

Legislative Council Panel on Housing Supplementary Information

The Legislative Council (LegCo) Panel on Housing passed three motions on cash allowance and tenancy control at its meeting on 8 November 2019¹. The consolidated response by relevant policy bureaux to these motions is as follows.

Cash Allowance

2. To further alleviate the difficulties faced by grassroots households, the Chief Executive announced in the 2019 Policy Address that the Community Care Fund would be invited to launch two rounds of “one-off living subsidy” for the low-income households not living in public rental housing and not receiving Comprehensive Social Security Assistance in the next financial year. Meanwhile, the Government expects to complete the study on a scheme to provide cash allowance on a regular basis.

Tenancy Control

3. Regarding the suggestions on tenancy control, including the formulation of a standard written tenancy agreement containing provisions that have the same effect as tenancy control (including limiting the rate of increase in rent and stipulating that existing tenants enjoy priority in tenancy renewal), the Government has indicated on various occasions that tenancy control is a highly controversial issue and needs to be handled in a cautious manner. The Government has studied this subject time and again, but there is yet no consensus in the community over this issue. In 2013, the Long Term Housing Strategy Steering Committee (the Steering Committee) launched a three-month public consultation on Hong Kong’s Long Term Housing Strategy (LTHS). Among other issues, the Steering Committee invited public views on whether tenancy control should be re-launched. In February 2014, the Steering Committee published the LTHS Report on Public Consultation, which set out that while there was rather strong support for re-launching tenancy control amongst concern groups for the grassroots and tenants of subdivided units, views from respondents amongst the general public were relatively mixed. Some respondents cast doubts on the effectiveness of tenancy control in offering the intended protection to tenants. The Steering Committee was concerned

¹ LC Paper Nos. CB(1)136/19-20(02) to (04)

about the consequences of implementing tenancy control, which might include an immediate increase in rental levels and a reduction in supply of rental units. Given the controversies surrounding tenancy control, the Steering Committee cautioned that the Government should analyse its pros and cons thoroughly and that clear community consensus had to be secured before any form of tenancy control was contemplated.

4. The Government subsequently conducted a detailed study in Hong Kong's past experience as well as overseas experience in implementing tenancy control, and briefed the LegCo Panel on Housing and listened to public views in July 2014². After considering the relevant study and the views of the Steering Committee, the Government promulgated the LTHS in December 2014 and elaborated its views on tenancy control in paragraphs 6.15 to 6.18. The Government also attended the joint meetings of the LegCo Panel on Housing and LegCo Panel on Welfare Services in June and July 2018 to again listen to the views of LegCo members and public deputations on tenancy control, and share the Government's views³. The Government's views are summarised as follows –

- (a) Empirical findings, both local and overseas, suggest that tenancy control measures often lead to an array of unintended consequences including those to the detriment of the tenants whom the measures seek to assist. The unintended consequences include reducing supply of rented accommodation; limiting access to adequate housing by the socially disadvantaged as landlords have become more selective about their tenants; encouraging certain behaviour from landlords to offset the impact of the tenancy control measures (including charging a higher initial rent and demanding excessive miscellaneous charges); and discouraging proper maintenance of the rented accommodation by landlords.
- (b) There are views suggesting the Government to implement tenancy control only on units below a certain size or rent. However, as seen from the experience of some overseas economies, if tenancy control is imposed only on a particular market sector (often on lower-end residential properties), there may be inadvertent spillover effects on the uncontrolled sector. For example, as some tenants will not be able to rent flats in the controlled sector, they may be forced to seek

² LC Paper No. CB(1)1709/13-14(01)

³ LC Paper No. CB(1)1052/17-18(01)

accommodation in the uncontrolled sector, hence pushing up the rental level of the latter. Besides, some overseas experience suggests that tenancy control has failed to effectively address the housing needs of the grassroots, since the main target of the control measures is specific classes of premises instead of particular groups of tenants. Some overseas experience also suggests that with the implementation of tenancy control, a prospective tenant may find it difficult to secure a tenancy through the open market, and can only obtain information of rented accommodation through indirect means, which will not be easily accessible by the socially disadvantaged.

- (c) Weighing the pros and cons, the Government is of the view that introducing tenancy control in any form may be counterproductive and will not be in the interest of the inadequately housed households or the general public.

5. Some consider that the Government should in parallel explore the feasibility of introducing tenancy control, lest the regular cash allowance may push up rents of private flats and leave the tenants with no effective assistance. The Government considers that whether implementing the cash allowance scheme would push up rents, and hence warrant considering the introduction of tenancy control, depends on the eligibility criteria for receiving the cash allowance (e.g. whether the allowance is linked to actual rental expenses), mode and arrangements in disbursing the allowance, etc. No simple conclusion can be drawn for the time being. Tenancy control (including control on rents and control on tenure) is a highly controversial issue. The Government needs to handle the issue in a very cautious manner. It will be more prudent and appropriate to deliberate on the matter after the completion of the study on a regularised cash allowance scheme.

Transport and Housing Bureau
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