

**Speech by Secretary for Housing, Planning and Lands  
at the Special Meeting of Legislative Council Finance Committee  
on 31 March 2004**

Chairman,

In October 2003, I briefed this Council on the Government's further measures to implement and consolidate the housing policy with a view to maintaining a stable operating environment for the healthy development of the private property market. I also re-affirmed the Government's major role in providing public rental housing. We are committed to upholding this unequivocal housing policy. I would like to brief Members on our major initiatives and expenditure on housing for the coming year.

**Major Activities**

2. The thrust of the Government's housing policy is to help low-income families meet their housing needs. We will seek to maintain the average waiting time for public rental housing at three years as pledged. The Housing Authority will consult the public later in the year on the formulation of a comprehensive, objective and flexible domestic rent policy which reflects tenants' rental affordability and ensures the sustainability of the public rental housing programme. On the divestment of retail and carparking facilities, the Housing Authority is making preparations for the injection of relevant assets into the Real Estate Investment Trust (REIT), which is tentatively scheduled for listing on the Stock Exchange of Hong Kong in 2004-05. We will also continue to explore suitable arrangements to dispose of surplus Home Ownership Scheme flats in a market-friendly manner.

**Public Expenditure on Housing**

3. We estimate that public expenditure for the implementation of housing policy in 2004-05 will be about \$24.6 billion, representing 8.6% of total public expenditure. Of this, the expenditure of the Housing Authority accounts for \$24.1 billion, or 98%, which is mainly used for

the construction and management of public rental housing and the operation of affiliated commercial and welfare facilities. The remaining 2%, i.e. around \$500 million, is Government expenditure for implementing programmes including squatter control and land use planning for housing, etc.

4. In view of the general financial stringency faced by the Government as a whole, we will adopt a series of measures to enhance productivity and achieve savings in the coming year while maintaining a high quality of services to the public. These measures include:

- (a) the second-stage civil service pay adjustment, which will take effect in January 2005, will bring about a saving of about \$100 million in personal emoluments incurred by the Government and the Housing Authority in 2004-05;
- (b) through reviewing the staff establishment and streamlining the organisation structure, it is expected that the staff establishment of the Housing Authority will be down-sized by some 30%, representing a reduction of about 3 500 posts, from October 2002 to March 2007. This will bring about an annual saving of some \$1.3 billion in personal emoluments and associated fringe benefits; and
- (c) cost control measures will be strengthened, through adoption of cost-effective designs and methods in the construction, management and maintenance of public housing estates and associated facilities as well as implementation of rigorous energy-saving programmes, to achieve savings.

With these measures, the Housing Authority's consolidated recurrent expenditures for 2003-04 and 2004-05 are expected to reduce by 8.5% (or \$1.3 billion) and 10.7% (or \$1.6 billion) respectively using the 2002-03 revised budget as the baseline, thereby achieving the Government's savings target.

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

5. Recent public discussions on options to adjust domestic rent levels have aroused concern over the long-term financial situation of the Housing Authority. A sound financial position of the Housing Authority is pivotal in sustaining the public housing programme. Having carefully considered and balanced the interests of public housing tenants and the society as a whole, the Housing Authority, at its meeting yesterday, decided to adopt the option of waiving the rents of the Comprehensive Social Security Assistance (CSSA) households while reducing the rents of all non-CSSA households by 10%. In the long run, I hope that the public will discuss objectively ways to improve the prevailing rent policy having regard to the interests of the wider public, so as to strike a balance between maintaining the financial viability of the Housing Authority and the provision of public rental housing.

6. As I mentioned above, the Housing Authority is taking active steps to divest its retail and carparking facilities in the coming year. The proceeds generated from this exercise will help overcome the Housing Authority's fiscal deficit in the short run. However, in the absence of a stable source of income from its commercial properties, the Housing Authority must continue to adopt rigorous cost-savings initiatives and streamline its organization structure. We will submit the re-organisation proposal concerning directorate staff to the Legislative Council for consideration in mid-2004.

## **Conclusion**

7. The recent market situation and related statistics suggest that the property market is operating healthily under a clear housing policy. The Government and the Housing Authority are faced with many challenges in consolidating the housing policy in the midst of financial stringency. Despite our efforts in cost-cutting and revenue-generation, the problems will not vanish immediately. Nonetheless, I truly believe that through rational resource utilisation and determination in upholding a consistent housing policy, the entire society will benefit.

8. Thank you.