

## ITEM FOR FINANCE COMMITTEE

### HEAD 62 – HOUSING DEPARTMENT

#### Subhead 700 General non-recurrent

New Item “Special rent payment for public housing tenants”

### HEAD 170 – SOCIAL WELFARE DEPARTMENT

#### Subhead 700 General non-recurrent

New Item “Additional provision for social security recipients”

### HEAD 147 – GOVERNMENT SECRETARIAT:

#### FINANCIAL SERVICES AND THE TREASURY BUREAU (THE TREASURY BRANCH)

#### Subhead 700 General non-recurrent

Item 881 Electricity charges subsidy for eligible residential accounts

Members are invited to approve –

- (a) a new non-recurrent commitment of \$1,900 million under Head 62 Housing Department Subhead 700 General non-recurrent for the provision of two months’ rent for tenants/licencees living in the rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society;
- (b) a new non-recurrent commitment of \$1,941 million under Head 170 Social Welfare Department Subhead 700 General non-recurrent for the provision of an extra allowance to Comprehensive Social Security Assistance recipients equal to one month of the standard rate payments, and an extra allowance to Old Age Allowance and Disability Allowance recipients equal to one month of the allowances; and

/(c) .....

- (c) an increase in commitment from \$8,800 million by \$4,500 million to \$13,300 million under Head 147 Government Secretariat : Financial Services and the Treasury Bureau (The Treasury Branch) Subhead 700 General non-recurrent Item 881 for the provision of electricity charges subsidy for eligible residential households.

## PROBLEM

We need to implement one-off relief measures announced in the 2011-12 Budget to ease the pressure of inflation and rising prices on people's livelihood.

## PROPOSAL

2. We propose to provide –
- (a) necessary funding to the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS) so that their tenants/licencees<sup>1</sup> will not be required to pay all or part of the rent/licence fees for two months;
  - (b) an extra allowance to Comprehensive Social Security Assistance (CSSA) recipients, equal to one month of the standard rate payments, and an extra allowance to Social Security Allowance (SSA) recipients, equal to one month of Old Age Allowance (OAA) or Disability Allowance (DA); and
  - (c) a maximum additional subsidy of \$1,800 to each residential electricity account<sup>2</sup> to cover the billed electricity charges of eligible households.

## /JUSTIFICATION .....

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<sup>1</sup> Licencees include mainly those households living in HA interim housing. HA interim housing is transit accommodation offered to people who are deprived of their living accommodation as a result of occurrence of natural disasters, Government's clearance operations or enforcement actions, and who are not immediately eligible for public rental housing (PRH). Households paying market rent under the Policy of Safeguarding Rational Allocation of Public Housing Resources are also regarded as licencees of HA.

<sup>2</sup> A "residential electricity account" refers to an account to which domestic tariff applies. In determining the applicable tariff, the electricity companies will consider the nature of occupancy. The companies will process the opening and termination of accounts as well as other account related matters in accordance with their established mechanisms.

## JUSTIFICATION

3. In anticipation of the impact of inflation and rising prices on people's livelihood, the Financial Secretary (FS) proposed in the 2011-12 Budget a package of one-off relief measures. They include measures which aim to alleviate the burden of electricity charges and public housing rents on the public. As in the past, CSSA recipients who do not have to bear public housing rents will not obtain any pecuniary advantage from the proposal for government to pay public housing rents. They will, however, receive an extra allowance, along with other CSSA recipients, to ease the pressure of inflation.

### *Two Months' Rent Payment for HA and HS Tenants/Licencees*

4. The Government will pay two months' rent for tenants/licencees of HA who pay normal rent, tenants of HS Group A estates and tenants of Elderly Persons' Flats in HS Group B estates. To ensure the rational allocation of public housing resources, for HA tenants/licencees paying additional rent<sup>3</sup>, the Government will pay on their behalf the portion of their net rent<sup>4</sup> for two months. For the same consideration, the Government will pay on behalf of non-Elderly Persons' Flats tenants in HS Group B estates<sup>5</sup> two-thirds of their net rent for two months.

5. The Government will make the rental payment directly to HA and HS. Taking into account the preparatory work by HA and HS, including computer system adjustment, verification of tenancy records and adjustment of auto payment with banks, etc., we expect that if Members approve the proposal, HA tenants/licencees and HS tenants will not be required to pay all or part of the rent/licence fees for the months of August and September 2011.

### *One-off Assistance for Social Security Recipients*

6. The provision of one-off assistance for social security recipients will comprise one additional month of the standard rate CSSA payments for CSSA recipients and one additional month of OAA or DA for SSA recipients.

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<sup>3</sup> Under the Housing Subsidy Policy and the Policy of Safeguarding Rational Allocation of Public Housing Resources, a household is required to pay at least 1.5 times net rent plus rates if its household income exceeds two times or more the relevant Waiting List Income Limits at the time of income declaration.

<sup>4</sup> "Net rent" refers to rent exclusive of rates.

<sup>5</sup> These estates target families of relatively higher income as compared to HS Group A estates.

7. If Members approve the proposal, the payment will be effected around July 2011.

### *Electricity Charges Subsidy*

8. In addition to the \$3,600 subsidy approved in 2008-09, FS has proposed to grant each residential electricity account a subsidy of \$1,800. Based on the same eligibility criteria and similar operational parameters that Members approved vide FCR(2008-09)18, we propose to credit \$150 to each residential account with CLP Power Hong Kong Ltd or The Hong Kong Electric Co Ltd in existence on the first day of each month for twelve consecutive months, tentatively starting from 1 July 2011. The credit can only be used for the purpose of offsetting the billed charges for electricity consumed under the same account. Any unused credit in a month can be carried forward to cover billed electricity charges under the same account until 31 August 2014 or the close of account<sup>6</sup>, whichever is earlier.

9. There have been suggestions for the proposed subsidy to be tied to electricity consumption<sup>7</sup> with a view to encouraging reduction in electricity consumption. We have considered this option but concluded that it is not feasible,

/mainly .....

<sup>6</sup> At present, PRH tenants of HA and HS who are required by HA/HS to move to other PRH units due to redevelopment and major repairs/improvement works are granted supplementary electricity charges subsidy equivalent to the amount of subsidy lapsed on the close of their old electricity accounts. This is provided for under a separate commitment created under delegated authority. With the provision of the additional subsidy, we plan to continue with this arrangement and expect that the total supplementary subsidy required will increase from \$7.5 million to \$9 million.

<sup>7</sup> Based on the total domestic electricity consumption published in the Hong Kong Monthly Digest of Statistics and the number of domestic accounts at year end, the average consumption per account since 2003 are as follows:

	<b>Total consumption (GWh)</b>	<b>Number of domestic accounts at year end (million)</b>	<b>Average consumption per account (kWh)</b>
2003	9 500	2.28	4 200
2004	9 500	2.31	4 100
2005	9 900	2.36	4 220
2006	9 800	2.39	4 120
2007	10 100	2.41	4 200
2008	10 300	2.44	4 220
2009	10 800	2.47	4 380
2010	10 900	2.50	4 380

mainly because electricity consumption varies with multiple factors<sup>8</sup>, many of which are unrelated to whether a household is environmentally conscious (e.g. changes in household size).

## FINANCIAL IMPLICATIONS

10. The two-month rental subsidy for public housing tenants, extra one-month allowance for CSSA recipients, extra one-month allowance for OAA and DA recipients and additional electricity charges subsidy will entail one-off expenditure for the Government. We set out below the estimated expenditure and number of beneficiaries for these measures –

<u>Measures</u>	<u>Estimated one-off expenditure (\$ million)</u>	<u>Number of beneficiaries</u>
(a) Two months' rent payment for HA and HS tenants/licencees	1,900	690 000 HA tenants/licencees 32 000 HS tenants
(b) One-off assistance for social security recipients	1,941	460 000 CSSA recipients 510 000 OAA recipients 130 000 DA recipients
(c) Additional electricity charges subsidy	4,500	About 2.5 million residential electricity accounts
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<b>Total :</b>		<b><u><u>8,341</u></u></b>

11. The expenditure for items (a) and (b) above will be incurred fully in 2011-12. Taking into account the increase in commitment proposed in item (c) above, the total expenditure for the electricity charges subsidy is estimated at \$3,100 million in 2011-12, with the balance of the commitment be spent in 2012-13 and beyond.

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<sup>8</sup> One possible factor may be temperature. For instance, the average electricity consumption per domestic account for July 2009 when the electricity subsidy was in place was some 20% lower than that in July 2007 when no subsidy was given. According to 'The Year's Weather' released by the Hong Kong Observatory, the average temperature for July 2009 was 0.5°C lower than that in July 2007.

**PUBLIC CONSULTATION**

12. FS proposed the one-off relief measures in the 2011-12 Budget. On 4 April 2011, the Transport and Housing Bureau consulted the Panel on Housing of the rent payment proposal. On 9 May 2011, the Labour and Welfare Bureau consulted the Panel on Welfare Services on the additional provision for social security recipients and the Financial Services and the Treasury Bureau consulted the Panel on Financial Affairs (FA Panel) of the electricity charges subsidy. In response to Members' request at the FA Panel Meeting, we have provided information on electricity consumption in this paper. Members were in general supportive of these one-off relief measures.

**BACKGROUND**

13. FS proposed a series of one-off relief measures in the 2011-12 Budget to alleviate the impact of inflation and rising prices on people's livelihood. An additional \$100 million has also been reserved for the continuation of the short-term food assistance services as and when needed. In addition to the one-off measures, FS also proposed to alleviate the burdens of people in supporting their parents and raising their children by increasing the allowance for maintaining dependent parents/grandparents by 20 per cent, and by raising both the child allowance and the additional one-off child allowance in the year of birth by 20 per cent.

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Transport and Housing Bureau  
Labour and Welfare Bureau  
Financial Services and the Treasury Bureau  
June 2011