



Panel on Housing

Measures to tackle under-occupation in public rental housing estates

**Special meeting on Tuesday, 17 June 2014, at 2:30 pm
Conference Room 1 of the Legislative Council Complex**

**Written Submission by Dr Hans Mahncke
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Good afternoon and thank you for inviting members of the public to share their views on measures to tackle under-occupation in public rental housing estates.

In October 2011, then Chief Executive Donald Tsang revived the Home Ownership Scheme (HOS), which had previously been abandoned in 2003. I recall being interviewed about the policy reversal by the media and I remember saying that while it was generally a good idea to promote home ownership, the scale of Donald Tsang's proposal was not nearly enough to make a difference in making housing affordable. The idea in 2011 was to build an additional 17,000 units in order to lower housing prices which had priced out the overwhelming majority of Hong Kong residents from ever owning their own apartments. Of course, as we now know, that did not happen. In fact, property prices are now even less affordable than they were in 2011.

But did Donald Tsang's proposal have any effect at all? To find out, I have just had a look at the Housing Authority's website on the HOS and found the following two sentences in the introductory paragraph:

"In response to the aspirations of low- and middle-income families to buy their own homes, the Chief Executive announced in the 2011/12 Policy Address the resumption of the HOS. We will produce the new HOS flats and work out the implementation details."

In other words, three years have passed and it seems like nothing has happened at all. In fact, the webpage I just quoted from was last updated on 9 May 2014.

I am afraid that much the same must be said about the issue of under-occupation in public rental housing estates. The Transport and Housing Bureau's own submission on this issue (CB(1)1324/13-14(02)) states that it was the Audit Commission that first flagged up the problem back in 2006. Apparently, the Bureau has since tried to remedy the problem. But when I looked at the Bureau's submission to this Panel, I did not find any quantitative

data on how many under-occupied units had actually been transferred to higher occupancy tenants. However, I did find that since the 2006 study by the Audit Commission, the Housing Authority has conducted two further studies into the problem of under-occupied apartments. I also found many excuses for allowing tenants to remain in under-occupied units rather than switch apartments, such as possible future family reunions, social reasons, age and so on. These may all be valid reasons but why is no quantitative evidence provided on the success or lack of success of efforts so far? Indeed, amongst the few numbers I did find in the Bureau's submission, I found that despite this issue having been raised eight years ago, the number of under-occupied units has risen by 54% since then. Ironically, this statistic is provided under the heading of "Way Forward".

I would respectfully submit to the Panel on Housing that the examples I have mentioned demonstrate that the government's efforts on housing – whether it is the HOS, the attempts to lower prices or the attempts to better utilise under-occupied units – are not working. I would further submit that the reason why they are not working is that Hong Kong's housing policy is broken and needs to be completely overhauled from scratch.

For decades, the government has interfered with the system of land distribution and allocation, as well as housing allocation, which, while enriching elite circles, has had catastrophic consequences for ordinary Hong Kong residents. This interference manifests itself three-fold. First, the government provides heavily subsidised public housing to around 3.4 million people, just under half the population. Second, all land in Hong Kong is owned by the government which, from time to time and in an unpredictable manner, auctions off leases to certain plots of land. This causes uncertainty and feeds speculation. Third, the government administers the so-called land premium system which is highly ill-transparent and subject to claims of favouritism. All these factors represent massive interferences in the operation of the free market. It seems as if the problem and the solution have been mixed up. The solution is not more government intervention but less.

The only viable and sustainable path to effectively solving Hong Kong's housing and connected social problems is an overarching and meaningful scheme to privatise all housing by introducing home ownership for all existing public housing, so that all sectors of society have an opportunity to own property. Indeed, when people own their own property there are far less opportunities for speculators. Given that housing is a basic human necessity, this should be seen as a positive thing. Another upshot would be that the government would no longer have to worry about conducting an endless litany of pointless studies and reviews on occupancy rates per public housing unit.

Thank you.

Dr Hans Mahncke
12 May 2014