THE HONG KONG HOUSING AUTHORITY

Memorandum for the Rental Housing Committee

Extension of Rent and Licence-fee Increase Waivers Granted in April 1999

PURPOSE

To seek Members’ approval to extend for one year the rent and licence-fee increase waivers granted in April 1999 to 12,476 flats in four Former Housing Authority (FHA) Estates and 852 units in one Interim Housing (IH) block respectively.

BACKGROUND

2. At its meeting on 14 January 1999, the Rental Housing Committee (RHC) reviewed the rents of the four FHA Estates viz. So Uk, North Point, Sai Wan and Wah Fu (I) (vide Paper No. RHC 5/99) and the licence fees of Block 11, Shek Lei (II) Estate (vide Paper No. RHC 4/99). The average percentage of rent/licence-fee increases approved for the four FHA Estates and the IH block which should take effect on 1 April 1999 were 14.2% and 4.9% respectively. In order to tide the tenants/licensees concerned over the economic adjustment, a one-year increase waiver was granted effective 1 April 1999, details of which are shown at Annex I.

3. Upon expiry of the increase waiver on 31 March 2000, the rents of the four FHA estates will remain unchanged for four years while the licence fees of the IH licensees will remain the same for three years.
4. The RHC decided at its meeting on 31 May 1999 to extend the one-year rent/licence-fee increase waivers for 107 public rental housing (PRH) estates (involving some 250,000 flats) and one IH block (involving some 800 units) for one year. It also approved the deferral of rent review for two batches of 340,000 PRH flats for one year. Details are shown at Annex II and Annex III respectively.

FACTORS FOR CONSIDERATION

5. Compared with the information available at the time of May 1999 when the extension of waivers and deferral of rent review were approved by the RHC, the nominal wage index has slightly gone down by 0.27% Note.

6. Having regard to the current economic climate, the Housing Society has announced that the rents of its estates will be frozen for another year.

7. Although there may be signs and indications that the general economy is slightly improving, we need to be cautious of the public’s sensitivity towards accepting any increases at this point of time and also the corporate image of the Authority as a caring landlord.

RECOMMENDATIONS

8. Having taken account of the factors mentioned, we recommend to extend for one year the waivers granted in April 1999 to the tenants/licensees concerned. They will have to pay the full amount of increased rent/licence-fees from 1 April 2001. Under the new batching system approved by Members vide Paper No. RHC 41/99, the next rent/fee review dates for the four FHA Estates and the IH block will fall on 1 December 2002 and 1 December 2001 respectively.

9. The proposed extension of waivers will not be applicable to tenants/licensees who are paying additional rents/licence-fees under the Housing Subsidy Policy.

Note: Census and Statistics Department - September 1998 to June 1999 (difference)
FINANCIAL IMPLICATION

10. The proposed extension of waivers, if approved, will reduce the Authority's income by $28M.

PUBLICITY

11. The extension of waivers should be well received by the affected tenants and licensees. It will be emphasized in publicity that the Authority has taken into account the prevailing economic climate and demonstrated its continuing efforts to assist the tenants and licensees, notwithstanding the Authority's obligation under Section 4(4) of the Housing Ordinance to ensure that the revenue accruing to it from its estates is sufficient to meet its expenditure.

PRESUMPTION

12. It is not thought that Members will object to the recommendations in paragraphs 8 and 9 above. If no objection or request for discussion is received by the Committees’ Secretary by noon on 26 January 2000, Members’ approval will be presumed and appropriate action taken.

---0---0---0---

File Ref. : HD(H)RE 7/1/2F 99
Date : 12 January 2000