

BUILDING HONG KONG FOR A NEW ERA

Address by the Chief Executive

The Honourable Tung Chee Hwa

at the Provisional Legislative Council meeting
on 8 October 1997

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The Hong Kong Special Administrative Region
of the People's Republic of China

Designed by the Information Service Department

Printed by the Printing Department

Hong Kong Special Administrative Region Government

C. Homes for Hong Kong

49. Let me now discuss the question of housing. On 1 July, I set out my vision for tackling the housing needs of the community. I realise from the outset that this is a highly complex problem. It involves some entrenched policies, practices and constraints that have inhibited the supply of residential land and slowed down flat production, making the job of meeting public expectations increasingly hard to reach.

50. Flat supply has been uneven from year to year. This has sent confusing signals to the market, produced erratic price patterns and left potential home buyers and developers in the lurch.

51. Having only a one year land sale programme did not enable us to take a long term view, or have information on long term flat supply. Furthermore, the rising expectation of the community to be consulted during the development process, coupled with a statutory procedure for dealing with objections that is not time-limited, has increased uncertainty over completion of projects.

52. I set my Administration three main targets : to build at least 85 000 flats a year in the public and private sectors; to achieve a home ownership rate of 70% in ten years; and to reduce the average waiting time for public rental housing to three years.

53. Achieving these targets will be a considerable challenge. It is not just a matter of producing more flats, but of ensuring an even annual supply and a high degree of predictability that supply will be sustained. That is the only way to ensure moderate prices. This requires a well defined, rolling five year land disposal programme against a longer ten year planning horizon. It also requires a radical reform of planning and co-ordination functions within the Government.

54. My Administration has responded vigorously to the challenge. The Financial Secretary has set up a task force to attack the problem, known as the Steering Committee on Land Supply for Housing, HOUSCOM for short. It has translated my three targets into

well defined tasks. It has developed a realistic production programme and has revised the procedures for land and housing development to ensure that absolute priority is given to housing. Today I want to set out in detail how we are going to live up to the commitments that have been made.

Land Supply for Housing

55. We have already announced a five year land sales programme that will provide 120 hectares of land for private housing up to March 1999, and an additional 260 hectares in the following three financial years. In addition, there will be about 285 hectares of land for public sector housing over the same period. Together with developments initiated by private land owners and those associated with railway developments and public housing redevelopment, this level of supply will translate into a production pattern rising from around 70 000 flats in 1998 to more than 85 000 flats a year with effect from 1999. HOUSCOM is finalising a ten year programme, which includes site specific information for the first five years, with the aim of sustaining annual production of at least 85 000 flats. The programme will be rolled forward annually. To provide more land, we will :

- within the next ten years develop strategic growth areas in Tseung Kwan O, Tung Chung and Tai Ho on Lantau Island, the Northwest New Territories and Southeast Kowloon;
- proceed with the Tsuen Wan Bay and Green Island reclamations; and
- rezone suitable agricultural and industrial areas for housing development.

56. To meet the growing demand from more international professionals operating in Hong Kong, 117 hectares of land, sufficient for at least 9 000 large flats, will be sold before March 2002 in areas such as the Peak, Hong Kong Island South, Shatin, Tai Po and South Lantau, in addition to the 64 hectares already included in the sales programme up to March 1999. To further increase the supply of this category of flats, in this financial year we are releasing 260

Government quarters and three sites now used for civil servants quarters.

Infrastructure

57. To ensure that all suitable land can be used for housing, major improvements to the transport infrastructure will be needed. Our focus will be on high capacity, environmentally friendly rail systems :

- the West Rail passenger system from Tsuen Wan to Yuen Long will be completed by 2002, and extended to Tuen Mun by 2003;
- the Mass Transit Railway (MTR) Tseung Kwan O Extension will be completed by 2003; and
- a decision will be made on a passenger railway between Ma On Shan and Tai Wai and the Kowloon-Canton Railway extension from Hung Hom to Tsim Sha Tsui by the end of this year.

We will also develop plans for :

- a new MTR North Island Line from Central through Wanchai to Causeway Bay, with a possible extension to South Hong Kong Island;
- a new East Kowloon Line to serve the Kai Tak area;
- an extension of the MTR Island Line to Kennedy Town and Green Island;
- a second connection from the Ma On Shan railway into Kowloon; and
- a fourth cross harbour rail route.

58. Improvements to the road network will also be needed. Over the next ten years, we will :

- widen the Tolo and Fanling Highways;

- complete Route 9 between Northwest Tsing Yi and Lai Chi Kok; and
- build a link between North Lantau and the Northwest New Territories.

Plans will be developed for :

- a new Western Highway to connect the western part of Hong Kong Island with the Northwest New Territories via Lantau;
- a new Eastern Highway from the main urban area through the Eastern New Territories;
- an east-west route to connect the Eastern and Western Highways in the New Territories; and
- a Central Kowloon route to ease traffic flow between West Kowloon and Southeast Kowloon.

59. To help speed up private housing development, when appropriate we will entrust related infrastructure works, such as feeder roads and drainage systems, to the private sector.

Organisation and Procedures

60. Plans for increased land supply must be complemented by efficient procedures. HOUSCOM has begun to review the organisation and procedures for housing production. It will complete its review by the end of 1997, but has already :

- drawn up a package of measures to simplify and streamline various government planning, land and building approval processes for residential development; and
- completed a review of the planning and development procedures of the Housing Authority and the Housing Society, resulting in significant reduction of the development lead time for public housing : in the case of the Housing Authority, from 62 months to 47 months; and in the case of the Housing Society, from 52 months to 46 months.

61. HOUSCOM has compiled an inventory of all housing developments in Hong Kong and will monitor progress site by site. A new accountability system for completing these developments has been devised, redefining the responsibilities of departments at district and central levels. The system covers both approval procedures and mechanisms for dispute settlement. In addition, we are looking at the organisational structure among bureaux to ensure the effective management of the land supply and housing programmes.

Home Ownership

62. Speeding up land supply for housing development will help both private and public sectors contribute towards our second target of achieving 70% home ownership by 2007. Further measures will be taken specifically to help meet this target. In the public sector, we will maximise opportunities for families to buy their own homes :

- over the next ten years, we will provide the opportunity for at least 250 000 families living in public rental housing to buy their flats at reasonable and affordable prices. These prices will take into account the age and location of the flats as well as other relevant factors. Flexible mortgage arrangements will be negotiated with financial institutions; the condition of flats will be checked and essential renovation works carried out before sale; a structural guarantee period will be provided; Owners' Corporations will be set up, maintenance funds will be established, partly with contribution from sale proceeds, and reasonable resale conditions will be drawn up. We expect to receive from the Housing Authority details of such a scheme in time for the Government to take a decision by the end of this year, so that the first batch of about 25 000 flats can be sold early in 1998;
- we will build more subsidised home ownership flats;
- we will increase the number of Sandwich Class Housing flats to be built, raising the total stock to 50 000 units by 2006;

- we will give all successful public housing waiting list applicants the option of buying rather than renting flats;
- we will launch a new "Home Starter" loan scheme, over and above the existing Sandwich Class loan scheme, targeted at first time home buyers, under which in each of the next five years 6 000 families will be given a loan of about \$600,000 each; and
- we will implement a pilot scheme to tender selected sites, subject to the requirement that the developer will hand over at least 30% of the flats built to the Government for sale to eligible purchasers at designated prices.

63. The land disposal programme, the streamlining of procedures, the rezoning and the infrastructure development that I have outlined will make it possible for the private sector to produce up to 36 000 flats a year from the year 2000. We have a mechanism to ensure that flats on new development land are completed within a fixed period. We will monitor production in the private sector closely to ensure that targets are met. I am confident that the private sector will do their part to help ensure that we meet our housing targets. Land production in our strategic growth areas will ensure that there is ample supply of land for stable and sustained private sector development to meet our target.

64. To promote stability in the market, we have put in place a more effective system for monitoring the residential property market and have drawn up a package of measures to introduce at short notice should signs of excessive speculation emerge at any time. If need arises, we will use them.

Public Rental Housing for Those in Genuine Need

65. Our targets on flat construction and home ownership may catch the headlines, but improving the supply of subsidised rental housing to those in genuine need is no less important a part of our housing strategy. We will reduce the waiting time for public rental housing from the present average of six and a half years to under five

years by 2001, to four years by 2003 and to no more than three years on average by 2005. At present we assign about 14 000 flats a year to waiting list applicants. To meet our targets, from 2001 we will provide an average of 20 000 flats each year, and to ensure that they go to those in genuine need, we will introduce in 1998 a means test of income and assets for all prospective public housing tenants.

66. We will also take steps to improve housing for those now living in poor conditions. We will clear all remaining old type temporary housing areas by 2000 and all remaining cottage areas by 2001. By then we will also have offered public housing to all those who may be displaced from bedspace apartments which do not meet the safety standards for licensing. We have also drawn up a programme to offer public housing to all squatters affected by development clearance.

Speeding up Urban Redevelopment

67. Added to the challenge of providing enough new housing is the large stock of old or inadequate housing in the urban area. At current rates of redevelopment, this stock of housing over 30 years old will double from 20% to 40% of private housing over the next ten years. Redevelopment is a complex process but we must address the challenge more vigorously if we are to ensure that Hong Kong's inhabitants have good homes in a good environment. This will involve a number of measures, including the redevelopment of old industrial areas into housing, a review of plot ratios and set time limits for handling public objections to residential developments.

68. Ability to resume land for redevelopment is the key. We aim to set up an Urban Renewal Authority by 1999 to build on the good work that has been accomplished by the Land Development Corporation. We will introduce legislation to give the Authority effective powers to carry out resumption and comprehensive redevelopment. We will also introduce legislation to assist property owners and developers to assemble land so as to quicken the process of renewal by the private sector.

A Safer Home

69. A good home is a safe home. We will step up programmes to ensure the safety of residential buildings. We are working to introduce a Mandatory Building Safety Inspection Scheme in 1998. We will set up a \$500 million "Urban Rehabilitation Fund" to provide loans to owners of old buildings in targeted areas for rehabilitation. This will help maintain the safety and quality of our existing housing stock.

70. Recent tragic accidents have shown the need for much greater awareness of the danger of fire and for closer co-operation between Government and the community in the fight against fire. A package of legislation and administrative measures to improve fire safety will be introduced by the Secretary for Security.

71. This year's exceptional rains have shown both the benefit of the work that has been done so far on improving slope safety, and how much we still have to do to educate private property owners and the community on maintaining slopes and drainage channels. We will also extend Government slope maintenance programmes.

72. I have demonstrated to Honourable Members and to the community that my Administration has a clear programme to tackle the housing problem comprehensively. The Financial Secretary and his team will elaborate on this programme in the next few days. There is determination within my Administration to meet the targets I have set. We ask for the support of the Legislature and the community at large in this common enterprise.