

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

運輸及房屋局

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3 August 2016

Mr Derek Lo
Clerk to Legislative Council Panel on Housing
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road, Central
Hong Kong

Dear Mr Lo,

Legislative Council Panel on Housing

Meeting on 29 June 2016

I enclose the supplementary information requested by Members
at the meeting on 29 June 2016 (**Annex**) for Members' reference.

Yours sincerely,

(Original Signed)

(Jerry Cheung)

for Secretary for Transport and Housing

**Legislative Council Panel on Housing
Meeting on 29 June 2016**

Supplementary Information

PURPOSE

At the Legislative Council Panel on Housing meeting on 29 June 2016, Members requested the Government to provide supplementary information regarding the water pressure of public rental housing (PRH) units and the 2016 PRH Rent Review. This paper provides the relevant information.

Water pressure in PRH units

2. According to past records, the major reasons for insufficient water pressure in PRH units are as follows -

- (a) aging of water piping, coupled with the design of water pressure system in older PRH blocks and increase of tenants' water consumption;
- (b) damage or blockage of water piping and associated fittings; and
- (c) breakdown of the booster pumping system.

3. In establishing the standard of water pressure in existing PRH units, the Hong Kong Housing Authority (HA) adopts a pragmatic approach and will take full consideration of tenants' daily needs and their use of water. In general, the water pressure enables tenants to operate household appliances, such as gas water heaters, washing machines, water taps, etc.

4. Based on feedback from tenants and the results of the inspection on water pressure in PRH units, HA will install booster pump system in a total of 76 domestic blocks in 17 PRH estates to solve the problem of low water supply pressure in PRH units on upper floors.

2016 PRH Rent Review

Survey on Household Income of PRH Tenants

5. At the Panel meeting on 29 June 2016, Members requested the Government to provide information on the “Survey on Household Income of PRH Tenants”.

6. The current PRH rent adjustment mechanism as stipulated in the Housing Ordinance (Cap. 283) came into effect on 1 January 2008. Section 16A of the Housing Ordinance provides that HA shall conduct a rent review every two years and vary the PRH rent according to the change in the income index between the first and the second periods covered by the review. Section 16A(4) provides that, “if satisfied on a review of the relevant rent that the income index for the second period is higher than the income index for the first period by more than 0.1%, shall as soon as practicable after the review increase the relevant rent by the rate of the increase of the income index or 10%, whichever is less”; and “if satisfied on a review of the relevant rent that the income index for the second period is lower than the income index for the first period by more than 0.1%, shall as soon as practicable after the review reduce the relevant rent by the rate of reduction of the income index”.

7. To collect the income data of PRH tenants for computing the income index, HA adopts the proportionate stratified systematic random sampling method. A sample of 2 000 PRH households is selected each month in each of the first and the second period, in accordance with the actual distribution of household size each month. The compilation of the income index serves to assess the “pure income change” in the household income of PRH tenants

during the rent review cycle with a view to determining the extent of rent adjustment. To achieve this objective, the household size distribution of PRH tenants in the rent review cycle should remain unchanged, so that the impact on household income due to variations of household size distribution could be eliminated in computing the income index. Since the income survey conducted by HA is not a longitudinal survey, i.e. HA is not tracking the same households in both the first and second periods, it is not possible for HA to gauge the income change of individual tenants over the two periods. Hence, HA does not keep any information on the number and percentage of PRH tenants whose mean household income was increased by less than 10% in 2013 (i.e. the first period of 2016 PRH rent review) and 2015 (i.e. the second period of 2016 PRH rent review).

The two motions passed at the meeting

8. Members also passed the following two motions at the meeting on 29 June 2016-

(a) a motion moved by Hon WONG Kwok-hing, requesting HA to grant a one-month rent waiver to all PRH tenants and review the existing PRH rent adjustment mechanism; and

(b) a motion moved by Hon LEE Cheuk-yan, requesting HA to amend the existing PRH rent adjustment mechanism.

Our consolidated response is as follows.

9. For the 2016 PRH rent review, the income index for the second period (i.e. 2015) is higher than that for the first period (i.e. 2013) by 16.11%. Hence, in accordance with the PRH rent adjustment mechanism as stipulated in the Housing Ordinance, the rent adjustment is +10%. At its meeting on 8 July 2016, HA's Subsidised Housing Committee (SHC) thoroughly considered the outcome of the 2016 PRH rent review and views of the Panel on Housing and other organisations. SHC noted that the existing rent adjustment mechanism was developed after lengthy deliberations and extensive consultation, with thorough consideration on various adjustment methods and their pros and cons. The mechanism has an objective basis.

The existing rent adjustment mechanism has offered sufficient protection to PRH tenants by ensuring that PRH rent is maintained at an affordable level. SHC also noted that cumulatively, the income of PRH households has increased by 68.5% from 2007 (the first period of the first rent review conducted under the current mechanism) to 2015 (the second period of the current 2016 rent review). However, by adopting a 10% rent increase pursuant to the outcome of the current rent review, PRH rent would have only increased cumulatively by 39.3% (over all four rent reviews conducted under the current rent adjustment mechanism). SHC was also aware that the average PRH rent to the average PRH household income in 2007 was 9.97%, and has gradually decreased to 9.10% after the rent increase in accordance with the 2016 review.

10. Besides, SHC noted that PRH tenants will benefit from Government's initiatives and can apply for various government schemes which assist low-income families. Tenants with recurrent financial difficulties can apply for the Comprehensive Social Security Assistance, which includes rent allowance. In response to the risks in Hong Kong's economic situation this year, the Financial Secretary announced a number of relief measures to ease the burden of citizens in his 2016-17 Budget, including rates concession from which PRH tenants will also benefit¹. The latest employment statistics indicate that unemployment remains at a low level (at 3.4%). SHC considers that should an economic downturn with territory-wide impact occur in the future, the Government would introduce suitable measures as necessary to help citizens cope with the economic pressure, having regard to the actual circumstances.

11. After thoroughly considering all the above factors, SHC approved a 10% increase in PRH rent in accordance with section 16A of the Housing Ordinance. The rent adjustment will take effect on 1 September 2016.

¹ The Government will waive rates for all four quarters of 2016-17, subject to a ceiling of \$1,000 per quarter for each rateable property. HA will pass on all the rates concession to PRH tenants.

12. SHC also had detailed discussion on whether rent waiver should be granted to PRH tenants. After carefully considered all relevant factors, including the growth in tenants' income, protection offered by the rent adjustment mechanism in maintaining tenants' affordability, and HA's financial position, SHC considered that there were no clear grounds for HA to grant all tenants a uniform rent waiver for this rent review. Instead, targeted assistance should be offered to tenants who are in need.

13. HA currently operates the Rent Assistance Scheme (RAS) to assist PRH tenants with temporary financial difficulties pay their rent. Under RAS, eligible applicants will be granted a rent reduction of either 25% or 50%. SHC reviewed the operation of RAS at its meeting on 8 July and endorsed two measures to further enhance the scheme. In short, the frequency of review of eligibility will be relaxed from once every year to once every two years, so that recipients of RAS will be relieved from preparing income documents for the review every year. Besides, the current requirement for non-elderly tenants living in newer block types who have received rent assistance for three consecutive years to move to cheaper accommodation within the same district (subject to availability of suitable flats) will be relaxed to four consecutive years, if they continue to require rent assistance. The above measures will take effect on 1 September 2016, together with the rent adjustment. HA will publicise RAS and the above enhancements through the rent adjustment notification letters to be issued to tenants in July 2016, as well as other channels.

Transport and Housing Bureau
August 2016