

Annex D

Distribution of Waiting List Applicants According to Respective Household Sizes**(In response to para. 8 of the notes of meeting of 2 March 2009)**

Household Size	Number of Waiting List Applicants (as at the end of December 2008)	Proportion out of the Total Number of Waiting List Applicants
1-Person	47 419	43%
2-Person	23 538	21%
3-Person	21 440	19%
4-Person	14 460	13%
5-Person	3 280	3%
6-Person or above	1 127	1%
Total	111 264	100%

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Subsidised Housing Committee

Review of the Waiting List Income and Asset Limits for 2009/10

**Views and Suggestions Expressed by
Members of Legislative Council Panel on Housing
at the Meeting on 2 March 2009**

PURPOSE

Pursuant to Subsidised Housing Committee (SHC) Paper No. SHC 5/2009 on the Review of the Waiting List (“WL”) Income and Asset Limits for 2009/10, this paper reports to Members the views of the Legislative Council (LegCo) Panel on Housing on the findings of the review.

BACKGROUND

2. The SHC considers the WL income and asset limits in March every year. At the request of the LegCo Panel on Housing, we would brief Panel Members on the review findings before bringing back their views on the review findings for the consideration of SHC Members.

VIEWS / SUGGESTIONS OF THE LEGCO PANEL ON HOUSING AND THE DEPARTMENT’S COMMENTS

3. The LegCo Panel on Housing discussed the review findings on 2 March 2009. Their views/suggestions and the Department’s comments are summarised in the table below. After the discussion at the SHC on the review findings, the decision on the WL income and asset limits for 2009/10 will be forwarded to the LegCo Panel on Housing for information.

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
<i>WL Income Limits</i>	
<p>1. The proposed increase in the income limit for singletons is lower than that of the overall average. To satisfy their housing needs, the Administration is suggested to consider introducing other measures, such as re-launching the Home Starter Loan Scheme, Home Purchase Loan Scheme, etc.</p>	<ul style="list-style-type: none"> • The income limits for all household sizes are derived under the same methodology. The smaller increase in the income limit for one-person households as compared to those of other household sizes is mainly because of the lower percentage increase in rental for smaller flats. • The objective of the Government's subsidised housing policy is to focus resources on the provision of public rental housing for low-income families who cannot afford to rent private accommodation. Promoting home ownership is no longer our policy objective. Under the current situation, we have no intention to change the existing policy or to resume any home ownership loan schemes.
<p>2. The actual housing expenditure of urban households is relatively higher. The Housing Authority (HA) is suggested to include an appreciation factor for the unit rent of urban households when determining the "housing costs" of the income limits for WL applicants residing in the urban areas.</p>	<ul style="list-style-type: none"> • Under the existing mechanism, the "housing cost" is assessed by making reference to the rental for private accommodation with an average size comparable to public rental housing (PRH) to reflect the average housing expenditure of the general households. The practice of deriving the overall average housing expenditure by the unit rent figures of private accommodation across different districts is consistent and representative, and has been used for many years. We do not consider it appropriate to set respective / specific income limits for the existing households of individual districts.

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
	<ul style="list-style-type: none"> • In fact, the current methodology for assessing the “housing cost” is relatively lenient for households eligible for PRH. According to the findings of the Census and Statistics Department’s General Household Survey, the average housing expenditure of different household sizes derived from such methodology is higher than the actual average housing expenditure of respective households eligible for PRH.
<p>3. The “non-housing cost” is presently calculated on the basis of the average expenditure of the households concerned. However, the “non-housing cost” of some of the individual households within each category of household size may vary remarkably. It is suggested to have a look of the distribution of their “non-housing cost”.</p>	<ul style="list-style-type: none"> • The “non-housing cost” refers to the average non-housing expenditure of the lower half expenditure group amongst tenant households in the private sector in the Household Expenditure Survey conducted by the Census and Statistics Department. Adopting the average to reflect the general conditions of tenants of different household sizes provides an overview of the overall situation and is representative. • The “non-housing cost” follows normal distribution with the majority of the households clustering around the average expenditure in their respective groupings and a minority of households standing at extremely high or low levels. • Households comprising solely elderly or non-working members have been excluded from the calculation and households receiving Comprehensive Social Security Assistance are not included in the samples. With the exclusion of

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
	<p>these groups with lower expenditure, the calculation of “non-housing cost” thus derived is relatively lenient.</p>
<p>4. It is suggested to the Administration that the WL income limits should be determined in the light of minimum wage level to ensure that families of those earning minimum wage can still meet the requirements of the limits.</p>	<ul style="list-style-type: none"> • The WL income limits are calculated on the basis of “household expenditure” for the purpose of determining the households’ affordability to rent private accommodation. The income limits are assessed on a household basis whilst the minimum wages are assessed on an individual basis. We do not consider it appropriate to draw a direct comparison between these two different concepts. • In fact, the expenditure patterns and levels of low-income families may vary as a result of the implementation of minimum wage. The impact will eventually be reflected in the expenditure data of the Household Expenditure Survey. The WL income limits, which are calculated on the basis of “household expenditure”, will also be suitably adjusted.
<p>5. What is the reason for adopting the average figure in the fourth quarter of 2008, instead of the annual average, as the reference index for reviewing the WL income limits?</p>	<ul style="list-style-type: none"> • Comparing the Consumer Price Index (A) in the fourth quarter of 2008 with that in the same quarter last year is in line with the statistical practice in reflecting price changes over the year. The figures in the fourth quarter (i.e. the most recent quarterly figures at the time of the review) can reflect the year-on-year changes in the light of the latest economic situation. This methodology has been adopted for many years, and the review has been conducted year after year under a

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
	consistent mechanism on a cumulative and regular basis.
<p>6. It is proposed to increase the percentage for contingency provision and depending on their special conditions, with differential percentages for the households to cater for their needs to meet special expenses.</p>	<ul style="list-style-type: none"> • The purpose of the 5% “contingency provision” introduced in the comprehensive review of WL income limits in 2002/03 is to meet the expectations of households to retain part of their income as savings or for contingency. In fact, the non-housing expenditure items in the Household Expenditure Survey cover a range of general items, such as transportation and medical expenses; and also some non-essential items, such as expenses on tobacco and alcohol, as well as travel expenses. We consider that the 5% contingency provision in the existing formula is appropriate. • Irrespective of where the levels of income limits are set, there will be ineligible households with income marginally exceeding the limits. For fairness and rational use of public housing resources, we must draw a clear line to objectively determine the applicants’ eligibility and the same percentage for contingency provision is provided to all households.
<i>WL Asset Limits</i>	
<p>7. The current asset limits are more or less equivalent to 20 to 24 times of the income limits. In view of the possible rise in the unemployment rate, it is proposed to set the asset limits at 30 to 36 times of the income</p>	<ul style="list-style-type: none"> • The current methodology for setting asset limits was determined by HA during the in-depth review in 2006, i.e., the calculation was based on the 2005/06 asset limits with annual adjustments according to the movements in the Consumer Price Index (A). If we arbitrarily set the

Views / Suggestions of Members of the LegCo Panel on Housing	The Department's Comments
limits.	<p>asset limits at 30 to 36 times of the income limits, the asset limits will deviate from the mechanism without the support of any objective justifications.</p> <ul style="list-style-type: none"> • We consider that the existing methodology has the merit of stability and is accepted by the general public, and should not be arbitrarily changed.
<i>Target Group of Public Housing Assistance</i>	
8. It is proposed to offer the middle class with rent subsidy or temporary PRH flats to tide them over the financial tsunami.	<ul style="list-style-type: none"> • The objective of the Government's subsidised housing policy is to provide public rental housing for low-income families who cannot afford to rent private accommodation. It is our primary task to facilitate the rational and effective allocation of limited public housing resources by HA to low-income families in need.

ADVICE SOUGHT AND WAY FORWARD

4. Members are invited to note the views / suggestions of the LegCo Panel on Housing and the Department's comments.

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