

From Adversity to Opportunity

Address by the Chief Executive The
Honourable Tung Chee Hwa
at the Legislative Council meeting
on 7 October 1998

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III. Other Policies and Programmes

A. Land and Housing

Major Planning Studies

68. I have stressed that we need to respond to change by refining our economic policies and programmes. We must also plan to meet the needs of a growing population by providing a stable land supply and a high quality living environment. We are pushing ahead with planning and land use studies for Lantau, the Northwest and Northeast New Territories, Hong Kong Island South and Lamma Island. A study on the Southeast New Territories will explore the area's potential as a centre of recreation and tourism. In parallel we will review the structure and strategic functions of our inner city, with the focus on devising a mass-transit based development strategy. We will work towards an environmentally-friendly transport system and an efficient land use pattern to create a more balanced distribution of people and jobs.

Meeting Housing Needs

Recent Developments in the Residential Property Market

69. Property is one of the most important components of the economy. A good home is also an important factor in maintaining the quality of life, and the residential property market in particular serves as both a major vehicle for the personal investment of wealth and a public barometer of social stability.

70. The sharp fall in property prices in the past year has led to a decrease in asset values and has hit public confidence. If this trend continues, it will put pressure on the banking system. I believe that it is now necessary and desirable for property prices to stabilise. As a Government we cannot set price levels, nor can we dictate the degree of fluctuation in the market. But as the largest single supplier of land in Hong Kong we undoubtedly have an influence on the long-term pricing of property.

Housing Supply

71. When I announced in last year's Policy Address the target of producing 85 000 flats annually, I was setting a long-term housing target and looking towards our long-term land production programme. The announcement was made against the background of an over-heated economy and rapid rises in property prices. Our competitiveness as an economy was threatened and too many families could not afford to buy their own homes. However, the environment has changed dramatically since last October. The economy has contracted, interest rates are higher and unemployment has risen. This has led to a sharp drop in the near-term demand for private sector residential property.

72. As a result of this economic re-adjustment we have had to look again at the key components of the housing sector, namely: public rental housing; home-ownership scheme (HOS) flats; "sandwich" class housing; and the private residential sector.

Public Housing

73. In the public housing sector, the long-term production target set in 1997 was based on a programme to provide on average 50 000 units annually for the five years from 1997. This programme includes both public rental and HOS units built by the Housing Authority, as well as Housing Society flats. When I delivered last year's Policy Address, work on building some of these flats had already begun.

74. In respect of the public rental component, the Government remains fully committed to ensuring that no household in genuine need of housing should be denied the right to decent accommodation and within a reasonable period of time. We have pledged to reduce the average waiting time for a public rental unit to three years by 2005, and we are on target to achieve this.

75. As regards the HOS component of the public housing programme, we will proceed with the sales programme largely as planned. However, we will closely monitor the effect of our HOS flat sales programme on the home ownership market, and fine-tune the programme as necessary to ensure overall market stability.

Sandwich Class Housing

76. As to middle income earners, or the "sandwich" class, as many good-quality flats in the private sector are now affordable to them we have decided to suspend the building of flats under our schemes for this group, with the exception of projects which we have already started work on. However, we will continue to provide loans for downpayment to allow the sandwich class a wider choice of home in the private sector.

Private Residential Housing

77. Turning now to the private residential market, the 35 000 flats to be supplied by the private sector within the overall long-term flat supply target of 85 000 units annually was projected with regard to the supply and demand situation at the time. I see it as our first priority to do what we can to promote stability in this sector. Nonetheless, the actual number of flats built annually by the private sector over the next five years is likely to vary according to market demand, and in line with developers' own commercial considerations.

Financial Assistance for Home Ownership

78. To promote home ownership we will continue to provide financial assistance to home buyers. Currently, we do this through the Home Starter Loan Scheme, the Home Purchase Loan Scheme and the Sandwich Class Housing Loan Scheme. These schemes have proved to be very popular. I have asked the Secretary for Housing to rationalise these schemes and to ensure that they continue to provide the appropriate level of assistance to households requiring help, as well as making the best use of public funds.

The Way Forward

79. Earlier this year we imposed a nine-month moratorium on land sales up to March 1999. We will decide early in 1999 whether or not to lift this moratorium, having regard to the need to ensure stability in property market. In the longer term, the Government's focus will be on ensuring that we produce sufficient land to be able to meet our needs. This will help to create a land bank which will provide the foundation for a stable market. Within the next ten years, our population will grow by about one million people. In our current population there are still many families in need of decent housing. Others will in time want to buy their own homes. Short-term difficulties must not, therefore, deflect us from our fundamental housing policy objectives, which are –

- to provide public rental housing to the needy, which is our priority; and
- to facilitate home ownership for those who wish to buy their own home.

80. For the longer term, as regards HOS flats, we will consider the extent to which we will continue to build such units - the "bricks and mortar" approach - as opposed to the alternative of offering home ownership loans. The recent fall in property prices gives us an opportunity to study this issue carefully. I have therefore asked the Secretary for Housing to consult all interested parties, including the Housing Authority, Housing Society and representatives of the property and banking sectors, and to reach a conclusion on this issue as soon as possible.

Urban Renewal

81. The quality of life in many of the older parts of Hong Kong contrasts unfavourably with that in our new towns. Buildings are run-down, hygiene is poor and there is a lack of social cohesion. We cannot allow this situation to continue. We must improve the urban landscape of Hong Kong

by replacing these areas with modern accommodation served by sufficient open space, a full range of community facilities and a good quality living environment.

82. In the past we have carried out a number of urban renewal projects which have been successful in improving parts of the older urban areas. But we need to take a more strategic and comprehensive approach to the problem. An extensive study, conducted over the past year, of the old built-up areas of Hong Kong has shown that there are sites covering a total of 76 hectares which require renewal or rehabilitation. The study has also shown that early action needs to be taken to improve areas occupied by some 1 400 old buildings accommodating 35 000 households. If we are to make good progress with urban renewal we need to find a way of shortening the time taken to implement projects, which in some cases take up to 12 years to complete. In the longer term we will also need to tackle the problem of redeveloping old industrial areas.

83. I am keen that we should address these problems quickly, and I have asked the Secretary for Planning, Environment and Lands to formulate an Urban Renewal Strategy which will provide a comprehensive planning framework for urban renewal. In parallel we will improve current procedures so that we can carry out projects more quickly and on a larger scale. To help in this regard, we will seek to establish as soon as possible an Urban Renewal Authority with statutory powers to make plans and acquire land more effectively and efficiently. Such an Authority must be transparent and accountable in its operation. It must also be able to implement the Urban Renewal Strategy with minimum delay, the aim being to reduce the time taken to complete projects to an average of six years.

84. We are now finalising our initial proposals for an Urban Renewal Strategy and drawing up the suggested terms of reference, powers and operational guidelines for the new Authority. We are also studying how to improve the financial viability of projects, and we shall explore with the Housing Authority how we might seek its assistance in re-housing those affected by the projects. It is crucial that we make an early start in this area. We aim to introduce an appropriate bill into this Council early next year, and look forward to Members' support for our proposals.

Safer Buildings

85. A long-term urban renewal strategy will help us eventually to remove many of the hazards that are presented by older buildings in Hong Kong. But we still need to deal with the fire safety and structural deficiencies of these buildings today. Following public consultation earlier this year, we have drawn up a programme to improve fire safety in private buildings. We will work first on upgrading fire safety measures in old mixed-use commercial and residential buildings, and then turn our attention to residential and industrial buildings. The Secretary for Security will prepare legislation in 1999 to help us implement the programme. We will also inspect electrical installations in 4 000 buildings in 1999 so as to identify necessary improvements. We will prosecute owners who do not comply with the statutory fire safety requirements.

86. To encourage proper upkeep of these older buildings, at the beginning of August we launched a Building Safety Improvement Loan Scheme to help building owners undertake inspections and repair work. In 1999, we shall develop a Code of Practice for owners on the inspection, assessment and repair of buildings.

Safer Slopes

87. Many areas of our city are built on or below natural or man-made slopes. We must ensure that these slopes are properly maintained so as to minimise the risk of land-slips. In the next ten years we plan to step up our work on slope improvements, and we will increase the manpower in government departments to allow them to maintain every slope in their care. We aim to be second to none in the world in our use of the latest skills, techniques and methods of investigation and risk assessment. In this way we will provide the best possible protection to the community from the risks of slope failure.