematic process.</p> <p data-bbox="1581 568 2121 1118">Computation of the income index will be done by the C&SD. To ensure the overall statistical integrity, the C&SD would also implement various quality control measures to ensure the impartiality and objectivity of the entire process of data collection and data input. These measures include checking the list of sampled households and, on a random basis, the income data provided by tenants, the documentary proof of selected tenants and the accuracy of data input.</p> <p data-bbox="1581 1166 2121 1439">The Housing (Amendment) Bill prescribes strictly the operation of the new rent adjustment mechanism and the income index including the frequency of rent review and rent adjustment, as well as the parameters according to which the income index</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			<p>should be compiled. Should the Bill be passed by the LegCo, HA would be bound by law to undertake the rent review and adjustment exercises accordingly.</p>
3.2	<p>Social Policies Committee of the Hong Kong Federation of Trade Unions</p>	<p>Objection to the mandatory declaration system. According to the existing policy, PRH tenants are required to declare their income and asset levels regularly and such measure has been proven to be effective over the past years. It would be a nuisance to PRH tenants if they are required to declare their income again for compiling the income index.</p>	<p>For general statistical analysis purposes, the HA has introduced a declaration arrangement to collect monthly household income data from sampled PRH households. To mitigate the reporting burden on the part of the sampled households, only some 2000 PRH households would be selected each month from all PRH estates and no PRH households would be selected more than once within a period of 12 months.</p> <p>As the change in income index would determine the rate of rent adjustment, it is important that representative and reliable information is used to calculate the income index. Since the declaration arrangement is designed specifically to suit the needs of the HA and the circumstances of PRH households, the HA would use the income data collected from this source to calculate the income index.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			<p>Under the current Housing Subsidy Policy, only PRH tenants who have been living in PRH for 10 years or more are required to declare household income biennially. It cannot provide the necessary data for compiling the income index to reflect the household income of all PRH households.</p>
3.3	Kwai Chung Estate Housing Problem Concern Group	<p>As data for compiling the income-based index will be collected from a monthly sample of just 1 500 to 2 000 households, the data might not reflect the actual affordability of PRH tenants and could be subject to HA's manipulation with a view to increasing rent.</p>	<p>Please refer to the response to item 3.1 above.</p>
3.4	The Federation	<p>Appointing independent organization to collect PRH income data will ensure that the income index will be more accurate and fairer.</p>	<p>Under section 25(1) of the HO (Cap. 283), only the HA and authorized officers (covering authorized civil servants and officers of the HA) may serve on PRH tenants requisitions for information. Computation of the income index will be done by the C&SD. To ensure overall statistical integrity, the C&SD would also implement various quality control measures. Please refer to the</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			response to item 3.1 above for details.
3.5	Lee On Estate Lee Wah House Mutual-Aid Committee	PRH tenants are already required to declare their incomes and assets regularly. It would be a nuisance to them if they are required to declare their incomes again for the purpose of compiling the income index.	(Administration's responses awaited)
4.	<i>Rent review cycle</i>		
4.1	Mr LAI Wing-ho Wong Tai Sin District Councillor	Objection to the proposed biennial rent review. A triennial rent review cycle should be adopted to lower administrative costs and avoid causing disturbances to PRH tenants.	<p>The HA has carefully considered the issue of how frequent PRH rent should be reviewed. It is concerned that the cumulative effects of the changes in the income index, which would be used for rent adjustments, over a relatively longer period, say three years, may result in a larger degree of rent adjustments to which tenants may find it more difficult to adapt. On balance, a shorter rent review cycle of two years is a better choice as it would help achieve a more moderate rent adjustment in every review and allow the Authority to react more quickly to changes in socio-economic circumstances.</p> <p>The additional workload generated from the income index calculation</p>

	Names of Organizations / Individuals	Views/Concerns	Administration's responses
			and rent review / adjustment would be absorbed by existing staff.
4.2	盧兆華社區服務處		
4.3	Tsz Lok Community Residents' Association		
4.4	Tsz Wan Shan Residents' Association		
4.5	The Federation	Proposes to adopt a triennial rent review cycle.	Please refer to the response to item 4.1 above.
4.6	Democratic Party	Shortening the rent review cycle from three years to two years will make it difficult for PRH tenants to predict their household expenditure. As PRH tenants' incomes are steady, it is unnecessary to implement a short rent review cycle.	Please refer to the response to item 4.1 above.
4.7	Oi Man Estate Kar Man House Mutual Aid Committee	A triennial rent review cycle should be adopted.	Please refer to the response to item 4.1 above.

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
4.8	Sham Shui Po Community Association	<ul style="list-style-type: none"> • HA should not shorten the rent review cycle to 2-year because PRH tenants worry about frequent rent increases. A triennial rent review cycle should be maintained. • HA proposes not to vary rent within two years after each rent adjustment. Such measure is too rigid since HA will be statutorily restricted from decreasing rents to alleviate PRH tenants' burden even when there is an economic downturn in Hong Kong. 	<p>Please refer to the response to item 4.1 above.</p> <p>There are various measures available to the HA to help tenants in case of an economic downturn. For example, one-month rent holiday was granted by the HA for PRH tenants in 2001, and the RAS was twice relaxed in 2002 and 2005. Under the proposed income base rent adjustment mechanism, should the general household income of PRH tenants decrease due to difficult economic conditions, such a reduction would be reflected in the changes in the income index and lead to a rent reduction.</p>
4.9	The Alliance of Wong Chuk Hang & Shek Pai Wan Concern Review of Domestic Rent Policy	<ul style="list-style-type: none"> • Objection to the proposed biennial rent review cycle as rent adjustment will be too frequent. • HD should retain the triennial rent review cycle. 	<p>Please refer to the response to item 4.1 above.</p>
4.10	Kai Yip Community Affairs Association	<p>To maintain stability in PRH rents, HA should review rent every three years instead of two years as proposed.</p>	<p>Please refer to the response to item 4.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
5	<i>Rent reduction</i>		
5.1	Kowloon Choi Hung Estate Residents Association	Despite MRIR has reached 14% in recent years, HA has not reduced PRH rents to comply with the 10% cap. Hence, PRH tenants have not enjoyed the benefits of economic recovery.	<p>The Court of Final Appeal has already ruled that the 10% MRIR is not a statutory definition of affordability, and the HA is not under a statutory duty to review rent and revise it so as to ensure that the 10% MRIR is not exceeded.</p> <p>To provide an appropriate starting point for the proposed income-index based rent adjustment mechanism to operate effectively, the HA has decided that, upon the introduction of the new rent adjustment mechanism, the current PRH rent should be reduced by 11.6%.After the rent reduction, some 70% of PRH units would have a monthly rent less than \$1,500 and some 90% less than \$2,000.</p> <p>To address the demand from political parties and resident groups for short-term rent relief measure pending the introduction of the new rent adjustment mechanism and the new rent level, the HA granted a rent</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			remission for the month of February 2007 except those paying additional rent or licence fees.
5.2	Lee On Estate Lee Wah House Mutual-Aid Committee	The MRIR has exceeded 10% in the third quarter of 2000 but HA has not reduced PRH rents according to the statutory requirement.	Please refer to the response to item 5.1 above.
5.3	Mr LAI Wing-ho Wong Tai Sin District Councillor	<ul style="list-style-type: none"> Given the sound financial position of HA, it should reduce PRH rents by 15% prior to the implementation of the new mechanism. 	An important prerequisite for the proposed income-based rent adjustment mechanism to function effectively and fairly is that PRH rent must be allowed to move both downwards or upwards according to the movement in PRH tenants' household income. The change in MRIR, however, is caused by a number of extraneous factors other than changes in PRH tenants' household income and the rent they pay. If a statutory MRIR cap is maintained, an upward adjustment in PRH rent in accordance with an increase in PRH tenants' household income cannot take place if the extraneous factors work to push up the MRIR to a level that exceeds the cap. The MRIR reached 14.3% as at the third quarter of 2006 and the

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"><li data-bbox="600 1086 1547 1161">• Rent reduction should be implemented with retrospective effect to 1 January 2007.	<p data-bbox="1581 288 2123 1038">extraneous factors contributing to the increase in the MRIR are unlikely to subside. Hence, unless the 10% MRIR cap is removed, the proposed income-based rent adjustment mechanism cannot function effectively to adjust rent upwards according to increases in PRH tenants' household income. As the proposed 11.6% rent reduction would incur a very substantial revenue loss by the HA of \$1.41 billion annually, it would be highly imprudent for the HA to introduce the rent reduction without having secured an effective legal and administrative framework to enable both downward and upward rent adjustment according to PRH tenants' household income.</p> <p data-bbox="1581 1086 2123 1439">Given that the rent of the majority of the existing PRH units as well as that for newly completed units were last reviewed in 1997, the HA has proposed to adjust the existing PRH rent according to the extent of changes in the income index since 1997, i.e. an across-the-board rent reduction of 11.6%.</p>

	Names of Organizations / Individuals	Views/Concerns	Administration's responses
			Noted.
5.4	盧兆華社區服務處		
5.5	Tsz Lok Community Residents' Association		
5.6	Tsz Wan Shan Residents' Association		
5.7	Democratic Party	<ul style="list-style-type: none"> Having regard to the variation of PRH tenants' incomes over the period of 1997 to 2004, HA should implement a rent reduction of 15.8% instead of 11.6% before the implementation of the new rent adjustment mechanism. However, despite the rent reduction, with the economic recovery of Hong Kong, PRH rents will revert to the present level after making a rent increase for 3 to 4 times. Afterwards, the rents in PRH will be increased once every two year. Hence, the burden of PRH tenants will be greatly increased. 	<p>Please refer to the response to items 5.1 and 5.3 above.</p> <p>Section 16A(4) proposed by the Housing (Amendment) Bill 2007 requires the HA to adjust PRH rent strictly in accordance with the rate of increase or decrease in the income index reflecting changes in PRH tenants' household income. In other words, PRH rent will be increased only if there is a general increase in PRH tenants' household income, and the extent of any such increase in PRH rent cannot exceed the extent of increase in PRH tenants' household income. Besides, the HA's RAS would ensure that the rent of individual PRH households would not</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			<p>exceed a certain percentage of their household income. In some lower income cases, household will get rent assistance with RIRs as low as 15% or below.</p>
5.8	<p>Hong Kong Association for Democracy and People's Livelihood</p>	<ul style="list-style-type: none"> • The income of PRH tenants has dropped since the financial turmoil in 1997. In this connection, HA should reduce rent immediately now to a reasonable level. It is unreasonable for the Administration to bundle the across-the-board reduction of 11.6% with the passage of the Bill. • HA should reduce rent to a reasonable level for providing a fair starting point for the implementation of the new mechanism. In consideration of the extent in the changes of MRIR or income index of PRH households, the level of rent reduction should be higher than the proposed 11.6% and it is proposed that the Government should reduce rent by 20%. 	<p>Please refer to the response to item 5.3 above.</p> <p>Since the changes in the MRIR are affected by a host of extraneous factors other than income and rent of PRH households, to identify a new rent level on the basis of changes in the MRIR would not only be inconsistent with the proposed income-based rent adjustment framework but also lead to a resultant rate of rent adjustment that is highly distorted and not practicable. On the rationale of the proposed rent reduction of 11.6%, please refer to the response to item 5.3.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
5.9	Chinese Grey Power	Objection to bundle rent reduction with the passage of the Bill.	Please refer to the response to item 5.3 above.
5.10	Dr Jonathan K S CHENG Honorary Researcher Centre of Asia Studies The University of Hong Kong	The proposed 11.6% rent reduction is reasonable because no adjustment in PRH rent has been made since 1997.	Noted.
5.11	Kwai Chung Estate Housing Problem Concern Group	HA has not complied with the MRIR provisions to reduce rents in the past years of deflation. HA should return the over-charged rents to PRH tenants.	Please refer to the response to item 5.1 above.
5.12	Kwai Chung Estate Resident's Right Concern Group	HA should reduce rents by 30% since the MRIR as at the third quarter of 2006 stood at 14.3% high.	(Administration's responses awaited)
6. <i>Rent remission</i>			
6.1	Mr LAI Wing-ho Wong Tai Sin District Councillor	HA has excluded "well-off" tenants from the one-off rent remission for the month of February 2007. Such decision is inconsistent with HA's proposed across-the-board rent reduction of 11.6%. Given that "well-off" households are also affected by the volatility of the Hong Kong economy in recent years, the scope of the one-off rent remission should be extended to cover households paying 1.5 times rents and double rents.	As the household income of "well-off" tenants has exceeded at least two times the Waiting List income limits, the HA has excluded the rent remission to this group of tenants. This decision is in line with past practice and the spirit of safeguarding the rational allocation of housing resources.

	Names of Organizations / Individuals	Views/Concerns	Administration's responses
6.2	盧兆華社區服務處		
6.3	Tsz Lok Community Residents' Association		
6.4	Tsz Wan Shan Residents' Association		
6.5	Democratic Party	<p>In the times of economic difficulties, HA did not lower rent to alleviate the financial hardship of PRH tenants. As the economy of Hong Kong has now improved, HA should provide rent remission for two months, instead of one.</p>	<p>To help PRH tenants cope with economic downturn in the past few years, the HA waived the rent increase approved in 1998 and 1999 and has also deferred all rent adjustments since 1999. The HA also granted one-month rent holiday for PRH tenants in 2001 and twice relaxed the RAS in 2002 and 2005.</p> <p>Upon the implementation of the new rent adjustment mechanism, the HA would introduce a new rent level by reducing the current rent by 11.6%. A one-month rent remission was also granted in February 2007 pending the introduction of the new mechanism. Please refer to the response to item 5.1 above.</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
7.	<i>Other suggestions</i>		
7.1	Oi Man Estate Kar Man House Mutual Aid Committee	<ul style="list-style-type: none"> • The high repair and maintenance cost for PRH is the primary cause of rent increase. Instead of contracted out the works to contractors of HA, minor works should be vetted by Estate Management Advisory Committee and undertaken by its maintenance team under the supervision of the estate's engineer. The time required will be shortened and the repair and maintenance cost could be lowered substantially. • Objection to the introduction of "fixed-term tenancy" as it goes against the principle that PRH is a form of social welfare. It also violates Article 36 of the Basic Law which stipulates that "Hong Kong residents shall have the right to social welfare in accordance with law". 	<p>Noted. It should also be noted that estate operating cost is but only one of the factors based on which the PRH rent has been determined under the current adjustment mechanism. Other factors included location, flat size, consumer price movement, wage movement, rates charged by Government and most importantly, tenants' affordability which sit at the heart of the HA's domestic rent policy. Under the proposed income-based rent adjustment mechanism, PRH rent would be adjusted according only to the changes in the household income of PRH tenants.</p> <p>The HA has been pursuing a continuous and vigorous process of streamlining its operation and enhancing its productivity. For example, the HA's staff establishment was radically scaled back by over 40% from 15,000 in 1997/98 to 8,700 in 2006/07. The construction cost of new PRH projects has been cut down</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
		<ul style="list-style-type: none"> • Objection to adopt the differential rent as it will bring about division among PRH tenants. PRH tenants should be allocated flats at random. 	<p>by some 7% following the adoption of the “Functional and Cost-effective” design approach.</p> <p>The HA has decided to continue to adopt a system of monthly tenancy. Please refer to the HA’s “Report on the Review of Domestic Rent Policy”.</p> <p>(Administration's responses awaited)</p>
7.2	Hong Kong Association for Democracy and People's Livelihood	The proposed legislative amendments do not regulate rent fixing for newly completed PRH estates. As such, the rent level of these estates is not subject to any legislative control and may exceed the affordability of the PRH tenants.	Under the proposed rent adjustment mechanism, rent of the entire PRH stock, including the “best rent” flats in newly completed PRH estates, would be reviewed and adjusted in one go according to the same rate of change of income index. To ensure that the resultant PRH rent is within tenants’ affordability, affordability indicators based on individual households such as rent-to-income ratios and income thresholds pitched at different levels of the respective Waiting List Income Limits are adopted under the RAS to cater for the needs of households facing

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
			different degree of financial hardship.
7.3	Democratic Party	<ul style="list-style-type: none"> • HA should relax the policy of RAS by removing the requirements that households may apply for RAS only after living in a PRH flat for three years and that RAS households have to move to flats in older block types after receiving the assistance for three years. • HA should reduce the income limit of RAS from 20% RIR to 15% RIR to relieve the rentalburden of PRH tenants. The level of rent reduction under different thresholds for RAS should also be relaxed as follows: 	<p>Noted. The HA has already taken major steps in recent years to enhance the RAS including lifting the requirement that applicants have to live in their flats for at least three years for tenants of older block types and extending the grace period for moving to cheaper flats from two to three years (elderly households and households with disabled members are exempt from this requirement). More detailed guidelines would also be drawn up for frontline staff to follow, particularly concerning when and how the requirement to move to flats with lower rents should be applied.</p> <p>Currently, there are already seven different income thresholds below which tenants can apply for RAS to cater for the needs of households facing different degree of financial hardship. These include rent-to-income ratios and income threshold pitched at different levels of the respective Waiting List Income</p>

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses												
		<table border="0"> <tr> <td><u>Criteria</u></td> <td><u>Rent reduction</u></td> </tr> <tr> <td>RIR > 20%</td> <td>50%</td> </tr> <tr> <td>RIR between 18.5% to 20%</td> <td>25%</td> </tr> <tr> <td>RIR between 15% to 18.5%</td> <td>15%</td> </tr> <tr> <td>Normal tenants</td> <td>Normal rent</td> </tr> <tr> <td>Well-off tenants</td> <td>1.5 times, double or market rent</td> </tr> </table> <ul style="list-style-type: none"> Further assistance should be provided to low-income tenants. 	<u>Criteria</u>	<u>Rent reduction</u>	RIR > 20%	50%	RIR between 18.5% to 20%	25%	RIR between 15% to 18.5%	15%	Normal tenants	Normal rent	Well-off tenants	1.5 times, double or market rent	<p>Limits. The HA has twice relaxed the income thresholds respectively in 2002 and 2005. Details of the RAS eligibility criteria are set out in Appendix V to our reply of 9 March 2007 to the Bills Committee [CB(1)1114/06-07(01)]. (Administration's further responses awaited)</p> <p>(Administration's responses awaited)</p>
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7.4	Dr Jonathan K S CHENG Honorary Researcher Centre of Asia Studies The University of Hong Kong	The needs of individual tenants should be addressed through special assistance such as RAS rather than by reducing the overall rents for all PRH households.	Noted.												
7.5	Hong Kong Owners Club Ltd	<ul style="list-style-type: none"> PRH is a form of public assistance provided for the needy and should not be enjoyed by "well-off" tenants. HA should enhance its surveillance to ensure no abuse. A RIR of 10% should apply to other PRH tenants. 	<p>Noted.</p> <p>Please refer to the response to item 7.3 above.</p>												

	Names of Organizations/ Individuals	Views/Concerns	Administration's responses
7.6	Alliance for Defending Grassroots Housing Rights	RAS is a safety net for individual tenants in need.	(Administration's responses awaited)