

## **Special Meeting of Finance Committee on 27 March 2003**

### **Speech by Secretary for Housing, Planning and Lands**

Mr Chairman,

In July 2002, the former Housing Bureau and the Housing Department were re-organized into a new Housing Department tasked with integrated functions of policy formulation and implementation. Last November, I set out to this Council the future direction of our housing policies. I would like to brief Honourable Members on our expenditure on housing under the new institutional structure and policy framework for the coming year.

#### **Major Activities**

2. As before, the Government will continue to help low-income families gain access to affordable housing in the coming year. We will seek to maintain the average waiting time for public rental housing at three years as pledged. As for private housing, the Government will continue to facilitate the free market to play the fullest possible part, minimise intervention and maintain a stable operating environment. In 2003-04, one of our major tasks is to amend the Landlord and Tenant (Consolidation) Ordinance with a view to restoring the free operation of the private rental market by removing control over security of tenure. I aim to introduce the Amendment Bill into the Legislative Council in June this year.

#### **Public Expenditure on Housing**

3. We estimate that public expenditure on housing in 2003-04 will be \$26.9 billion for the implementation of the above housing programmes, which represents 9.4% of the total public expenditure. Of the \$26.9 billion, the expenditure of the Housing Authority accounts for \$26.3 billion, or 98%, which is mainly used for the construction and management of public rental housing and the operation of commercial premises, carparks and welfare facilities. The remaining 2%, i.e. \$600 million, is Government expenditure for formulating and improving the regulatory framework on the property market, squatter control, and land use planning for housing, etc.

4. One of our key objectives for the coming year is to achieve savings while maintaining the quality of services to the public. The Government and the Housing Authority will adopt various measures to reduce recurrent expenditure, which include:

- (a) following the re-organization of former Housing Bureau and the Housing Department, we have deleted a total of 24 posts with an annual saving of \$26 million;
- (b) the Government and the Housing Authority will achieve the target savings of 1.8% in operating expenses in the coming year through business process re-engineering, additional outsourcing, cost control and further reduction of surplus staff; and
- (c) the civil service pay adjustment that will take effect in January 2004 will bring about a saving of \$30 million in personal emoluments incurred by the Government and the Housing Authority in 2003-04.

These measures will enable us to use our limited resources more efficiently to provide quality services to the public notwithstanding current financial stringency of the Government.

### **Financial Position of the Housing Authority**

5. The financial position of the Housing Authority has recently caused some public concern. The Housing Authority is a statutory body with full financial autonomy from the Government budget. But I would like to respond to a number of the concerns expressed. All along, the Housing Authority funds its public housing programme through the operation of its commercial facilities and sale of subsidized housing flats. As a result of suspension of sales under the Home Ownership Scheme and cessation of the Tenants Purchase Scheme, coupled with continued rent freeze for public rental housing, it is envisaged that the Housing Authority may face a cash deficit in 2005-06. Therefore, apart from cutting expenditure and selling the loan portfolios under the previous Home Purchase Loan Scheme and the new Home Assistance Loan Scheme, the Housing Authority is also actively exploring new sources of income, e.g. by divesting of its commercial properties and carparks. We believe that through vigorous cost-cutting measures and identifying new sources of income, the Housing Authority should have sufficient resources to meet its operational needs.

### **Conclusion**

6. In conclusion, despite the financial stringency faced by the Government and the Housing Authority, I am confident that we can make use of our limited resources to implement the three main pillars of our housing policy, namely, helping low-income families gain access to affordable housing, minimising intervention in

the market and maintaining a fair and stable operating environment for the healthy development of the private property market. In the past year, we have streamlined the institutional framework for housing. Not only have we achieved considerable savings in resources, we have also sharpened the delineation of staff responsibilities at all ranks, thus enhancing their accountability and effectiveness in policy implementation. Now that the first stage streamlining and restructuring has been completed and staff members have adapted to the new mode of operation, we are actively formulating proposals for the second stage streamlining. We are working to finalize the detailed arrangements shortly, and will exchange views with staff members and report to the Legislative Council.

7. Thank you.