

HONG KONG HOUSING AUTHORITY

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15 March 2007

Ms. Sarah Yuen,
Clerk to Panel,
Legislative Council Building,
8 Jackson Road, Central,
Hong Kong.

Dear Ms. Yuen,

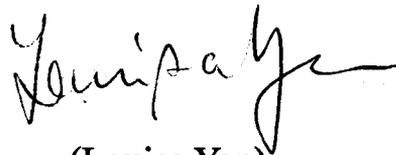
**Legislative Council Panel on Housing
Review of the Waiting List (WL)
Income and Asset Limits for 2007/08**

Thank you for your letter of 6 March 2007 relaying issues raised by Members on the captioned subject at the LegCo Panel on Housing on 5 March 2007.

We have already reflected Members' views and suggestions to the Subsidised Housing Committee (SHC) of the Housing Authority (HA) at its meeting on 12 March 2007. The list of issues raised by Members and the Administration's responses is set out at **Annex** attached to this letter for Members' information.

You may also wish to know that the SHC endorsed the proposed WL income and asset limits for 2007/08. For details, please refer to the *Annex C* of the SHC Paper 7/2007 (which is attached to the LegCo paper CB(1)1012/06-07(04).) The new limits will be effective on 1 April 2007.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Louisa Yan', with a long horizontal flourish extending to the right.

(Louisa Yan)

for Permanent Secretary for Housing,
Planning and Lands (Housing)

Review of the Waiting List Income and Asset Limits for 2007/08

Views and suggestions expressed by Members of LegCo Panel on Housing at the Meeting on 5 March 2007

Views/Suggestions of LegCo Housing Panel Members	Administration's Comments
<p>(a) In the calculation of non-housing expenditure for working out the Waiting List (WL) income and asset limits, the Administration should consider increasing the contingency provision from the present 5% to 10% of the total expenditure of the households to take into account the hardships of households arising from rising costs on items including medical and travelling expenses, and supporting parents.</p>	<p>The non-housing expenditure component in the current formula for calculating the WL income and asset limits already covers common items like transport and medical fees. Other items such as wine, cigarette, jewellery, package tour, etc are also included. As the non-housing expenditure component is adjusted annually according to movements of CPI(A), the impact of inflation is also taken into account. The 5% "contingency" provision introduced in the 2002 review of the WL income and asset limits is meant to address the expectation of households that certain part of their income would be set aside as savings or contingency money.</p>

<p>(b) In order to address the special circumstances of individual applicants, consideration should be given to apply the WL income and asset limits with flexibility so that families in genuine need but fail to meet the limits could be eligible for public rental housing (PRH).</p>	<p>The mission of the Housing Authority (HA) is to provide subsidized PRH to families who cannot afford renting accommodation in the private market. It is based on this concept that the formula for determining the WL income and asset limits is derived. To minimize the impact of the annual change in the limits, we introduced in 2002 an arrangement whereby WL applicants, who have failed to meet the limits and whose applications accordingly been cancelled, to reinstate their applications six months but within two years after the cancellation if subsequent limits revisions or changes in their own circumstances render them eligible under the prevailing limits.</p>
<p>(c) Given that the Commission on Poverty (CoP) has defined the “working poor” as a person with monthly income of \$5,600 or below, there is concern that a two-person household with a total monthly income of \$11,200 will exceed the proposed WL income limit of \$10,800 for 2007/08 and hence will become ineligible for PRH. It will be unacceptable for the community at large that the “working poor” will be denied PRH benefits.</p>	<p>The \$5,600 threshold adopted by the CoP is derived by the sum of half of monthly median income (\$5,000) and part of the traveling expenses incurred by individuals living in remote areas and having to commute to work across districts (\$600). While CoP considers the traveling expenses needs of working <i>individuals</i>, we look at the affordability of <i>households</i> in renting accommodation in the private market. Direct comparison of the two fundamentally different concepts is not appropriate, particularly when the CoP threshold is an individual based threshold and straight multiplication of this threshold by the number of working members in a family to derive a household threshold may lead to highly distorted results.</p>

(d) In the light of the CoP's recommendation of implementing a pilot Transport Support Scheme (TSS) to provide a monthly \$600 transport allowance to the "working poor", there is concern that households, say a two-person household, which will be eligible for TSS will become ineligible for PRH if the transport allowance is to be regarded as household income. In this connection, the Administration is invited to consider the suggestion of excluding the transport allowance under the proposed TSS from the calculation of WL income limits.

To provide an additional incentive for needy low-income residents living in the four remote districts (i.e. Yuen Long, Islands, North District and Tuen Mun districts) to find jobs and to work across districts, the CoP has recommended that job seekers living in the aforesaid areas working across districts with a monthly income not higher than \$5,600 would be eligible for a Cross-District Transport Allowance of \$600 a month for up to six months under the Pilot TSS. The CoP has also recommended that the allowance should not be counted as earnings under the Comprehensive Society Security Assistance (CSSA). Given that the scheme is a pilot non-territorial one and the proposed Allowance will only last for six months, we will consider the appropriateness of excluding the proposed transport allowance when determining the eligibility of WL applicants under the income and asset limits when the scheme has been finalized by the CoP.

(e) Efforts should be made to address the following concerns expressed by a member –

- (i) That the review of the WL income and asset limits for 2007/08 is based on data from the 2004/05 Household Expenditure Survey (HES). In the member's view, it is unfair to WL applicants as adoption of the above outdated data may render some households ineligible for PRH;
- (ii) That the proposed WL income and asset limits for 2007/08 are unacceptable and adjustments are inconsistent for households of different sizes. According to information given in Annex C to the Administrations' paper (LC Paper No CB(1)1012/06-07(04)) (to which SHC Paper 7/2007 is attached), only the WL income limit of the 2-person households has been increase, whereas those for 1-person, 3-person and 4-person households have seen no increase at all; and
- (iii) That proposed increases in the WL asset limits for 2007/08 seem both haphazard and inconsistent across different household sizes.

- i. Even though the latest HES results (i.e. 2004/05) have been adopted in reviewing the WL income limits for 2007/08, the expenditure figures obtained from 2004/05 HES have been adjusted using the relevant CPI(A) to reflect the price changes since 2004/05.
- ii. WL income limits are derived from a "household expenditure" approach which consists of housing costs and non-housing costs, plus a 5% "contingency" provision. Hence, it is natural that the increase does not follow a linear relationship. Details of the mechanism have been set out at Annex A of SHC Paper 7/2007.
- iii. The WL asset limits for 2005/06 are adopted as the basis for future annual adjustments with reference to movements in CPI(A) over the year. All households are adjusted by the same increase in the CPI(A) and are rounded to thousand. Hence, it is natural that the increase does not follow a linear relationship. Details have also been set out at Annex A of SHC Paper 7/2007.

(f) The stringent WL income and asset limits, coupled with HA's decision to cease the construction of Home Ownership Scheme flats, have inevitably rendered a certain number of persons unable to benefit from subsidized housing. The Administration should consider reviewing the policies concerned to address the housing needs of these persons.

It has been the Government's long-standing policy to provide subsidized PRH to low-income families who are unable to afford private rental housing. The formula of the WL income and asset limits is derived on this basis to care for families who cannot afford to rent accommodation in the private market. The WL income and asset limits are also reviewed annually to reflect the latest socio-economic changes.

Housing Department
March 2007