



本函檔號 Our ref. : CEE0/11/5(C)  
來函檔號 Your ref. :  
電話 Tel. : 2810 2687  
傳真 Fax. : 2810 8167  
電郵 E-mail : alice\_lau@ce-elect-office.hk

4 June 2012

The Honourable LEE Wing-tat  
Chairman, Panel on Housing  
Legislative Council

Dear Chairman,

I refer to the Honourable Albert CHAN Wai-yip's letters of 29 and 30 May 2012 to the Legislative Council (LegCo) Panel on Housing, which enquired about the proposed reorganisation of the Government Secretariat.

Steady and adequate supply of housing underpins social harmony and stability. It is among the top priorities of the fourth term Government. To enable the Government to respond effectively to public demand for housing, the Chief Executive-elect (CE-elect) has proposed that a new Housing, Planning and Lands Bureau (HPLB) be created. By putting housing and land production in the same bureau, there would be better coordination in the timing of land supply to meet the demand for both public and private housing. HPLB will also assume policy responsibilities for developing a long-term housing strategy, urban renewal as well as building maintenance and safety.

中華人民共和國香港特別行政區候任行政長官辦公室

Office of the Chief Executive-elect of the Hong Kong Special Administrative Region of the People's Republic of China

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12/F., West Wing, Central Government Offices, Lower Albert Road, Hong Kong

Our proposed reorganisation seeks to better reflect the key policy objectives of the new-term Government, strengthen departmental cooperation and minimize the likelihood of man-made obstacles. With an ever-changing society, it is necessary for the structure of the government to keep up with the times, but reorganising the government is not a panacea for all housing problems. However, charging one Director of Bureau with housing, planning and lands responsibilities will be instrumental in carrying out the CE-elect's housing pledges to "assist low-income families to move into public rental housing, assist middle-income families to buy their own homes and promote the healthy and steady development of the property market".

On the above premises, our consolidated reply to the Honourable Albert Chan's questions is set out as follows.

Upon the establishment of the Hong Kong Special Administrative Region in 1997, it was the responsibilities of the then Housing Bureau to formulate policies on public and private housing, as well as to coordinate and oversee relevant government departments, the Hong Kong Housing Authority and the Hong Kong Housing Society. The then Planning, Environment and Lands Bureau supervised the operation of the Committee on Planning and Land Development and the Town Planning Board. In 2000, the environment portfolio was taken up by the newly-created Environment and Food Bureau, and the Planning, Environment and Lands Bureau was renamed the Planning and Lands Bureau accordingly. Two years later, the Housing Bureau and the Planning and Lands Bureau merged to become the Housing, Planning and Lands Bureau, with the Housing Department and the Planning and Lands Branch under its command to oversee matters related to housing and planning & lands respectively. Since 2007, housing has been put under a new Transport and Housing Bureau, while planning and lands have become the purview of the Development Bureau.

It is proposed that the existing Planning and Lands Branch under the Development Bureau and the Housing Branch/Housing Department under the Transport and Housing Bureau be merged to become the new HPLB. The

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policy responsibilities and organisation structure would be largely similar to those of the Housing, Planning and Lands Bureau set up in 2002. I attach for Members' reference at Annex a copy of Annex 15 of Establishment Subcommittee paper No. EC(2012-13)5, which sets out the justifications and rationale for proposing such changes.

The Hon Albert Chan has mentioned about issues including objection from local personalities to the provision of public housing, youth housing, caged homes, as well as partitioned and subdivided flats. These issues are also the CE-elect's major concerns. We will not underestimate the difficulty in addressing these problems, nor do we think that the setting up of the HPLB alone is sufficient to resolve these issues. However, if we continue to put the two heavy portfolios of transport and housing under the same bureau, the current situation is unlikely to improve. It is the hope of the majority that the new term Government can address housing problems in a serious and pragmatic manner.

The Hon Albert Chan has expressed concern about the supply and demand assessments of residential land, public housing units, Home Ownership Scheme units and private flats. Upon establishment, the new HPLB will set out in no time to review long term housing strategies, conduct comprehensive assessments on housing demand objectively and scientifically, and work out corresponding housing measures. With these efforts, we hope to make land available in a steady and orderly manner, stabilise the property market and provide public rental housing to meet the needs of low-income groups.

The Hon Albert Chan has also asked about the land and housing supply programme of the existing term government. According to the Transport and Housing Bureau and Development Bureau, the work on expanding and supplying land is an ongoing one. The target of the current term government is that on average land needs to be made available annually for some 20 000 private residential flats. In addition, according to the Public Housing Construction Programme of the Housing Authority, the anticipated new public rental housing (PRH) production for the next five-year period is about 75 000 flats, averaging about 15 000 flats per year. The average annual production is

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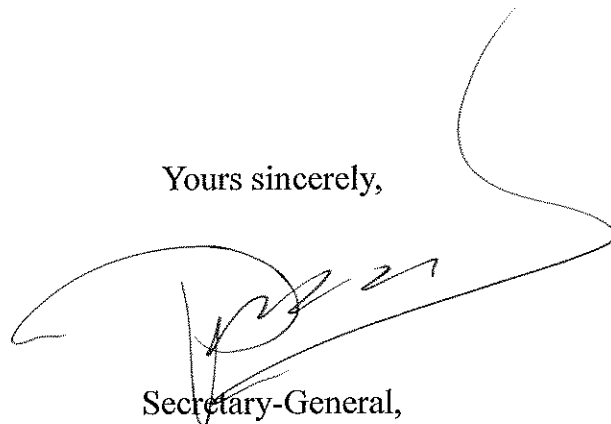
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not a fixed target. The Housing Authority will monitor the overall supply and demand situation with reference to the latest position of the Waiting List applications, and determine the necessary flat production level so as to maintain the target Average Waiting Time of general Waiting List applicants at around three years. As for the New Home Ownership Scheme (New HOS), with the sites identified at this stage, the plan of the current team government is to provide about 17 000 flats over the four years from 2016/17 onwards. Regarding small and medium-sized flats, the West Rail property development projects and the resumption of the New HOS have increased the supply by a certain quantity. The saleable area of other private residential flats is largely driven by the private market.

Yours sincerely,



Secretary-General,  
Office of the Chief Executive-elect

Encl.

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## **Re-organisation of the Development Bureau and Transport and Housing Bureau**

### **Background**

Housing is the top concern of the public and high on the agenda of the next term Government. The significant increase in the price and rent of private properties as well as the number of applications for public housing over the past five years have shown that there is a discrepancy between property prices and people's affordability, and that public demands for housing are not met in full. The imbalance of demand and supply in housing can be attributed to many reasons, including -

- (a) The long-term housing strategy has not been updated since 1997 and is unable to prepare for the future. The Government also repositioned its housing policy in 2002, withdrawing from the private residential market and focusing on providing public rental housing (PRH) flats.
- (b) There was a period during which land was mainly sold under the Application List triggering system, and the supply of private housing was determined by the market. The developers had a tendency to reduce supply to safeguard their interests. The situation has improved somewhat in the last two years since the Government has adopted the two-pronged approach of the Application List triggering system and Government-initiated sale.
- (c) Ceasing the Home Ownership Scheme has reduced the mobility of PRH tenants, which may have in turn reduced the number of PRH units returned. Faced with the rise in PRH applications, the Housing Authority has found it difficult to secure sites to increase PRH supply.
- (d) The Capital Investment Entrant Scheme has attracted Mainland investors to come to Hong Kong and buy properties, creating the side effects of increased housing demand and escalating property prices.
- (e) Since the Transport and Housing Bureau (THB) and the Development Bureau (DEVB) are under the Chief Secretary and the Financial Secretary (FS) respectively, land supply and housing supply policies are put under two separate lines of command within the government structure. In 2010, the Government had to set up the Steering Committee on Housing Land Supply chaired by FS to coordinate efforts of bureaux and departments to increase housing land supply.

## **The Re-organisation Proposal**

2. The Chief Executive-elect proposes to re-establish the Housing, Planning and Lands Bureau (HPLB) to bring the assessment of housing demand and supply and the planning of land use under the same bureau. This will render the coordination of land development and housing construction more effective. Placing HPLB under the supervision of FS will enable a more comprehensive planning of public and private housing supply, monitoring of changes in the property market and making of timely and effective adjustments. The objectives are to ensure steady and orderly land supply, stabilise the property market, and build PRH to meet the housing needs of low-income people.

3. Under this proposal, the Planning and Lands Branch of DEVB will be combined with the Housing Branch/Housing Department of THB to form HPLB, whereas DEVB's Works Branch (except for the policy responsibility for heritage conservation) will be merged with the Transport Branch of THB (except for the policy responsibilities for aviation, maritime and logistics services) to form the Transport and Works Bureau. Transport and works are closely related as evident from the fact that six of the ten major infrastructure projects are transport infrastructure projects.

## **Platform on Housing**

4. Mr. C.Y. Leung's housing platform is to "assist low-income families to move into public rental housing, assist middle-income families to buy their own homes and promote the healthy and steady development of the property market". The main focuses are to -

- (a) formulate a long-term housing strategy and review it every five years;
- (b) increase the transparency of Government's land supply and enhance implementation sustainability;
- (c) for middle-income families, extend the entitlement period for the tax deduction for home loan interest to 20 years, and raise the annual deduction ceiling from \$100,000 to \$150,000;
- (d) subject to the market situation, study the introduction of a "Hong Kong property for Hong Kong residents" policy, or consider introducing low interest or interest-free loans;
- (e) allocate more land for building homes designated for retiring middle-class elderly persons to meet the demand of an ageing population;
- (f) conduct a comprehensive survey of sub-divided living units, caged homes,

cubicle apartments, etc;

- (g) expedite the pace and enlarge the scale of urban renewal;
- (h) support and encourage non-profit-making organisations to provide hostel accommodation for young people;
- (i) bring forward by one year the completion of around 35 000 PRH flats originally scheduled for completion in later years of the next five years;
- (j) shorten the average waiting period for non-elderly single applicants who are over the age of 35 to three years;
- (k) review the PRH allocation policy to encourage young and elderly people to live with their families; and
- (l) provide integrated elderly services at public housing estates with a large elderly population to encourage elderly persons to retire at home.

Office of the Chief Executive-elect  
May 2012