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The Government of the Hong Kong Special Administrative Region

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7 March 2005

Clerk to the Legislative Council Panel on Housing
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn: Miss Odelia Leung)

Dear Miss Leung,

Income and Asset Limits for Waiting List Applicants

The LegCo Panel on Housing discussed, amongst others, the review of income and asset limits for Waiting List (WL) applicants for Public Rental Housing (PRH) on 7 February 2005. Members asked the Administration to keep them informed of how the asset limits for elderly households were to be raised. They also enquired about the number of households excluded from the PRH eligibility net as a result of the downwards adjustments to the income limits over the past few years.

The findings of our review of the income and asset limits for 2005/06 are set out in the attached paper to the Subsidized Housing Committee of the Housing Authority (HA) at **Annex A**. As far as the asset limits for elderly are concerned, we propose to raise these to two times the asset limits for non-elderly households (paras. 20 – 22 refer). The Subsidized Housing Committee will meet on 14 March 2005 to consider the proposal.

As regards the number of households excluded from the eligibility net for PRH as a result of the downward adjustments to the limits, it is not possible to give a precise estimate as the total number of non-owner occupied households in the private sector and their income profile will change over time, so will their propensity to register on the WL. Nonetheless, we have attempted at **Annex B** a broad-brush comparison between the estimated number of non-owner occupied households living in the private sector eligible for PRH before and after the adoption of the revised income limits over the past few years. However, it should be stressed that the figures only give a "snapshot" of the position as of the time when the income limits for a particular year were derived. The total number of households eligible for PRH is also far greater than that suggested by the figures as households splitting from existing PRH tenants, owners of Home Ownership Scheme or Private Sector Participation Scheme units, and owner-occupied households in the private sector may also be eligible for PRH.

A more useful assessment of the impact of the changes in the WL income limits on the eligibility for PRH would be to look at the actual number of WL applicants registered on the WL and the number of households rehoused to PRH. As can be seen from the table at **Annex C**, during the five-year period between 1999/2000 and 2003/04 when the income limits were adjusted downwards in line with the relevant price and rental indicators, on average some 35,000 households were successfully registered on the WL per annum, far exceeded the number, i.e. 25,000, between 1994/95 and 1998/99 when the income limits were at record high. Likewise, the HA re-housed some 30,000 WL applicants to PRH per annum in the five-year period between 1999/2000 and 2003/04, as opposed to 15,000 per annum between 1994/95 and 1998/99. The figures clearly underscore the fact that adjustments to the limits only reflect the prevailing costs of living and rental expenses. The adjustments have not prevented needy households from applying PRH, nor have they undermined the HA's commitment to providing PRH to families who find private rental accommodations beyond their affordability.

The HA has also put in place arrangements to minimize the impact on existing WL applicants brought by downward adjustments to the WL income limits. All WL applicants who have gone through the vetting stage before implementation of the reduced limits would be exempted from their application. For those WL applicants who fail in the income/asset test but subsequently become qualified under the prevailing eligibility rules as a result of income/asset limits revisions or substantiated changes in family circumstances, they could reinstate their original PRH applications within two years.

I should be grateful if you would relay the above information to Members of the Panel on Housing. Many thanks.

Yours sincerely,

(Tam Wing-pong)
for Secretary for Housing, Planning and Lands

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ANNEX A

PAPER NO. SHC 19/2005

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Subsidised Housing Committee

Review of Waiting List Income and Asset Limits for 2005/06

PURPOSE

This paper re-examines the methodology for setting the Waiting List (WL) income and asset limits and seeks Members' endorsement of the proposed limits for 2005/06.

BACKGROUND

2. It has been the established policy of the Housing Authority (HA) to review annually the WL income and asset limits. The objective is to ensure that public rental housing (PRH) is available to those in genuine need, i.e., those who cannot afford renting accommodations in the private market. The existing methodology for deriving the limits, which embraces a "household expenditure" approach to determine the level of income required for households to rent private accommodations, has been developed to support this policy goal. Its basic operation is set out at **Annex A**.

3. Following a comprehensive review in 2002, the HA adopted a series of measures to rationalize and relax the methodology for assessing the limits. Details of these measures, which approximately raised the WL income limits by an average of 10% as compared to those derived under the previous methodology, are set out at **Annex B**. Notwithstanding the substantially relaxation, some HA and Legislative Council (LegCo) members suggested during the 2004/05 review that we should revisit the methodology when reviewing the limits for 2005/06. A series of brainstorming and consultation sessions have been held to tap the views of the HA members, LegCo Panel on Housing, individual political parties, interest groups, and academics on how best the methodology should be changed.

THE REVIEW

Income and Asset Limits Derived under Current Methodology

4. The two main variables affecting the limits are the Consumer Price Index(A) (CPI(A)) on non-housing cost and prevailing rental levels in the private market, which respectively determine the extent of adjustments to households' non-housing expenditure and housing expenditure. Since the last review in March 2004, the CPI(A) has moved upwards in tandem with the improving economy, while private rentals have shown different patterns of movement. The movements of these two variables as at the fourth quarter of 2004 are set out below-

		4Q 2003	**4Q 2004 (% Change)**
(a)	Differential Unit Rents of Private Flats (per m^2 IFA)		
	- 1 person	$139	$134 (-3.6%)
	- 2 persons	$127	$126 (-0.8%)
	- overall average	$126	$126(--)
(b)	Consumer Price Index (CPI(A)) on non-housing cost (1999/2000 = 100)	95.1	96.9(+1.9%)

5. Assuming that we review the income and asset limits according to the existing methodology, the limits so derived should be as follows-

Household Size	**Existing Income Limits for 2004/05**	**Existing Asset Limits for 2004/05**	**New Income Limits for 2005/06**	**New Asset Limits for 2005/06**
1	$6,600	$170,000	$6,600	$160,000
2	$10,000	$230,000	$10,100	$230,000
3	$11,700	$300,000	$11,900	$300,000
4	$14,000	$350,000	$14,300	$360,000
No. of non-owner occupied households in private sector eligible for PRH	126,100 (34.4%)		127,700 (34.9%)	

The income and asset limits for 2005/06 would increase by an average of 1.8% and 0.7% respectively. Some 127 700 non-owner occupied households in the private sector[1] (34.9%) would be eligible for PRH, up 1 600 from the current 126 100 households (34.4%). Details are at **Annex C**.

Possible Areas for Changing the Existing Methodology

6. Taking account of the suggestions made by various parties, we have identified five possible areas for changing the existing methodology. These include -

(a) increasing the "contingency provision" from 5% to 10% of the total expenditure of the households;

(b) taking the non-housing expenditure of the second lowest quarter (i.e., 26% - 50%) expenditure group for calculating the average non-housing expenditure;

(c) adopting the allocation standards for New Harmony blocks for determining the "reference flat sizes" for calculating the housing expenditure;

(d) rationalizing the methodology for assessing asset limits; and

(e) raising the assets limits for elderly households.

(a) Increasing the "Contingency Provision"

7. In the 2002 review, we took on board the suggestion to include a broad-bush allowance equivalent to 5% of the total household expenditure as a "contingency provision" in calculating the WL income limits. In subsequent reviews, there were calls to further increase the provision to 10%. Should this proposal be adopted, the current WL income limits would increase by an average of 6.6%. Details are set out below –

[1] It should be stressed that this figure only gives a "snapshot" of the position as of 4Q 2004. The number of non-owner occupied households in the private sector will change over time, so will the proportion of them eligible for PRH. The total number of households eligible for PRH is also far greater than that suggested by this figure as households splitting from existing PRH tenants, HOS/PSPS owners or owner-occupied households in the private sector may also be eligible for PRH.

Household Size	Existing Income Limits for 2004/05	New Income Limits for 2005/06
1	$6,600	$6,900 (+4.5%)
2	$10,000	$10,600 (+6.0%)
3	$11,700	$12,500 (+6.8%)
4	$14,000	$15,000 (+7.1%)
No. of non-owner occupied households in private sector eligible for PRH	126,100 (34.4%)	133,600 (36.5%)

8. Raising the "contingency provision" is a convenient and straightforward way to lift the income limits. The most commonly cited argument in support for this proposal is that the WL income limits should provide for a higher margin of "contingency" over and above the aggregate household expenditure to enable prospective PRH applicants to "save" more of their household income to cater for other purposes. We have reservation in accepting the proposal and the argument behind it, the reasons being that –

(a) the data for assessing households' non-housing expenditure is based on the Household Expenditure Survey conducted by the Census and Statistics Department. They have already covered various kinds of expenditure on "unforeseeable" or "non-essential" items, such as medical services, jewelry, package tour, etc., which are usually paid for by household savings;

(b) insofar as the theoretical notion of "contingency provision" is concerned, the current income limits should already provide for a rather high "contingency provision". The table at **Annex D** shows that the 2004/05 income limits exceed the actual household expenditure by some 11% to 26%. This is largely attributable to the fact that the current formula has made reference to a hypothetical living space standard equivalent to that of PRH for calculating the housing expenditure. The hypothetical housing expenditure so calculated is significantly higher than the actual expenditure as, in reality, very few low income households on the WL rent private accommodations as large as PRH units;

(c) in addition, contributions under the Mandatory Provident Fund, which to some extent is a form of "compulsory saving", are deductible from household income; and

(d) more fundamentally, contrary to what some advocates purport, increasing the contingency provision will not help enhance the "saving rate" of individual WL households. It will only increase the income limits and hence the number of eligible households, but will not have any material impact on the "saving rate" of the WL applicants, which is essentially a matter of personal decision.

(b) Adopting the Average Non-housing Expenditure of the Second Lowest Quarter Expenditure Group for Calculating the Non-housing Expenditure

9. Prior to 1997, reference was made to the average non-housing expenditure of the lowest one-third expenditure group amongst tenant households in the private sector for assessing households' non-housing expenditure. The reference was expanded to cover the lower half expenditure group since 1997. There has been suggestion to further relax the calculation by excluding the expenditure pattern of the lowest quarter (i.e. 25% or below) expenditure group. Accepting this proposal would raise the income limits by an average of 12.2%. Details are as follows -

Household Size	**Existing Income Limits for 2004/05**	**New Income Limits for 2005/06**
1	$6,600	$7,700 (+16.7%)
2	$10,000	$11,600 (+16.0%)
3	$11,700	$13,300 (+13.7%)
4	$14,000	$16,300 (+16.4%)
No. of non-owner occupied households in private sector eligible for PRH	126,100 (34.4%)	146,000 (39.8%)

10. As a matter of principle, we find it hard to accept the suggestion that we should completely ignore the expenditure pattern of the lowest quarter expenditure group. This group of households is most in need of housing assistance and constitutes a large share of the WL applicants. Discounting the expenditure pattern of this target group for PRH would be as disingenuous as it would significantly distort the calculation of the average non-housing expenditure and hence the WL income limits. We do accept that the expenditure pattern of certain categories of households, such as the elderly and unemployed, should be taken out from the assessment given that their expenditure pattern is distinctly different from other households. Following the review in 2002, we have discounted households comprising wholly elderly

or non-working members from the calculation. We believe this more targeted approach has already ensured that the non-housing expenditure so derived is generally representative of the expenditure pattern of the target group of PRH.

(c) Setting "Reference Flat Sizes" Based on Allocation Standards of New Harmony Blocks

11. Under the existing formula, the "reference flat sizes" used for assessing the housing expenditure are pegged with the average space of PRH flats allocated to WL applicants over the preceding three years. A major deficiency of this approach is that the "reference flat sizes" so derived would fluctuate according to the flat mix of the PRH supply. As can be seen from the table at **Annex E**, the sizes of the reference flats have increased by an average of 8.3% (15% and 14.5% for 3 and 4-person households respectively) as compared to those used in deriving the limits for 1998/99. This is to a large extent brought about by the conversion of over 40 000 HOS units into PRH in the past few years.

12. To avoid fluctuation in the sizes of the reference flats, one possible solution is to determine the "reference flat sizes" based on the average allocation standards of New Harmony blocks. A comparison of the "reference flat sizes" estimated under the current methodology and those derived from the allocation standards of New Harmony blocks are set out at **Annex F**. Adopting the standards of New Harmony blocks would result in a slight increase in the "reference flat size" for 1-person households. However, the "reference flat sizes" for 2 to 4-person households would drop considerably. The WL income limits so derived are as follows -

Household Size	**Existing Income Limits for 2004/05**	**New Income Limits for 2005/06**
1	\$6,600	\$6,700 (+1.5%)
2	\$10,000	\$9,400 (-6.0%)
3	\$11,700	\$11,000 (-6.0%)
4	\$14,000	\$13,700 (-2.1%)
No. of non-owner occupied households in private sector eligible for PRH	126,100 (34.4%)	122,800 (33.5%)

13. The proposal should provide a more rational and objective basis for assessing the "reference flat sizes". However, the net result of implementing the proposal would be a substantial tightening up of the income limits for 2 to 4-person households, which constitute the bulk of the WL applicants. As the

economy has only begun to recover, we consider that it is not opportune to adopt this proposal. However, we will continue to keep the matter under review and revert to Members if the situation so warrants.

14. For easy reference by Members, **Annex G** sets out the income limits under different combinations of the above options.

(d) Methodology for Setting WL Asset Limits

15. Hitherto, the asset limits are set with reference to the total amount of expenditure required for households to rent private accommodations for six years. A benchmark of six years has been adopted largely because that was the approximate average waiting time (AWT) prevailed at the time when asset limits were first introduced in 1998. Since then, the AWT has dropped to less than two years as at present. The original basis for making reference to six years' rentals no longer holds water and its continued application has attracted criticisms.

16. We have consulted a number of academics, the HA members and other interest groups on how best we could develop a more tenable formula for assessing the WL asset limits. No consensus could be reached. Some propose to adjust the reference to six years' rental to two years' in line with the present AWT. To do so would, however, drastically reduce the asset limits by some 67%, which is unlikely to be acceptable to the community.

17. Some see a causal link between household savings and the asset limits. Another alternative therefore is to derive the asset limits based on the estimated amount of household savings that the prospective WL applicants might reasonably accrue at the time they apply for PRH. Developing an objective formula along the notion of household saving is, however, fraught with difficulties. For one thing, there is no universally accepted rate of saving, nor is there any official statistics on household saving in Hong Kong. Nonetheless, we have attempted a possible method by drawing on the differentials between the income limits and actual household expenditure. As can be seen from **Annex D**, for households with income equivalent to the income limits, their average household expenditure is on average 15%[2] lower than their household income. Assuming that the households concerned could save similar percentage of their income over a period of, say, 10 consecutive years, the asset limits could be calculated as follows -

Asset Limits = Monthly Household Income or Income Limits x 15% x 12 x 10

[2] This percentage is adjusted by the weightings of eligible households of different household size over the past three years.

The resultant asset limits, as compared to the existing ones, are set out below -

Household Size	**Existing Asset Limits for 2004/05**	**New Asset Limits for 2005/06**
1	$170,000	$120,000
2	$230,000	$180,000
3	$300,000	$210,000
4	$350,000	$260,000

18. The revised asset limits calculated using this new method are substantially lower than the existing ones. Admittedly, there is no objective basis for making reference to a "cumulative saving" of 10 years. We could bring the revised asset limits closer to the existing ones by assuming that the households could accumulate a larger amount of savings over a reference period of more than 10 years. Likewise, we can possibly develop alternative formulae with a view to producing similar asset limits. But to do so would be as arbitrary as to continue to adopt six years' rentals as the asset limits. It would equally lay ourselves open to the same criticism that the assessment of the asset limits is not founded on objective grounds.

19. The above analysis underlines the constraints we face in changing the methodology for setting the asset limits – that any alternative methodology should produce asset limits close to the existing ones, lest the community may find it hard to accept; and that it would be highly difficult to devise an alternative methodology that does not involve a degree of subjective assessment. Taking account of these practical constraints and the fact that the current levels of asset limits are by large accepted by the community, we propose to retain the current asset limits to form the basis for future adjustments. However, instead of making reference to changes in private sector rentals, we propose to adjust the asset limits with reference to inflation or deflation as reflected in the CPI(A) over the year. The advantage of CPI(A) is that it is a broader-based price indicator as compared to rental index. The latter would also be potentially subject to more volatile fluctuation according to the economic cycle. The CPI(A) in the fourth quarter of 2004 increased by 0.5% over the past year. Given this moderate movements in CPI(A), the asset limits for 2005/06 would remain unchanged after rounding –

Household Size	**Existing Asset Limits for 2004/05**	**Proposed Asset Limits for 2005/06**
1	$170,000	$170,000
2	$230,000	$230,000
3	$300,000	$300,000
4	$350,000	$350,000

(e) Asset Limits for Elderly Households

20. Given that most of the elderly applicants are either retired or on very low income, many of them have to rely on savings to meet their daily expenses. We fully accept that there is a strong case to adopt a different set of asset limits for elderly households to cater for their specific needs. The current asset limits have to some extent already reflected this consideration. For instance, the asset limits applicable to "nuclear households"[3] comprising 2-person and 3-person elderly members have been raised to the same level as that of 4-person households. However, this relaxation does not apply to elderly singletons nor to non-nuclear elderly households. The present arrangements are set out below-

Household Size	**Non-elderly Households and Non-nuclear Households Comprising Elderly Members**	**Nuclear Households Comprising Elderly Members**
1	$170,000	$170,000
2	$230,000	$350,000
3	$300,000	$350,000
4	$350,000	$350,000

21. As with our attempt to rationalize the calculation of asset limits, we find it difficult to devise an alternative formula for assessing the asset limits for elderly that is underpinned by entirely objective and scientific considerations. Different options have been flagged up by various interest parties. Some propose to add an amount equivalent to 12 months' household income/income limits to the existing asset limits, while others propose to make this additional amount equal to 48 months' household income/income limits. However, no objective reasoning has been given to support these proposals.

22. Nonetheless, as a general consensus, the majority of the parties we consulted are of the view that the asset limits for elderly should be lifted generously. To this end, we recommend to take an intuitive but pragmatic approach for setting the asset limits for elderly households at two times the asset limits for non-elderly households. The asset limits for elderly households for 2005/06 are proposed as follows -

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[3] A nuclear family refers to family comprising one or more family nuclei. A family nucleus is either-
- (i) a married couple without children;
- (ii) a married couple with one or more never married children; or
- (iii) one parent (father or mother) with one or more never married children.

Household Size	**Non-elderly Households**	**Elderly Households (Both Nuclear and Non-nuclear)**
1	$170,000	$340,000
2	$230,000	$460,000
3	$300,000	$600,000
4	$350,000	$700,000

The revised asset limits should be equally applicable to nuclear and non-nuclear households comprising elderly members, the latter include households comprising unrelated elderly members.

Overall Assessment

23. The existing methodology for assessing WL income limits has proved its resilience and flexibility in coping with the major economic adjustments took place over the past few years, as the number of households registered on the WL clearly shows. Between 1999/00 and 2003/04, the income limits were adjusted downwards in line with the relevant price and rental indicators. Yet on average some 35 000 households were successfully registered on the WL per annum during this five-year period, as opposed to around 25 000 households per annum between 1994/95 and 1998/99 when the income limits were at record high. Adjustments to the limits only reflect the prevailing costs of living and renting private accommodations. These would not prevent needy households from applying PRH. Similarly, the HA re-housed some 30 000 WL applicants to PRH per annum in the five-year period between 1999/00 and 2003/04. The respective figure for 1994/95 to 1998/99 was some 15 000.

24. The present formula for assessing the income limits, which follows that endorsed in the 2002 review, is the most relaxed formula ever adopted by the HA. We believe this formula is still applicable, and are not convinced that there is any overriding need to either relax or tighten it up from the point of view of rational allocation of public housing resources. We do accept that there is scope to improve the way that the asset limits are to be adjusted, particularly that for the elderly households. The proposals set out in paras. 19 and 22 may fall short of being entirely objective and scientific, they nonetheless provide practical solutions to improve the current system taking account of all the difficult considerations.

RECOMMENDATIONS

25. Members are invited to endorse the following-

(a) retaining the existing methodology for assessing the WL income limits, which was already substantially relaxed in 2002;

(b) adjusting the WL asset limits according to movements in CPI(A);

(c) setting the WL asset limits for elderly households (both nuclear and non-nuclear households comprising elderly members) at two times the asset limits for non-elderly applicants; and

(d) the proposed WL income and asset limits for elderly and non-elderly applicants for 2005/06 at **Annex H**.

FINANCIAL AND STAFFING IMPLICATIONS

26. In our forecast of PRH demand and planning of PRH production, we have assumed that the WL income and asset limits would be adjusted according to the established mechanism. Given that there is no official data on household assets, we cannot ascertain precisely the impact of the proposed changes to the way that asset limits are to be adjusted for both the elderly and non-elderly applicants.

PUBLIC REACTION AND PUBLICITY

27. This annual review of WL income and asset limits is likely to attract considerable media and public interest. Our recommendation not to relax the methodology for assessing the WL income limits may be criticized by those who have been demanding for further expansion of the eligibility net for PRH. Nonetheless, we believe that the proposed income limits for 2005/06, which show a moderate increase for the first time in six years since 1998/99, should be acceptable to the community at large. The proposal for substantially increasing the asset limits for elderly households should also receive broad-based support.

28. A press release will be issued to announce the findings of this review. The revised income and asset limits for 2005/06 will be publicized on the HA's website and the WL application form.

ADVICE SOUGHT

29. Members will be invited to endorse the recommendations set out in para. 25.

Miss Elisa TSUI
Secretary, Subsidised Housing Committee
Tel. No.: 2761 6834
Fax No.: 2761 0019

File Ref: HD(CR)30/1/177
(Strategy Division)
Date : 8 March 2005

The Existing Mechanism for Setting of the WL Income and Asset Limits

WL Income Limits

- The WL income limits are derived from a "household expenditure" approach which consists of housing costs and non-housing costs-

  (a) *Housing costs*: the rent payment, rates and management fees required for a household to rent a private flat of comparable size to PRH. The exact figure is obtained by multiplying the average space allocated to Waiting List applicants in the past three years by a unit rent which is derived from a sample survey on private dwellings conducted by the Census and Statistics Department. In the calculation, the differential unit rent for the respective household size or the overall average unit rent, whichever is higher, is adopted, while all those HOS flats which were transferred to PRH and those 3-bedroom flats allocated to 4-person households are excluded.

  (b) *Non-housing costs*: The average household expenditure of the lower half expenditure group amongst tenant households in the private sector. The statistics are obtained from the Household Expenditure Survey conducted by C&SD and adjusted annually according to the movement in Consumer Price Index (A) (excluding housing cost). The expenditure pattern of those households comprising solely elderly or non-working members are excluded in deriving the non-housing expenditure.

- The WL income limits for different household sizes are the respective sums of the above two major cost items, plus a 5% "contingency" provision.

WL Asset Limits

- The WL asset limits are set at levels for households to finance the housing cost of renting private flats for six years.

Annual Adjustment

- The WL income and asset limits are reviewed annually at the beginning of each year using latest available statistics as of the fourth quarter of the previous year.

MPF Contributions

- Statutory contributions under the Mandatory Provident Fund (MPF) Scheme are deductible from a household's income when it applied for PRH. In other words, for households contributing 5% of their income under the MPF, the effective WL income limits applicable to them are about 5.26% higher than the prescribed limits.

Improvements to the mechanism for setting WL income and asset limits endorsed in 2002

(i) including all private flats below 70 m^2 Saleable Area for deriving the unit rents;

(ii) adopting the differential unit rents for the respective household size in assessing the housing expenditure should these be higher than the overall average unit rent;

(iii) excluding the expenditure pattern of those households comprising solely elderly or non-working members in deriving the non-housing expenditure;

(iv) providing an allowance equivalent to 5% of the total household expenditure as a contingency provision in the calculation of income limits for WL applicants;

(v) using data from the fourth quarter of the previous year for conducting the annual review; and

(vi) as a standard practice, the income and asset limits so derived from the revised formula should be adopted.

Waiting List Income Limits for 2005/06 based on the existing method

(using data as at 4Q 2004)

A. Rent* - obtained by multiplifying average size of accommodation by unit rent*

- the average size of accommodation is equivalent to the average space allocated to the waiting list applicants in 2001/02 - 2003/04^
- differential and overall average unit rents of private flats (flat size of 69.9m2 SA or below) are derived from the Rent Survey for 4Q 2004 conducted by Census & Statistics Department+

HH size	Unit Rent ($/m^2 IFA)
1	134
2	126
Overall Average	126

B. Average non-housing expenditure :

- based on the expense pattern of tenant households in private permanent housing and those in private temporary housing in the lower half expenditure group in accordance with the 1999/00 Household Expenditure Survey@ and adjusted by CPI(A) (excluding rent & rates & government rent & management fee) to 4th quarter 2004. Households with all elderly or non-working members have been excluded from the calculation.

HH size	Average size of accommodation ^	Housing Expenditure*	Non-housing expenditure	Total household expenditure	**Projected income limit#**	Existing income limits	Change	
	(m^2, IFA)	($p.m.)	($p.m.)	($p.m.)	**($p.m.)**	($p.m.)	($p.m.)	(%)
1	16.8	2,251	4,055	6,306	**6,600**	6,600	0	0.0
2	24.8	3,125	6,481	9,606	**10,100**	10,000	100	1.0
3	33.0	4,158	7,164	11,322	**11,900**	11,700	200	1.7
4	39.5	4,977	8,685	13,662	**14,300**	14,000	300	2.1
5	43.3	5,456	9,839	15,295	**16,100**	15,800	300	1.9
6	46.8	5,897	10,851	16,748	**17,600**	17,300	300	1.7
7	51.1	6,439	11,761	18,200	**19,100**	18,700	400	2.1
8	53.6	6,754	12,592	19,346	**20,300**	19,800	500	2.5
9	58.9	7,421	13,355	20,776	**21,800**	21,300	500	2.3
10+	63.0	7,938	14,064	22,002	**23,100**	22,600	500	2.2
Average	-	-	-	-	-	-	-	1.8
No. of non-owner occupier households in private sector within WLILs~								
1p					42,800	42,800	0	0.0%
2p+					84,900	83,300	1,600	1.9%
Total					127,700	126,100	1,600	1.3%
As a % of total no. of non-owner occupier households in private sector in HK※					34.9%	34.4%		

Notes :
- * includes rent, rates and management fees of private flats below 70m2 SA.
- ^ excludes HOS transferred flats and 3-bedroom flats allocated to 4-person households in calculating the average size of accommodation.
- \+ includes households renting individual flats, rooms & bedspaces, etc.
- @ latest available source of information.
- \# including 5% contingency provision.
- ~ derived by matching the proposed income limits with the income data captured by the General Household Survey conducted by the Census & Statistics Department.
- ※ according to the Census & Statistics Department, the total no. of private non-owners in HK is estimated to be around 366,400 households in 4Q 2004.

Waiting List Asset Limits for 2005/06 based on the existing method

(using data as at 4Q 2004)

Household Size	Rent	Cost to Cover Rent for 6 Years	Projected WLALs ($)	Existing WLALs ($)	Change (%)
1	2,251	162,072	**160,000**	170,000	-5.9%
2	3,125	225,000	**230,000**	230,000	0.0%
3	4,158	299,376	**300,000**	300,000	0.0%
4	4,977	358,344	**360,000**	350,000	2.9%
5	5,456	392,832	**390,000**	390,000	0.0%
6	5,897	424,584	**420,000**	420,000	0.0%
7	6,439	463,608	**460,000**	450,000	2.2%
8	6,754	486,288	**490,000**	470,000	4.3%
9	7,421	534,312	**530,000**	520,000	1.9%
10	7,938	571,536	**570,000**	560,000	1.8%
					(Average: 0.7%)

Note : excludes HOS transferred flats and 3-bedroom flats allocated to 4-person households in calculating the average size of accommodation.

Comparison between WL Income Limits and Actual Household Expenditure

According to the existing formula:

Household Size	**WL Income Limits (04/05)**			**Actual Household Expenditure as at 4Q 2003 (Lower half expenditure group based on findings of the Household Expenditure Survey)**			
	(A) Housing Expenditure ($)	(B) Non-housing Expenditure* ($)	**(C) Income Limits ($)**	(D) Housing Expenditure ($)	(E) Non-housing Expenditure ($)	**(F) Total Household Expenditure ($)**	**(C) / (F)**
1	2,321	3,979	**6,600**	1,705	3,536	**5,241**	**125.9%**
2	3,150	6,359	**10,000**	2,837	6,181	**9,018**	**110.9%**
3	4,133	7,029	**11,700**	3,194	6,808	**10,002**	**117.0%**
4	4,838	8,522	**14,000**	3,350	8,522	**11,872**	**117.9%**
5+	5,418 – 7,711	9,654 – 13,799	**15,800 – 22,600**	3,971 – 5,265	9,654 – 13,799	**13,624 – 19,064**	**116.0% - 118.5%**

* Excluding households comprising solely elderly or non-working members

Average Space of PRH Flats Allocated to WL Applicants (m^2 IFA)

Household Size	Average Space of Allocated Flats Adopted in the Calculation of WL Limits 1998/99 (94/95 to 96/97)	Average Space of Allocated Flats Adopted in the Calculation of WL Limits 2005/06 (01/02 to 03/04)
1	16.1	16.8 (+4.3%)
2	24	24.8 (+3.3%)
3	28.7	33.0 (+15.0%)
4	34.5	39.5 (+14.5%)
5	39	43.3 (+11.0%)
6	44	46.8 (+6.4%)
7	48.6	51.1 (+5.1%)
8	52	53.6 (+3.1%)
9	55.2	58.9 (+6.7%)
10 +	55.5	63.0 (+13.5%)
		overall average : +8.3%

Annex F

Comparison of WLILs using current methodology and the New Harmony "reference" flat size

Household size	Existing WLILs 2004/05 ($)	WLILs for 2005/06					
		Using existing methodology			Using the average size of largest and smallest flats of New Harmony blocks		
		Average Space of Allocated Flats Adopted (01/02 to 03/04) in m^2 IFA	WLILs ($)	Change compared with existing WLILs (%)	Average Allocation Standard of New Harmony Flat Type in m^2 IFA (%Change compared with existing methodology)	WLILs ($)	Change compared with existing WLILs (%)
1P	6,600	16.8	6,600	0.0%	17.6 (+4.8%)	6,700	1.5%
2P	10,000	24.8	10,100	1.0%	19.7 (-20.6%)	9,400	-6.0%
3P	11,700	33.0	11,900	1.7%	26.0 (-21.2%)	11,000	-6.0%
4P	14,000	39.5	14,300	2.1%	35.0 (-11.4%)	13,700	-2.1%
5P	15,800	43.3	16,100	1.9%	44.4 (+2.5%)	16,200	2.5%
6P	17,300	46.8	17,600	1.7%	49.1 (+4.9%)	17,900	3.5%
7P	18,700	51.1	19,100	2.1%	49.1 (-3.9%)	18,800	0.5%
8P	19,800	53.6	20,300	2.5%	70.1 (+30.8%)	22,500	13.6%
9P	21,300	58.9	21,800	2.3%	77.7 (+31.9%)	24,300	14.1%
10P+	22,600	63.0	23,100	2.2%	84.5 (+34.1%)	25,900	14.6%
Average	-		-	1.8%	(+5.2%)	-	3.6%
No. of non-owner occupier househlds in private sector within WLILs as at 4Q 2004							
Total	126,100	127,700		1.3%	122,800		-2.6%
As a percentage of private non-owner occupier households							
Overall	34.4%	34.9%		1.3%	33.5%		-2.6%

Summary on Different Scenarios of Waiting List Income Limits ($) for 2005/06

Annex G

Household size	WLILs 2004/05	**Baseline** WLILs 2005/06 (existing method)		**Scenario 1** 10% contingency provision		**Scenario 2** Using the average non-housing expenditure of the "26th-50th" percentile expenditure group (excl. households with all elderly or non-working members)		**Scenario 3** Using the average size of largest and smallest flats of New Harmony blocks		**Scenario 4** Combination of Scenarios (1) & (2)		**Scenario 5** Combination of Scenarios (1) & (3)		**Scenario 6** Combination of Scenarios (2) & (3)		**Scenario 7** Combination of Scenarios (1), (2) & (3)	
	($)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)	($)	Change compared with existing WLILs (%)
1P	6,600	6,600	0.0%	6,900	4.5%	7,700	16.7%	6,700	1.5%	8,100	22.7%	7,100	7.6%	7,800	18.2%	8,200	24.2%
2P	10,000	10,100	1.0%	10,600	6.0%	11,600	16.0%	9,400	-6.0%	12,200	22.0%	9,900	-1.0%	11,000	10.0%	11,500	15.0%
3P	11,700	11,900	1.7%	12,500	6.8%	13,300	13.7%	11,000	-6.0%	13,900	18.8%	11,500	-1.7%	12,400	6.0%	13,000	11.1%
4P	14,000	14,300	2.1%	15,000	7.1%	16,300	16.4%	13,700	-2.1%	17,100	22.1%	14,400	2.9%	15,700	12.1%	16,400	17.1%
5P	15,800	16,100	1.9%	16,800	6.3%	17,700	12.0%	16,200	2.5%	18,600	17.7%	17,000	7.6%	17,900	13.3%	18,700	18.4%
6P	17,300	17,600	1.7%	18,400	6.4%	19,200	11.0%	17,900	3.5%	20,100	16.2%	18,700	8.1%	19,500	12.7%	20,400	17.9%
7P	18,700	19,100	2.1%	20,000	7.0%	20,600	10.2%	18,800	0.5%	21,600	15.5%	19,700	5.3%	20,300	8.6%	21,300	13.9%
8P	19,800	20,300	2.5%	21,300	7.6%	21,700	9.6%	22,500	13.6%	22,700	14.6%	23,600	19.2%	23,900	20.7%	25,000	26.3%
9P	21,300	21,800	2.3%	22,900	7.5%	23,100	8.5%	24,300	14.1%	24,200	13.6%	25,500	19.7%	25,600	20.2%	26,800	25.8%
10P+	22,600	23,100	2.2%	24,200	7.1%	24,300	7.5%	25,900	14.6%	25,400	12.4%	27,200	20.4%	27,100	19.9%	28,400	25.7%
Average	-	-	1.8%		6.6%		12.2%		3.6%		17.6%		8.8%		14.2%		19.5%
No. of non-owner occupier households in private sector within WLILs as at 4Q 2004																	
1P	42,800	42,800	0.0%	45,100	5.4%	49,600	15.9%	45,000	5.1%	51,000	19.2%	45,100	5.4%	49,900	16.6%	51,000	19.2%
2P+	83,300	84,900	1.9%	88,500	6.2%	96,400	15.7%	77,800	-6.6%	99,500	19.4%	84,000	0.8%	91,000	9.2%	95,500	14.6%
Total	126,100	127,700	1.3%	133,600	5.9%	146,000	15.8%	122,800	-2.6%	150,500	19.3%	129,100	2.4%	140,900	11.7%	146,500	16.2%
Eligible households as a percentage of private non-owner occupier households																	
1P	42.6%	42.6%	0.0%	44.9%	5.4%	49.4%	15.9%	44.8%	5.1%	50.7%	19.2%	44.9%	5.4%	49.7%	16.6%	50.7%	19.2%
2P+	31.3%	31.9%	1.9%	33.3%	6.2%	36.3%	15.7%	29.3%	-6.6%	37.4%	19.4%	31.6%	0.8%	34.2%	9.2%	35.9%	14.6%
Overall	34.4%	34.9%	1.3%	36.5%	5.9%	39.8%	15.8%	33.5%	-2.6%	41.1%	19.3%	35.2%	2.4%	38.5%	11.7%	40.0%	16.2%

Note:

1. No. of private non-owner occupier households as at 4Q 2004:

1P	100 500
2P+	265 900
Overall	366 400

Proposed WL income and asset limits for elderly and non-elderly applicants for 2005/06

Household size	Existing WLILs 2004/05	Proposed WLILs 2005/06		Existing WLALs 2004/05			Proposed WLALs 2005/06					
	($)	($)	% Change over existing WLILs	Non-elderly households ($)	Non-nuclear households comprising elderly members ($)	Nuclear households comprising elderly members ($)	Non-elderly households ($)	% Change over existing WLALs	Non-nuclear households comprising elderly members ($)	% Change over existing WLALs	Nuclear households comprising elderly members ($)	% Change over existing WLALs
1P	6,600	6,600	0.0%	170,000	170,000	170,000	170,000	0%	340,000	100%	340,000	100%
2P	10,000	10,100	1.0%	230,000	230,000	350,000	230,000	0%	460,000	100%	460,000	31.4%
3P	11,700	11,900	1.7%	300,000	300,000	350,000	300,000	0%	600,000	100%	600,000	71.4%
4P	14,000	14,300	2.1%	350,000	350,000	350,000	350,000	0%	700,000	100%	700,000	100%
5P	15,800	16,100	1.9%	390,000	-	-	390,000	0%	-	-	-	-
6P	17,300	17,600	1.7%	420,000	-	-	420,000	0%	-	-	-	-
7P	18,700	19,100	2.1%	450,000	-	-	450,000	0%	-	-	-	-
8P	19,800	20,300	2.5%	470,000	-	-	470,000	0%	-	-	-	-
9P	21,300	21,800	2.3%	520,000	-	-	520,000	0%	-	-	-	-
10P+	22,600	23,100	2.2%	560,000	-	-	560,000	0%	-	-	-	-
Average	-		1.8%	-	-	-		0%	-	-	-	-

ANNEX B

Estimated Number of Non-owner Occupied Households Living in <u>Private Sector Eligible for PRH</u>

Year	Estimated number of non-owner occupied households living in private sector eligible for PRH under the prevailing WLILs before revision (a)	Estimated number of non-owner occupied households living in private sector eligible for PRH following revisions to the WLILs (b)	Change in the estimated number of non-owner occupied households living in private sector eligible for PRH (a) – (b)
3rd Quarter 2000	130 700	122 100	- 8 600
4th Quarter 2001	129 600	127 900	- 1 700
4th Quarter 2002	137 100	134 000	- 3 100
4th Quarter 2003	129 300	123 100	- 6 200
4th Quarter 2004	126 100	127 700	+ 1 600

ANNEX C

Number of Newly Registered Waiting List (WL) Applicants and Number of WL Applicants Rehoused to PRH (1994/1995 – 2003/2004)

Year	Number of newly registered WL applicants	Number of WL applicants rehoused to PRH
1994/1995	24 300	15 300
1995/1996	21 000	12 500
1996/1997	25 900	12 200
1997/1998	28 800	12 600
1998/1999	26 400	20 600
Average	**25 300**	**14 600**
Year		
1999/2000	25 000	22 500
2000/2001	31 300	27 900
2001/2002	37 500	41 900
2002/2003	46 100	30 900
2003/2004	35 100	27 600
Average	**35 000**	**30 200**