

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 62 – HOUSING DEPARTMENT**

#### **Subhead 700 General non-recurrent**

**New Item “Special rent payment for public rental 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 \$2,150 million under Head 62 Housing Department Subhead 700 General non-recurrent for the provision of two months’ rent for tenants/licencees living in the public rental housing units of the Hong Kong Housing Authority and the Hong Kong Housing Society;
- (b) a new non-recurrent commitment of \$2,728 million under Head 170 Social Welfare Department Subhead 700 General non-recurrent for the provision of an extra payment to Comprehensive Social Security Assistance (CSSA) recipients equal to one month of the CSSA standard rates, and an extra payment to Old Age Allowance, Old Age Living Allowance and Disability Allowance recipients equal to one month of the allowances; and

/(c) .....

- (c) an increase in commitment by \$4,500 million from \$17,800 million to \$22,300 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 the package of one-off relief and stimulus measures announced in the 2013-14 Budget.

## 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 CSSA standard rates, and an extra allowance to Social Security Allowance (SSA) recipients, equal to one month of Old Age Allowance (OAA), Old Age Living Allowance (OALA) or Disability Allowance (DA); and
  - (c) a maximum additional subsidy of \$1,800 to each residential electricity account<sup>2</sup>, which can be used together with the existing subsidies to cover billed electricity charges of eligible households up to 30 June 2016 or the close of accounts, whichever is earlier.

**/JUSTIFICATION .....**

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<sup>1</sup> Licencees include mainly those households living in HA's Interim Housing (IH). HA's IH 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. Having regard to the uncertain external economic outlook and the continued risk of rising inflation, the Financial Secretary (FS) proposed a range of one-off relief and stimulus measures in the 2013-14 Budget. They include measures to help social security recipients, as well as to alleviate the burden of PRH rents and electricity charges.

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

4. We propose to pay two months' rent in full for tenants/licencees of HA paying 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>, we propose to pay on their behalf their net rent for two months. For the same consideration, we propose to pay on behalf of non-Elderly Persons' Flats tenants in HS Group B estates<sup>4</sup> two-thirds of their net rent for two months.

5. We propose to make the rent payment directly to HA and HS. Taking into account the time required for 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 2013.

6. As in the past, CSSA recipients who do not have to bear PRH rents will not be able to obtain any pecuniary advantage from this proposal. They will, however, receive an extra payment along with other CSSA recipients as set out in paragraph 7 below.

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

7. We propose to provide one-off payment to social security recipients which comprises one additional month of the CSSA standard rates for CSSA recipients and one additional month of OAA, OALA or DA for SSA recipients. We plan to effect such payment around July 2013.

*/Electricity .....*

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<sup>3</sup> Under HA's "Well-off Tenants Policies", households living in PRH for ten years are required to declare their household income and thereafter biennially. Those with a household income exceeding the prescribed income limits are required to pay 1.5 times or double net rent plus rates as appropriate. PRH households with total household income and net assets value both exceeding the prescribed income and asset limits are required to vacate their PRH flats. If tenants have difficulties in moving out the flat by the specified date, they may apply for a licence from HA to temporarily stay in their PRH flats for a period of not more than 12 months, during which they need to pay a licence fee equivalent to the double net rent plus rates or market rent (whichever is the higher). Net rent refers to rent exclusive of rates.

<sup>4</sup> These estates target families of relatively higher income as compared to HS Group A estates.

*Electricity Charges Subsidy*

8. In addition to the \$3,600 subsidy approved in 2008-09 (the 2008 scheme), the \$1,800 subsidy approved in 2011-12 (the 2011 scheme) and another \$1,800 subsidy approved in 2012-13 (the 2012 scheme), we propose 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, FCR(2011-12)21 and FCR(2012-13)30, we propose to credit \$150 to each residential account with CLP Power Hong Kong Limited or The Hongkong Electric Company, Limited in existence on the first day of each month for twelve consecutive months, from 1 July 2013. The credit can only be used for the purpose of offsetting the billed charges for electricity consumed under the same account.

9. As with the 2008, 2011 and 2012 schemes, we propose under the new scheme to allow unused credit in a month to be carried forward to cover billed electricity charges under the same account. Under the 2008, 2011 and 2012 schemes, the expiry date is set at 30 June 2015. With the proposed scheme, we propose to extend the expiry date so that the new subsidy and those subsidies credited under the 2008, 2011 and 2012 schemes can be used to cover billed electricity charges up to 30 June 2016, or the close of account<sup>5</sup>, whichever is earlier. This will allow the subsidy under the new scheme to be valid for three years from the first credit.

10. There have been suggestions that the proposed subsidy should be tied to electricity consumption<sup>6</sup> with a view to encouraging reduction in electricity

/consumption .....

<sup>5</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 further provision of the additional subsidy, we plan to continue with this arrangement. Taking into account the redevelopment programmes currently conducted by HA/HS, we expect that the total supplementary subsidy required will be around \$9 million.

<sup>6</sup> Based on the total domestic electricity consumption published in the Hong Kong Monthly Digest of Statistics and the number of residential accounts at year end, the average consumption per account since 2005 are as follows -

	<b>Total consumption (GWh)</b>	<b>Number of residential accounts at year end (million)</b>	<b>Average consumption per account (kWh)</b>
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
2011	11 100	2.52	4 390
2012	11 400	2.54	4 500

consumption. We have considered this option but concluded that it is not feasible, mainly because electricity consumption varies with multiple factors<sup>7</sup>, many of which are unrelated to the environmental awareness of households (e.g. changes in household size).

## FINANCIAL IMPLICATIONS

11. The two-month rent payment for PRH tenants, the extra one-month payment for CSSA recipients and OAA, OALA and DA recipients, and additional electricity charges subsidy will entail one-off expenditure for the Government. The estimated expenditure and number of beneficiaries for these measures is as follows –

<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	2,150	710 000 HA tenants/licencees 33 000 HS tenants
(b) One-off extra payment for social security recipients	2,728	430 000 CSSA recipients 120 000 OAA recipients 490 000 OALA recipients 100 000 DA recipients
(c) Additional electricity charges subsidy	4,500	About 2.5 million residential electricity accounts
<b>Total :</b>	<b><u>9,378</u></b>	

12. The expenditure for items (a) and (b) above will be incurred fully in 2013-14. Taking into account the increase in commitment proposed in item (c) above, the total expenditure for the electricity charges subsidy is estimated at \$4,480 million in 2013-14, with the balance of the commitment to be spent in 2014-15 and beyond.

**/PUBLIC .....**

<sup>7</sup> One possible factor may be temperature. For instance, the average electricity consumption per residential account in both July 2011 and July 2012 when the electricity subsidy was in place was some 23% lower than that in July 2007 when no subsidy was given. It may be relevant that both the average temperature in July 2011 and July 2012 were 0.8 degree Celsius lower than that in July 2007.

**PUBLIC CONSULTATION**

13. The one-off relief and stimulus measures were announced in the 2013-14 Budget. On 15 April 2013, the Transport and Housing Bureau consulted the Panel on Housing on the rent payment proposal. On 21 May 2013, the Labour and Welfare Bureau briefed the Panel on Welfare Services on the additional provision for social security recipients. On 3 May 2013, the Financial Services and the Treasury Bureau consulted the Panel on Financial Affairs on the electricity charges subsidy. Members were generally supportive of the one-off relief and stimulus measures.

**BACKGROUND**

14. Having regard to the uncertain external economic outlook and the continued risk of rising inflation, FS proposed in the 2013-14 Budget to introduce, amongst others, a series of one-off relief and stimulus measures.

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Transport and Housing Bureau  
Labour and Welfare Bureau  
Financial Services and the Treasury Bureau  
May 2013