



Your Ref.: CB(4)/PAC/R62
Our Ref.: HD (AU) AC

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Date: 16 May 2014

Clerk
Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong.
(Attn.: Ms. Mary SO)

Dear Mary,

Public Accounts Committee

**Consideration of Chapter 2 of the Director of Audit's Report No. 62
Planning, Construction and Redevelopment of Public Rental Housing Flats**

With reference to your letter dated 9 May 2014 addressed to the Secretary for Transport and Housing on the subject issue, I set out the Administration's bilingual response for questions no. a, b, c, f, g, h, l, m, and n at the **Annex** for your reference, please.

I will set out the Administration's bilingual response for the remaining questions to you by early next week. Thank you.

Yours sincerely,

(Ms. Ada Y.S. FUNG)

for Secretary for Transport and Housing

Encl.

- c.c. Secretary for Transport and Housing (fax no. 2523 9187)
- Secretary for Development (fax no. 2151 5303)
- Secretary for Financial Services and the Treasury (fax no. 2147 5239)
- Director of Audit (fax no. 2583 9063)

Demand for public rental housing ("PRH") flats

- (a) *what is the number of general applications on the Waiting List ("WL") for PRH from 1 April 2013 to 31 March 2014 and the years of residence of these applicants in Hong Kong;*

As at end-March 2014, there were 121 900 general applications for PRH. In the period from 1 April 2013 to 31 March 2014, there were 27 300 new registrations of general applicants.

At the time of allocation, at least half of the family members included in the general application must have lived in Hong Kong for seven years and all family members must be still living in Hong Kong. For children under the age of 18, they are deemed to have fulfilled the seven-year residence requirement under the following circumstances -

- (a) one of the parents, regardless of the children's place of birth, has lived in Hong Kong for seven years; or
- (b) the children were born in Hong Kong with established permanent resident status.

Applications which have not fulfilled the residence requirement will be frozen from allocation. Among the 121 900 general applications as at end-March 2014, about 6 600 applications were frozen on grounds that they have not yet fulfilled the seven-year residence requirement.

Although each household member included in an application is requested to provide their date of entry if they were not born in Hong Kong, we will only input into our computer system information in respect of individual household members who fail to meet the seven-year residence requirement for frozen cases. The objective is to enable us to follow up these frozen cases in future in a timely manner. Therefore, we are unable to provide the years of residence in Hong Kong for all the general applicants.

- (b) whether consideration would be given to modifying the calculation method of the Average Waiting Time ("AWT") for general applicants as the period between registration on the WL and the date the housing offer was accepted by the applicant; if not, why not;***

The AWT for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months. Waiting time refers to the time taken between registration and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). This definition has been in place for a long time, and the continued use of the same definition will ensure consistency and provide a better reference to keep track of the extent to which we are able to achieve the AWT target.

In calculating the AWT, Housing Department (HD) can only include factors which are within HD's control. The waiting time is counted up to the first offer because while eligible applicants are given three flat offers, the applicants are provided with a housing opportunity at the first offer. In other words, an applicant will be housed if he accepts the first offer. It is a matter of personal decision if the applicant declines the first flat offer to wait for subsequent offers. The decision as to whether or not to accept the first, second or third offer rests entirely with the applicant and is NOT under the control of the HD. There are also circumstances where the applications have to be frozen due to various reasons not within the control of the HD (e.g. applicants have to await fulfillment of the residence requirement; applicants request to put the application on hold pending arrival of family members, etc.). However, since we have allowed these general applications to remain notwithstanding the fact that their applications are actually being frozen, individual applicants may tend to count their waiting time starting from the date of registration and pay no regard to the period whereby their applications are frozen. In the light of the recommendations of the Audit Report No. 61 and PAC's recommendations, we have already stated clearly the definition and method of calculating the AWT in the "Information for Applicants" for PRH applicants. The information is also available in the Housing Authority/HD's website.

- (c) *which bureaux/departments ("B/Ds") determine the quota and actual allocation of the quota for each of the other demands referred to in Table 3 in paragraph 2.4 of the Director of Audit's Report ("Audit Report"), and whether consideration would be given to publicizing the actual allocation of such quota;*

Every year, the PRH allocation plan is submitted to the Subsidised Housing Committee (SHC) of the Housing Authority (HA) for endorsement. The relevant paper on the allocation plan includes the figures of the actual PRH allocation for different categories in the previous year as well as the planned allocation figures for the coming year. Our normal practice is to upload the relevant SHC paper onto the HA/HD website for public information upon endorsement of the allocation plan by SHC. A press release on the planned allocation as endorsed by SHC will also be issued.

Supply of new PRH flats

- (f) *what is the construction expenditure for PRH each year in the past 10 years and the annual construction price index over the same period;*

The construction expenditure (i.e. the project costs paid to contractors) for PRH (including associated facilities of car parks and commercial centres, etc.) each year in the past 10 years and the construction price indices (i.e. HATPI) over the same period are as follows –

PRH Construction Expenditure vs HATPI

Financial Year	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
PRH Construction Expenditure (\$M)	5,814.7	4,124.3	2,158.9	2,749.6	3,950.8	4,576.9	4,390.2	4,948.5	5,968.2	7,109.3
HATPI (Quarter/Year)	474	488	531	570	675	960	852	899	997	1059
	(2Q/2003)	(2Q/2004)	(2Q/2005)	(2Q/2006)	(2Q/2007)	(2Q/2008)	(2Q/2009)	(2Q/2010)	(2Q/2011)	(2Q/2012)
	474	494	531	615	717	960	864	929	1018	1076
	(3Q/2003)	(3Q/2004)	(3Q/2005)	(3Q/2006)	(3Q/2007)	(3Q/2008)	(3Q/2009)	(3Q/2010)	(3Q/2011)	(3Q/2012)
	474	501	532	627	766	904	864	952	1039	1110
(4Q/2003)	(4Q/2004)	(4Q/2005)	(4Q/2006)	(4Q/2007)	(4Q/2008)	(4Q/2009)	(4Q/2010)	(4Q/2011)	(4Q/2012)	
	481	522	540	658	858	852	881	976	1043	1135
(1Q/2004)	(1Q/2005)	(1Q/2006)	(1Q/2007)	(1Q/2008)	(1Q/2009)	(1Q/2010)	(1Q/2011)	(1Q/2012)	(1Q/2013)	

Housing Authority Tender Price Index (HATPI) is compiled for each quarter to provide an indication of the price level of tenders for new building works returned in that quarter and accepted by HA. The construction expenditure is mainly spread over the building contract period of 30 months in general.

- (g) how are the construction expenditures for PRH recognized and depreciated in the Financial Statements of the Hong Kong Housing Authority according to the Government's accounting policy on fixed assets;***

Our reply to this question is already set out in paragraphs 7 and 8 of Paper R62/2/GEN3 issued to Members on 9 May 2014.

PRH supply and demand forecast

- (h) what are the reasons for the fluctuations in the PRH production from 2003-2004 to 2012-2013 as shown in Figure 1 in paragraph 2.11 of the Audit Report, and what measures had been taken to stabilize the PRH production;***

Our reply for the fluctuations in the PRH production is already set out in paragraphs 3, 4 and 5 of Paper R62/2/GEN3 issued to Members on 9 May 2014.

We will closely monitor the programme of the projects in the Public Housing Construction Programme and report the progress of the projects to the Housing Authority's Building Committee on a monthly basis.

- (l) why no assessment of long-term PRH demand was made by the Housing Department ("HD") since 2012-2013;***
- (m) what is the methodology to be adopted by the HD for assessing long-term PRH demand, and when will such methodology be adopted;***

Our replies to the above two questions are already set out in Annex 3 of Paper R62/2/GEN3 issued to Members on 9 May 2014.

Meeting the pledged production targets

- (n) what steps will be taken by the Government to meet the PRH demand within the context of the long-term housing demand assessment as adopted by the Long-term Housing Strategy Steering Committee ("LTHS Steering Committee");***

The Government has identified sufficient land to provide about 179 000 public rental housing (PRH) units in ten years (i.e. from 2012/13 to 2021/22), and to build about 17 000 Home Ownership Scheme (HOS) units from 2016/17 to 2019/20.

The Government has adopted the Steering Committee's recommendation to provide 470 000 units as the new public and private housing total supply target for the coming ten years, with public housing accounting for 60% of the new production. With the new supply target (i.e. an annual average of about 20 000 PRH flats and 8 000 HOS flats), the supply of public housing in the coming ten years will increase by 36% when compared to the Government's previous pledge. Action is already underway by the Government to identify additional land required to achieve the new supply target. In addition to resolving technical issues, the key to prompt delivery of PRH also hinges on securing the community support as well as having all the other resources including adequate manpower in place timely.

It is a big challenge to the Government to achieve the new housing supply target recommended by the Long Term Housing Strategy Steering Committee. Nevertheless, the Government will adopt a

multi-pronged approach to increase land supply through optimizing the use of the developed land, actively developing new land and allocating land suitable for public and private housing in order to meet the new housing target.

The Government has been carrying out various land use reviews with a view to identifying more suitable sites for conversion to residential use. These reviews have started to bear fruits. It is estimated that there will be around 150 sites that could be made available for residential development in different districts throughout the territory in the coming five years (i.e. from 2014-15 to 2018-19) providing over 210,000 public and private units subject to approval from TPB for amendments to their respective statutory plans, including land use rezoning and/or increasing development intensity of the residential sites, and the carrying out of the necessary works (infrastructures, clearance of land, etc.).

We will also actively explore all feasible ways to increase the land for public housing development including:

- (i) liaising closely with the concerned bureaux, government departments, district councils and local communities to identify suitable sites for public housing development in different parts of the territory;
- (ii) optimising the development potentials of public housing sites having regard to the principles of cost effectiveness and sustainability. We will strive to achieve relaxation in plot ratios and height restrictions where planning and infrastructure capacity permit as well as without compromising the environmental quality; and
- (iii) examining the build-back potential of aged estates so as to increase the supply of PRH.