

ITEM FOR FINANCE COMMITTEE

HEAD 62 – HOUSING DEPARTMENT

Subhead 700 General non-recurrent

New Item “Special rent payment for public 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 \$1,900 million under Head 62 Housing Department Subhead 700 General non-recurrent for the provision of two months’ rent for tenants/licencees living in the rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society;
- (b) a new non-recurrent commitment of \$2,079 million under Head 170 Social Welfare Department Subhead 700 General non-recurrent for the provision of an extra allowance to Comprehensive Social Security Assistance (CSSA) recipients equal to one month of the CSSA standard rates, and an extra allowance to Old Age Allowance and Disability Allowance recipients equal to one month of the allowances; and

/(c)

- (c) an increase in commitment by \$4,500 million from \$13,300 million to \$17,800 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 measures announced in the 2012-13 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/licencees¹ will not be required to pay all or part of the rent/licence fees for two months;
 - (b) an extra allowance to 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) or Disability Allowance (DA); and
 - (c) a maximum additional subsidy of \$1,800 to each residential electricity account², which can be used together with the existing subsidies to cover billed electricity charges of eligible households up to 30 June 2015 or the close of accounts, whichever is earlier.

/JUSTIFICATION

¹ Licencees include mainly those households living in HA interim housing. HA interim housing 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.

² 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. To help ease the pressure of the economic downturn on our community, the Financial Secretary (FS) announced in the 2012-13 Budget a package of one-off relief measures. They include measures to help social security recipients, as well as to alleviate the burden of public housing 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 who pay normal rent, tenants of HS Group A estates and tenants of Elderly Persons' Flats in HS Group B estates on their behalf. To ensure the rational allocation of public housing resources, for HA tenants/licencees paying additional rent³, 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 estates⁴ two-thirds of their net rent for two months.

5. We propose to make the rental 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 July and August 2012.

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

One-off Assistance for Social Security Recipients

7. We propose to provide one-off assistance to social security recipients which comprises one additional month of the standard rate CSSA payments for CSSA recipients and one additional month of OAA or DA for SSA recipients. We plan to effect such payment around July 2012.

/Electricity

³ Under the Housing Subsidy Policy and the Policy of Safeguarding Rational Allocation of Public Housing Resources, a household is required to pay at least 1.5 times net rent plus rates if its household income exceeds two times or more the relevant Waiting List Income Limits at the time of income declaration. Net rent refers to rent exclusive of rates.

⁴ 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) and the \$1,800 subsidy approved in 2011-12 (the 2011 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 and FCR(2011-12)21, 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 2012. The credit can only be used for the purpose of offsetting the billed charges for electricity consumed under the same account.

9. Similar to the 2008 and 2011 schemes, we propose that under the new scheme, any unused credit in a month can be carried forward to cover billed electricity charges under the same account. Under the 2008 and 2011 schemes, the expiry date is set at 31 August 2014. With the proposed scheme, we propose to extend the expiry date so that the new subsidy and those subsidies credited under the 2008 and 2011 schemes can be used to cover billed electricity charges up to 30 June 2015, or the close of account⁵, whichever is earlier. This will enable 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 consumption⁶ with a view to encouraging reduction in electricity
/consumption

⁵ 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 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.

⁶ 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 -

	Total consumption (GWh)	Number of residential accounts at year end (million)	Average consumption per account (kWh)
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

consumption. We have considered this option but concluded that it is not feasible, mainly because electricity consumption varies with multiple factors⁷, many of which are unrelated to the environmental awareness of households (e.g. changes in household size).

FINANCIAL IMPLICATIONS

11. The two-month rental subsidy for public housing tenants, the extra one-month allowance for CSSA recipients and OAA 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	1,900	700 000 HA tenants/licencees 33 000 HS tenants
(b) One-off assistance for social security recipients	2,079	440 000 CSSA recipients 520 000 OAA recipients 140 000 DA recipients
(c) Additional electricity charges subsidy	4,500	About 2.5 million residential electricity accounts
Total :	<u>8,479</u>	

12. The expenditure for items (a) and (b) above will be incurred fully in 2012-13. Taking into account the increase in commitment proposed in item (c) above, the total expenditure for the electricity charges subsidy is estimated at \$4,460 million in 2012-13, with the balance of the commitment to be spent in 2013-14 and beyond.

/PUBLIC

⁷ One possible factor may be temperature. For instance, the average electricity consumption per residential account in July 2009 when the electricity subsidy was in place was some 20% lower than that in July 2007 when no subsidy was given. It may be relevant that the average temperature for July 2009 was 0.5 degree Celsius lower than that in July 2007.

PUBLIC CONSULTATION

13. The one-off relief measures were announced in the 2012-13 Budget. On 17 April 2012, the Transport and Housing Bureau consulted the Panel on Housing on the rent payment proposal. On 12 April 2012, the Labour and Welfare Bureau briefed the Panel on Welfare Services on the additional provision for social security recipients. On 21 May 2012, the Financial Services and the Treasury Bureau consulted the Panel on Financial Affairs on the electricity charges subsidy. Members were in general supportive of the one-off relief measures.

BACKGROUND

14. To help ease the pressure of the economic downturn on our community, FS proposed in the 2012-13 Budget to introduce, amongst others, a series of one-off relief measures.

Transport and Housing Bureau
Labour and Welfare Bureau
Financial Services and the Treasury Bureau
May 2012