

# AD HOC COMMITTEE TO REVIEW THE HOUSING SUBSIDY POLICY

## Consultation Document

### Hong Kong Housing Authority

September 1992

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## **Introduction**

Public consultation on the preliminary findings of the review of the Housing Subsidy Policy is being conducted by the Ad Hoc Committee to Review the Housing Subsidy Policy of the Housing Authority. Any comments on the contents of this document should be forwarded in writing before 30 November 1992 to -

Secretary  
The Ad Hoc Committee to Review the Housing Subsidy Policy  
Hong Kong Housing Authority  
33 Fat Kwong Street  
Kowloon

## **Background**

1. The Housing Subsidy Policy, also commonly referred to as the Double Rent Policy, is in the fifth year of implementation since it was introduced in phases starting 1987. This is the first year of full implementation of the policy. As from this year, tenants who have lived in public housing for ten years are affected by the policy. At present, out of some 600,000 public housing tenants in Hong Kong, about 260,000 are affected within which about 60,000 - 20% of those affected or 10% of all public housing tenants - are required to pay double rent.
2. The purpose of the Housing Subsidy Policy is to reduce housing subsidy to those tenants who have become better off after moving into public housing. This principle was supported by the majority of the public during the public consultation conducted prior to the implementation of the policy.
3. After a review, the Housing Authority (the Authority) reaffirmed in July last year the basic principle of the policy. However, in view of criticisms by various concern groups and tenants, the Authority decided to set up an ad hoc committee to carry out a comprehensive review of the policy (see Appendix A).
4. Up to July this year, the Ad Hoc Committee to Review the Housing Subsidy Policy (the Committee) has held nine meetings since its establishment in last October. At its first meeting, the Committee upheld the underlying spirit of the policy. At subsequent meetings, the Committee thoroughly reviewed the policy in the light of outside criticisms and comments.
5. During the review, the Committee listened to the opinions of various sectors through different channels and also met four joint concern groups (see Appendix B).
6. In order that opinions from different strata of society can be reflected, the Committee has commissioned an independent organization to conduct an opinion survey covering public housing and non-public housing tenants.
7. The preliminary results of the Committee's review are given in this document. After taking into account the findings of the survey and the result of public consultation, the Committee's final recommendations will be presented to the Authority for discussion.

## **Implementation Of The Policy**

8. Under the Housing Subsidy Policy, tenants who have been living in public housing for ten years or more and whose household income exceed the Subsidy Income Limit (SIL), which is twice the Waiting List Income Limit (WLIL), are required to pay double net rent plus rates. The calculation of household income is the same as that for Waiting List applicants which includes the full income of all household members.
9. Affected tenants are given one year's notice. Tenants who wish to continue paying normal rent have to declare their household income before a specified time. Preliminary assessment will be made by Estate Offices while cases requiring further investigation will be referred to the Housing Subsidy Unit. Tenants whose income exceed the SIL or who do not declare their income will be required to pay double rent.

10. If their income should fall below the SIL for a continuous period of six months, double-rent tenants can apply for reversion to normal rent. The amount of extra rent paid during the six-month period will be refunded throughoff setting subsequent rent payment. Should their household income fall below the WLIL, double-rent tenants can apply for immediate reversion to normal rent.

11. Starting from 1987, the policy has been implemented in phases according to tenants' length of residence in public housing. The number of tenants affected is as follows:-

<b>Year</b>	<b>Length of Residence (years)</b>	<b>No. of Tenants Affected</b>	<b>No. of Double-Rent Tenants</b>	<b>Percentage</b>
1988/89	24	40,700	8,800	22%
1989/90	21	102,700	24,800	24%
1990/91	17	160,800	44,700	28%
1991/92	12	219,400	58,800	27%
1992/93	10*	259,700	62,500	24%

\* *full implementation*

12. At present, the average amount of additional rent paid by double-rent tenants is \$550 per month.

### **Basic Principle Of The Policy**

13. The basic tenet of the policy is very simple - to reduce the housing subsidy enjoyed by better-off public housing tenants. This principle has remained unchanged since the policy was introduced.

#### **Uniform Subsidy**

14. However, some concern groups have challenged this principle. They consider that public housing is a kind of social welfare. Charging some tenants higher rent is contrary to the principle of "uniform charges for the same services" adopted in the provision of other social welfare services (such as medical and health, education).

15. Whether public housing is a kind of "social welfare" is controversial. However, the objective of the public housing programme has always been to provide accommodation for low-income families. Applicants for public housing must either satisfy an income limit or be able to prove a genuine and urgent need for housing (e.g. as victims of natural disasters, people affected by clearances). The Committee agrees that public housing is a kind of "social service". It also recognizes that public housing is not a lifelong welfare provision irrespective of actual need.

#### **Level of Subsidy**

16. Some concern groups even consider that public housing tenants are not being heavily subsidized. They are of the view that if the land value of public housing was not taken into account and also that the financial arrangements between the Authority and Government were revised, "public housing subsidy" would cease to exist.

17. Undoubtedly, a great majority of the public do realize that public housing tenants are in receipt of subsidy. The Committee considers it an undeniable fact that public housing subsidy does exist. The calculation of the level of public housing subsidy would, however, depend on the definition of the term "subsidy".

18. Rents for public housing are set mainly on the basis of tenants' affordability. Rent levels for public housing are not pegged to those of the private sector. However, the difference between public housing rent and market rent can serve

as a reference to the level of public housing subsidy. At present, public housing rent (which already includes rates and management charges) on the average constitutes only 30% of its market value. In other words, for a public housing flat with monthly rent at \$1,000, it would mean a market rent of about \$3,500, or a monthly subsidy amounting to more than \$2,500 for the tenant concerned.

19. Another way of calculating the subsidy level is to make reference to the Authority's Estate (Domestic) Working Account. In 1991/92, the average monthly deficit of a flat is \$140, which is expected to rise to \$200 in three years. It should be noted that the land value of public housing is not reflected in the Estate Working Account.

20. Some concern groups have pointed out that if the financial arrangements between the Authority and Government were to be revised (say, payment of the 5% interest on Government's permanent capital was waived) and the surplus generated by non-domestic premises (such as shopping centres) in the Estate Working Account was transferred to the Domestic side, the existing deficit would be substantially reduced and the so-called subsidy would no longer exist.

21. The financial arrangements between the Authority and Government are outside the purview of the Committee which, nevertheless, considers that changing such arrangements or otherwise would have little bearing on the policy. As the objective of the policy is to reduce the subsidy for some public housing tenants, whether the subsidy is given by Government or by the Authority is immaterial. The key issue is whether a particular tenant should continue to enjoy subsidy, not the source of the subsidy.

22. Bearing in mind the social objective of the public housing programme, **the Committee recommends that to reduce the housing subsidy for tenants whose financial situation has substantially improved after moving into public housing, the method of rent adjustments (instead of forced eviction) should be maintained.**

## Effectiveness Of The Policy

### Double-rent Tenants Moving Out

23. There is a great deal of doubt about the effectiveness of the policy in inducing double-rent tenants to move out and make available more public housing units. The policy has thus been criticized as a pretext for rent increase. There has been the proposal that double-rent tenants be given priority in buying Home Ownership Scheme (HOS) flats.

24. Since the implementation of the policy, a total of some 6,500 double-rent tenants have opted to move out. Among them, 2,500 have voluntarily relinquished their public housing tenancies, 3,500 have moved into HOS flats and 500 have purchased private flats through the Home Purchase Loan Scheme. The move out rate of double-rent tenants is about 3% a year since implementation of the policy while that of tenants affected by the policy but not required to pay double rent is 2% during the same period. In the last five HOS sales, the application rate of double-rent tenants has exceeded that of tenants not paying double rent by 25% on the average.

25. The higher move-out rate of double-rent tenants is probably attributable to their relatively high family income. Yet, it appears that the policy itself is effective, to a certain extent, in inducing some better-off tenants to opt for moving out.

26. Relinquishing their public housing tenancies is certainly not a simple and easy decision for double-rent tenants. Important considerations including arrangements for alternative accommodation, possible changes in their financial position (such as retirement or moving-out of family members) should all have to be taken into account. Some tenants are also not keen on moving out from the community which they are used to. As double-rent tenants have little problem in affording double rent, the fact that they are not particularly eager to relinquish their tenancies is not surprising to the Committee. Double-rent tenants moving out from public housing is not a major objective of the policy. Neither should it be regarded as a benchmark in assessing the effectiveness of the policy.

27. The current policy of the Authority is to encourage better-off tenants to purchase HOS flats. All public housing tenants (including those paying double rent) are eligible to apply for HOS using green-forms without any income limit restriction while white-form private housing applicants are subject to an income limit (now \$18,000 per month). Two-

thirds of the flats in each HOS sale are allocated to green-form applicants who have a higher success rate than white-form applicants.

28. The Committee recognizes that giving preferential priority status (over other green-form applicants) to double-rent tenants would encourage them to move out. This, however, has no real positive effect on public housing allocation. If the purpose of encouraging double-rent tenants to buy HOS flats is to vacate more rental units, the same effect will be achieved with other green-form tenants buying HOS flats. Whether the successful applicants are paying double rent or not is irrelevant.

29. **The Committee now recommends that tenants who have been paying double rent for five years or more be given the option of having a priority to purchase HOS flats at a discount which is half of the normal discount (i.e. at a higher price).** Take a flat with a market value of \$1,000,000 for instance, if the prevailing HOS discount is 30%, eligible double-rent tenants may purchase the flat under the priority green-form status but the flat price will be \$850,000 (a 15% discount) instead of \$700,000 (a 30% discount). Of course, double-rent tenants may choose to apply for HOS using ordinary green-form (in which case, they will be given the normal discount but will not have any priority).

30. The Committee considers it unfair to other HOS applicants if double-rent tenants are accorded unconditional priority in buying HOS flats. Double-rent tenants are generally better off than other HOS applicants. Once double-rent tenants have acquired HOS flats at higher prices, apart from not having to pay double rent, they can recover the higher prices originally paid should they resell their flats to the Authority later (or they would have to pay the updated value of a lower original discount to the Authority when selling in the open market).

31. After considering public views, the Committee will decide whether or not to put forth this recommendation to the Authority.

### **Proceeds from the Policy**

32. Some concern groups have questioned the effectiveness of the policy in view of the small amount of additional revenue generated, high administrative cost and strong opposition from tenants. Some have also criticized the Authority for not ploughing back proceeds from the policy into the public housing construction programmes.

33. The policy will bring in a revenue of \$400 million to the Authority this year (full implementation) which represents about 7% of the overall domestic rental revenue or 3% of the Authority's total revenue. The administrative cost incurred is below \$20 million a year which is comparatively inexpensive. The Committee considers that, though additional revenue is not the major objective of the policy, the policy certainly has a positive effect on the Authority's financial position.

34. The Committee also notes that the production of public housing is determined mainly by the demand for public housing under the Long Term Housing Strategy. The additional proceeds from the policy, as with other sources of revenue, will be used on the Authority's overall housing programmes which include constructing public housing units and improving estate environment.

## **Determining The Subsidy Income Limit**

### **Definition of "Tenants with Higher Income"**

35. There are considerable criticisms that the existing Subsidy Income Limit (SIL) is too low, as a result of which many tenants fall into the category of "rich tenants". To require these so-called "rich tenants" to pay double rent is like "robbing the poor to help the poor".

36. At present, the SIL is twice the Waiting List Income Limit (WLIL). This means that double-rent tenants are still not qualified for public housing even if their household income are reduced by half. While double-rent tenants may not be regarded as the so-called "rich tenants", it seems that they are not supposed to be in receipt of housing subsidy

either.

37. The following table shows that tenants whose income exceed the SIL already fall into the top one-third income households in Hong Kong; take a typical 4-p family for example, it is already the top one-fourth income household in Hong Kong (see Appendix C) -

Household Size	Subsidy Income Limit (\$)	Comparison with Households with the Highest Income in Hong Kong (The top % Income Households)
1	7600	25%
2	13400	33%
3	16800	27%
4	19400	23%
5	22000	25%
6	25600	25%

38. The Committee also notes that, despite double rent, the median rent-income ratio of double-rent tenants is only 5% (i.e. half of them are paying a rent which constitutes 5% of their household income or less), while the corresponding figures for overall public housing and private tenants are about 7% and 25% respectively. It can thus be seen that even if double-rent tenants are not "rich", in terms of affordability, they are in a better position than other public housing tenants paying normal rent. When compared with private tenants, double-rent tenants still enjoy considerable housing subsidy.

### Calculation of Children's Income

39. It has been pointed out by many concern groups that children with earnings would not contribute all their income toward household expenses. It is unreasonable for the Authority to include the full income of children.

40. The Committee recognizes that children do not give all their income to parents. The existing method of calculation has not made such presumption either. In fact, it is impossible even for the household heads to contribute all of their income "toward household expenses". Public housing has always been allocated by the Authority on a family basis. The calculation of income for the Waiting List also includes the full income of all family members.

41. The Committee believes that it is impossible for the Authority to make an objective and universal judgement on the percentage of earned income children should give their parents. However, since all the authorized members in a tenancy have the right to reside in a flat, they should contribute to the expenditure of the household. The Committee considers that the Authority should not dwell on the issue of the distribution of income and expenses within individual families. The fact that children do not give all their income to parents equally applies to families in the Waiting List.

### The Problem of "One-line Cut"

42. There is criticism that to require tenants whose income marginally exceed the SIL to pay double rent - the so-called "one-line cut" approach - is unfair.

43. The Committee realizes that, even for tenants whose income marginally exceed the SIL, the additional rent payment only takes up a very small portion of their income. Take a 4-p family (with SIL at \$19,400) for example, assuming that the additional rent is \$800, extra rent represents only 4% of income.

**44. After detailed discussion, the Committee recommends that either of the following two methods of calculation be adopted in the future:-**

## Method I

Tenants may, according to individual circumstances, choose the existing method (i.e. the full income of all family members are included with the SIL being WLIL x 2) or a new method which includes only half of the children's income with the SIL reduced to the level of WLIL x 1.5. Tenants with income above the SIL will all be charged double rent.

## Method II

The full income of all family members will still be included but different rent levels based on three different income limits will be charged.

Ratio of Household Income to Waiting List Income Limit	Rent Charged
(2 times or below)	(normal rent)
above 2 times - 2.5 time	1.5 times
above 2.5 times - 3 times	2 times
above 3 times	2.5 times

45. The merit of Method I is that it will respond, in a more equitable way, to public criticism on the calculation of children's income. Tenants whose children have no income (or tenants with no children) may still choose the higher SIL Households with income mainly coming from children may choose to have half of their children's income to be calculated; for these tenants whose household income still exceed 1.5 times the WLIL even when only half of their children income are included, paying double rent is reasonable.

46. Method I allows the tenants to make the most favourable choice according to individual circumstances. Rough estimates indicate that the number of double- rent tenants (and the additional rental revenue the policy generates for the Authority) will decrease by about 40% if this method is to be adopted.

47. Method II is more or less a response to criticisms on the "one-line cut" approach. Also, charging different levels of additional rent according to three different levels of household income appears fairer. Under this method, it is estimated that about 65% of the otherwise double-rent tenants will pay a rent 1.5 times the normal rent instead. This method of calculation also indirectly responds to criticisms on the calculation of children's income.

48. Under this method, about 15% of the otherwise double-rent tenants will pay a rent 2.5 times the normal rent because their income exceed thrice the WLIL. Take the 4-p families for example, those whose income exceed \$29,100 already belong to the top 10% income group in Hong Kong. Assuming that the 2.5 times rent is \$2,000, rent will still constitute only 7% of the household income. By charging a rent which is 2.5 times the normal rent, the affected tenants will perhaps be induced to give more serious thought to moving out of their public housing units.

49. Under Method II, the total number of tenants required to pay additional rent (with 65%, 20% and 15% paying 1.5 times, 2 times and 2.5 times the normal rent respectively) will be about the same as that under the existing method. The additional rental revenue generated by the policy for the Authority will, however, be reduced by about 25%.50 Both Method I and Method II will increase the workload of the Housing Department. But the Committee notes that the additional administrative cost incurred will not be too high.

## Exemption Categories

51. Tenants currently exempted from the policy include -

(a) Public Assistance recipients (about 27,700 households);

- (b) Those who are allocated a flat under the Elderly Priority Scheme (about 4,300 households); and
- (c) Flat sharers (about 2,500 flats); while
- (d) Those under non-voluntary transfers, including those affected by redevelopment or other administrative measures (such as renovation works) are exempted for a period of ten years after the transfer.

### **Elderly Households**

52. Those under categories (a) to (c) in the preceding paragraph, mostly low-income families, are generally not required to pay double rent. With the granting of the exemption, they can continue to pay normal rent without going through the procedure of income declaration.

53. The Committee notes that families whose members are all aged over 60 are rarely required to pay double rent. **The Committee recommends that exemption be extended to households whose members have all reached the age of 60 (about 38,000 households).**

### **Tenants Not Rehoused Through the Waiting List**

54. There is the opinion that those who were not subject to income vetting when moving into public housing (such as those affected by Government clearances) should be granted exemption. The main argument is that it would be unfair for these tenants, who were not restricted by the WLIL upon intake in the first place, should they be required to pay double rent because their income exceed the SIL.

55. After deliberation, **the Committee maintains that these tenants should not be granted special exemption.** To be allocated public housing without any income vetting is, in itself, a preferential treatment. These tenants have already enjoyed the benefit for at least ten years. These tenants are not required to pay double rent after ten years' residence if their income do not exceed the SIL. Granting tenants not rehoused through the Waiting List exemption seems unjustifiable.

### **Ten years' Exemption for Tenants under Non-voluntary Transfers**

56. There is also the suggestion that the ten-year exemption period currently granted to tenants non-voluntarily transferred by the Authority should be reduced to five years after the transfer.

57. Since the policy was introduced, about 60,000 tenants have been transferred by the Authority, the vast majority of whom were households affected by the Comprehensive Redevelopment Programme. It is estimated that another 120,000 families will be affected by the Programme in the next ten years.

58. The existing preferential treatment of ten-year exemption is granted mainly on the consideration that tenants have been transferred at the request of the Authority. Rents of the new flats are usually two to three times the old rents (because of improved facilities and better space allocation). If tenants were required to pay double rent after the transfer, there would be adjustment difficulty.

59. Tenants whose income exceed the SIL and are affected by redevelopment should have no problem in paying double rent. However, as a considerable number of tenants had already been granted the ten-year exemption, an immediate reduction of the period of exemption to five years would result in some of the potential transferees being required to pay double rent earlier than the transferred ones, giving rise to equity problems and operational difficulties. To ensure the smooth implementation of the Comprehensive Redevelopment Programme and in consideration of the tenants' adaptability to new rents, **the Committee recommends that the period of exemption of non-voluntary transferees (including those paying double rent before the transfer) will still be ten years after moving into the new flats.**

### **Special Categories**

60. The exemption of single-parent families has also been suggested.

61. The Committee considers that single-parent families do not necessarily encounter financial difficulties. There seems no justifications to grant overall exemption to these families.

62. However, the Committee recognizes that some tenants whose income exceed the SIL may warrant exceptional treatment under special circumstances (e.g. additional expenses are incurred continually because of a disabled member in the family). **The Committee recommends that tenants with special justifications may apply for exemption when declaring their income; and staff of the Housing Department may exercise discretion in granting exemption to individual families.**

## **Implications Of The Policy On Tenants**

### **Income Declaration is a Nuisance to Tenants**

63. Some have pointed out that to require tenants having lived in public housing for over ten years to declare their income every two years is a nuisance to the tenants and an infringement upon their privacy. On the other hand, some have opined that the existing income-vetting procedures are not stringent enough to identify genuine "rich tenants".

64. Under the Housing Ordinance, the Authority is empowered to require tenants to furnish information. The Income Declaration Form currently in use is not too complicated and cases will be referred to the Housing Subsidy Unit for investigation (interviewing the tenant, requesting for income proof etc.) only when necessary. At present, although 90% of the tenants affected submit the Income Declaration Forms, the referral rate is only 3%. Thus, biennial income declaration has not caused too much of a trouble to most tenants.

65. At present, a great majority (about 80%) of existing double-rent tenants are paying double rent voluntarily by not submitting the Income Declaration Forms. Of the some 10,000 referral cases investigated by the Housing Subsidy Unit, only a small proportion was subsequently confirmed to be required to pay double rent. The situation of false declaration (to evade double rent) does not seem to be serious.

66. The Committee considers that the present biennial income declaration should be maintained but the existing Income Declaration Form should be simplified, as appropriate, to facilitate easy declaration. The Committee believes that with the proposed extension of exemption to elderly families, the inconvenience caused by income declaration will be reduced to a minimal.

67. Another criticism has been that it takes too long to vet applications for reversion to normal rent once the income of double-rent tenants fall below the SIL. The Committee accepts this view. The Committee recommends that the present six-month vetting period be shortened to three months.

### **Policy Causing the Aging of Public Housing Estates**

68. Some concern groups have criticized that, under the present policy, children who are income-earning tend to move out of their units, resulting in the aging of the public housing population with aged parents left unattended.

69. The Committee considers that the policy is not the main cause for the aging of public housing population. It is natural for grown-up children to leave their parents upon marriage or improvement of their financial means. This also happens in families not affected by the policy. There seems to be no justifications for the Authority to restrict children who can afford alternative accommodation from moving out of their public housing units. The policy has no significant bearing on children's decision to live with (and their willingness to look after) their aged parents or otherwise. The Committee also believes that, since double rent is much more affordable than the rent of private housing, cases in which members have moved out of public housing just to avoid paying double rent are rare.

### **Policy Affected Tenants' Living Standard**

70. There are comments that the policy has lowered the living standard of double-rent tenants and undermined their ability to save. Some have even criticized that the policy would aggravate inflation and affect the livelihood of tenants.

71. The Committee does not consider these criticisms valid. As mentioned before, in spite of the double-rent requirement, the rent affordability of tenants whose income exceed the SIL is still better than that of other public housing tenants who pay normal rent. When compared to non-public housing households with the same income level, double-rent tenants have far greater capacity for saving and consumption. It is worth mentioning that, according to statistics, the non-housing expenses of public housing tenants are 25% higher than those of non-public housing tenants (see Appendix D).

## **Other Opinions On The Policy**

### **Regular Vetting of Eligibility for Public Housing**

72. There is the suggestion that the Authority should rigorously re-vet tenants' eligibility for public housing on a regular basis (say every ten years). Tenants who have high household income or possess domestic property should be required to vacate within a specified period of time.

73. This proposal is, of course, effective in preventing tenants who are no longer in need of subsidy from residing in public housing indefinitely. However, this proposal is likely to arouse strong opposition from many public housing tenants. It will also be very difficult to implement. The Committee believes that, under the present situation, the existing policy is more feasible.

### **Assistance to "Tenants in Hardship"**

74. It has been suggested that, since tenants with higher income are required to pay higher rent, those with financial hardship should be granted rent rebate too.

75. This suggestion was discussed by the Committee. It was decided that the matter should be referred to the Management and Operations Committee of the Authority for consideration. The Committee notes that a rent reduction scheme for "tenants in hardship" was endorsed by the Management and Operations Committee in July 1992.

### **Abolition of the Policy**

76. Since the policy was implemented, concern groups and public housing tenants have all along advocated the abolition of the policy. There are also views that the policy should be abandoned when the financial situation of the Authority improves or when more resources can be obtained from Government.

77. The Committee reiterates that the objective of the policy is not to generate more rental revenue for the Authority. The spirit of the policy is to reduce public housing subsidy to tenants who should no longer be eligible for it, so as to avoid wastage of housing resources. The Committee maintains that, even if the Authority achieves a better financial footing or Government is willing to channel more resources to the Authority, it does not necessarily imply that those who are no longer in need of housing subsidy should be allowed to enjoy it indefinitely.

## **Conclusion**

78. The Committee considers that past criticisms against the policy present no justifications for the abolition of the policy. The Committee believes that the policy is still the most feasible means to achieve the aim of reducing housing subsidy to better-off tenants in public housing.

79. Prior to implementation of the policy, a Green Paper on the policy was issued in 1985 by the Authority for extensive public consultation. A majority of the views were in support of the principle that subsidy to public housing tenants whose financial situation has considerably improved should be reduced. Notwithstanding strong criticisms from concern groups and public housing tenants, implementation of the policy has so far been smooth.

80. The Committee notes that most of the opposing voices are directed against the details of implementation (e.g. the calculation of children's income and the setting of the income limit) and the effectiveness of the policy (e.g. inducing

double-rent tenants to move out). On the whole, the underlying spirit of the policy has gained recognition from the public. In fact, many people have reiterated their support for the policy during the review. There is also the view that the Committee should not, under the pressure of objection from public housing tenants, overlook the principle of overall equity.

81. The Committee appreciates that although the majority of public housing tenants might find the spirit of the policy acceptable, they - being the very affected ones - would not welcome its implementation. In the course of review, the opinions of public housing tenants have been carefully considered by the Committee. But, the objective of the review is not merely to satisfy the expectations of public housing tenants. The Authority must also be accountable to the general public (including those waiting for housing subsidy and those ineligible for such subsidy) in respect of the allocation of housing resources.

82. The Committee believes that the proposals outlined in this document have reasonably responded to opinions and criticisms expressed on the policy. The Committee hopes that members of the public will readily put forth their views on this document. The Committee will carefully consider these views before submitting its final recommendations to the Authority for consideration.

### **Summary Of Major Recommendations**

1. The objective of reducing subsidy to public housing tenants who have become better off after living in public housing for ten years should continue to be achieved through the rent adjustment approach. The Committee does not recommend compulsory eviction.

**[para. 22]**

2. One of the following methods should be adopted to determine the income level for such tenants (the Subsidy Income Limit) and the amount of rent charged -

#### **Method I**

Tenants may choose either the existing Subsidy Income Limit (twice the Waiting List Income Limit) with the full income of children being taken into account or a lower Subsidy Income Limit (1.5 times instead of twice the Waiting List Income Limit) with only half of children's income being taken into account. Tenants with income above the Subsidy Income Limit will all be charged double rent.

#### **Method II**

The full income of children will still be taken into account but different levels of rent will be charged according to different income levels as follows-

<b>Ratio of Household Income to Waiting List Income Limit</b>	<b>Rent Charged</b>
above 2 times - 2.5 times	1.5 times
above 2.5 times - 3 times	2 times
above 3 times	2.5 times

..... **[para. 44]**

3. Exemption should be extended to families with all household members aged above 60. Individual tenants whose income exceed the income limit may apply for exemption under exceptional circumstances.

..... **[paras. 53 & 62]**

4. The six-month vetting period for reversion to normal rent if income falls below the Subsidy Income Limit should be shortened to three months.

..... [para. 67)

5. Tenants who have paid double rent for five years should be given the option of having priority to purchase Home Ownership Scheme flats at half of the normal HOS discount. .... [para. 29]

## **Appendix A**

### **Membership and Terms of Reference of the Ad Hoc Committee**

#### **MEMBERSHIP**

##### **Chairman**

Mr Victor SO Hing-wo

##### **Members**

Mr PAO Ping-wing, JP

Mr HAU Shui-pui

Mr Thomas KWOK Ping-kwong

Mr FUNG Kin-kee

Mr LEUNG Chun-ying

Mr David LUNG Ping-yee

Miss Audrey EU Yuet-mee

Miss Carlye TSUI Wai-ling

Mr CHAN Pak, ISO, JP, Senior Assistant Director/Housing Management

##### **Secretary**

Mr NGAI Wing-chit, Senior Administrative Officer/Housing Management

#### **TERMS OF REFERENCE**

To review the Housing Subsidy Policy, taking into account the social objectives of the public housing programme and the financial implications on the Authority; and to make recommendations to the Authority on any changes that should be made to improve implementation of the Policy.

## **Appendix B**

### **Sources of Views Collected During the Review**

**(October 1991 to July 1992)**

## Meetings with Concern Groups

The Ad Hoc Committee met four joint concern groups (which represented about 30 interest groups.)

## Seminars/Forums

Representatives of the Ad Hoc Committee attended six seminars/forums.

## District Board Meetings

Representatives of the Ad Hoc Committee attended four District Board meetings.

## Submissions/Signatures

The Ad Hoc Committee received about 10 direct submissions. Some 70,000 signatures against the policy were also received.

## LegCo Debate

Fourteen Legislative Councillors spoke on the subject in the LegCo Adjournment Debate on 15 January 1992.

## Mass Media

The Ad Hoc Committee noted some 100 comments published/reported in newspapers as well as the views of some 30 callers in radio phone-in programmes.

## Appendix C

### Comparison Between the Subsidy Income Limit and Overall Household Income

(\$)

Household size	Waiting List Income Limit	Current Subsidy Limit			Income Level of the Highest Income Households on Hong Kong *		
					The Top 30%	The Top 20%	The Top 10%
	(a)	(a)x2	(a)x2.5	(a)x3			
1	3800	<b>7600</b>	(9500)	(11400)	66400	8850	13720
2	6700	<b>13400</b>	(16750)	(20100)	14380	18720	27650
3	8400	<b>16800</b>	(21000)	(25200)	16040	19690	26540
4	9700	<b>19400</b>	(24250)	(29100)	16590	20460	27650
5	11000	<b>22000</b>	(27500)	(33000)	19910	24330	30800
6	12800	<b>25600</b>	(32000)	(38400)	23890	27650	35390

\* Figures from Census and Statistics Department's General Household Survey 3rd Quarter 1991, projected to 3rd Quarter 1992.

## Appendix D

## Comparison of Household Expenditure Between Public Housing and Non-Public Housing Tenants

Average Non-housing Expenditure (\$)*		
Household Size	Non-Public Housing	Public Housing
1	3720	4460
2	4990	4920
3	5480	6460
4	6150	7100
5	6510	7510
6	6010	7580
7+	6830	7850
Overall	5470	6780

\* Figure from Census and Statistics Department's recent Household Expenditure Survey, projected to 1st Quarter 1992.