

**Opening Remarks by Secretary for Transport and Housing at
the Legislative Council Public Accounts Committee’s Public Hearing on
“Planning, Construction and Redevelopment of
Public Rental Housing Flats” (Chapter 2) of
the Director of Audit’s Report No. 62**

Regarding Chapter 2 of the Director of Audit’s Report No. 62 (the Audit Report), as quoted in the Response of the Housing Department (HD) therein, we generally agree to the observations and accept the recommendations.

As Secretary for Transport and Housing, I would like to elaborate on some points concerning housing policies.

The three major parts discussed in the Audit Report touch upon key issues raised on other occasions in the past two years.

2. **First, public housing supply.** In the latter part of the last term Government (i.e. the 2011 Policy Address) the following supply targets for public rental housing (PRH) and Home Ownership Scheme (HOS) flats were formally announced:

- To provide about 75 000 PRH units in the next five years i.e. an average of 15 000 units per year;
- To plan to provide more than 17 000 HOS units over four years from 2016/17 onwards; and
- As more sites become available, the planning target would be set at an 5 000 HOS flats a year on average.

3. However, not all the required housing sites had been secured at that time. Since this term Government assumed office in July 2012, we have

continued our efforts in securing land. Up till 2013 when the Chief Executive delivered his first Policy Address, we had confirmed the land required for the original supply target in the first five years. We had also advanced the production of about 4 000 PRH units, which had originally been scheduled for completion in 2017/18, so that the total supply in the first five years would become 79 000 units. At the same time, the Chief Executive pledged the supply of 100 000 PRH units in the five years starting from 2018. This meant an average of 20 000 units in each year.

4. One of the missions of the LTHS Steering Committee was to estimate the overall public and private housing demand in the coming 10 years. Based on the net increase in the number of households, those who would be displaced by redevelopment and those who are inadequately housed, and taking into account other factors as well as the vacancy situation of private flats¹, the LTHS Steering Committee came up with the total supply target of 470 000 flats. At the same time, the LTHS Steering Committee recommended that the public-private split should be 60:40 in order to convey a clear message to the community that the Government would take the lead in increasing public housing supply to avert the problem of housing supply-demand imbalance and to ensure the stable and healthy development of the private property market.

5. In his 2014 Policy Address, the Chief Executive adopted in advance the above total housing supply target as proposed by the LTHS Steering Committee. He also adopted the public housing target of 280 000 units, within which there would be 200 000 PRH units and 80 000 HOS units. This public housing supply exceeds the Government's previous pledge by 36%.

6. We mentioned at the meeting of the LegCo Panel on Housing on 28 January 2014 and at the joint meeting of the Panel on Housing and Panel on Development on 29 January 2014 that we had secured the land required for the total of 179 000 PRH units as pledged last year, and the relevant preparation work was also underway. As for the 21 000 additional PRH units in the new PRH supply target as announced this year, the Government was in the processing of identifying the land required. Paragraph 2.27 of the Audit Report notes the difference between the above and the target of 200 000 PRH units. Therefore, while it is true that we are still looking for land, we have

¹ Based on the number of vacant flats in the private market at the beginning of the projection period and the average vacancy rate of private property market

made this fact apparent. Various problems including the tight land supply, planning issues and the need to solicit support of local communities are well-known to the public. The Government will adopt a pragmatic approach and endeavor to secure land expeditiously.

7. **Second, waiting time for PRH.** When we attended the public hearing of the Public Accounts Committee at the end of last year (November) in relation to Chapter 3 of the Director of Audit's Report No. 61, we explained in detail how we calculated the average waiting time (AWT) of about three years in respect of general applicants (i.e. family and elderly applicants). Waiting time refers to the time taken between registration as a general applicant and first flat offer, excluding any frozen period². The AWT for general applicants refers to the average of the waiting times for the first offer of general applicants housed to PRH in the past 12 months. The HD reviews the implementation situation on a regular basis.

8. The AWT target of an average of three years has been the policy target adopted by the Government since 1997³. The actual AWT progressively dropped from 6.6 years as at end-March 1998 to 2.9 years as at end-June 2002.

9. The number of applicants for PRH has continued to increase in recent years. The change in the number of new "family and elderly applicants" varied more substantially : it increased by 22% from 25 800 in 2010/11 to 31 600 in 2011/12; and then dropped 11% from 30 600 in 2012/13 to 27 300 in 2013/14. However, the AWT has continued to increase, from 2.0 years as at end-March 2011 to 2.6 years as at end-March 2012, and then to 2.7 years as at end-March 2013. As at end-March of this year, there were about 121 900 general applicants and about 126 200 non-elderly one-person

² For example, 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.

³ In his speech at the Ceremony to Celebrate the Establishment of the Hong Kong Special Administrative Region of the People's Republic of China on 1st July 1997, the former Chief Executive pledged to reduce the AWT for PRH to three years. The 1997 Policy Address also stated that "We will reduce the waiting time for PRH 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." The LTHS White Paper issued in February 1998 also mentioned one of the pledges of the then Chief Executive, i.e. to reduce the AWT for PRH to three years by the end of 2005. The actual AWT progressively reduced from 6.6 years as at end-March 1998 to less than three years: it decreased from 3.2 years as at end-March 2002, to 2.9 years as at end-June 2002.

applicants under the Quota and Points System. The AWTs for general applicants was 3.0 years, and that for elderly one-person applicants was 1.6 years.

10. We fully understand that it has become increasingly challenging to uphold the target of maintaining the AWT for general applicants at around three years. This has indeed been pointed out time and again by the former Director of Housing and me to the Panel on Housing⁴. The LTHS Steering Committee also stated in its Consultation Document (Paragraph 6.5) issued last September that despite the possibility of occasional departure, the Government should strive to maintain the AWT target.

11. The Audit Report mentioned an internal assessment made in 2012, which indicated that the AWT would rise to five years in 2020. I would like to point out that first, the HD has indeed conducted such internal assessments. However, any long term projection is subject to its limitations. Due to the limitations of the method, a projection made in 2012 to project what would happen eight years later is likely to be inaccurate. Therefore, these assessments were only meant to be a tool for internal reference tool and alert.

12. Besides, after the assessment in 2012, we have made various changes in terms of policies and actual work, including increasing long-term supply. The objective of these changes is precisely to prevent that five years' AWT from becoming a reality.

13. **Third, I would like to highlight the redevelopment of public housing estates.** Under the current redevelopment policy, apart from structural safety of buildings and economic repair, we have to consider the build-back potential of individual estates and the availability of suitable rehousing resources. As we have to take into account whether suitable PRH flats are available for rehousing the clearerees, as well as its impact on applicants for PRH, manpower and other constraints, we have to strike a balance, thus rendering it impossible for us to launch many major redevelopment programmes at the same time. The Audit Report shares the same concerns, which can be seen in Paragraph 4.31.

⁴ For instance, the former Director of Housing mentioned at a meeting of the Panel on Housing last November that "...while the HA is still able to maintain the AWT within the target of around three years, it is increasingly challenging to do so given the increasing number of WL applicants. There is a real prospect that the AWT will lengthen in future."

14. Lastly, the Audit Report recommends (in Paragraphs 2.68 to 2.69) that the HD should consolidate experiences from the previous cases of return of PRH sites in order to minimise delays in PRH construction programmes. I must stress that it was on account of the then demand and supply situation of both public and private housing, as well as the prevailing policies and reality, that we came up with the said return arrangements. In view of the current circumstances and future prospect, as Secretary for Transport and Housing, I have made it clear in the LegCo on many occasions that sites vacated by the demolition of aged public housing estates for redevelopment will be retained for development of PRH.

15. Chairman, I would like to thank the Director of Audit for recognising the future challenges of the Housing Authority in the conclusion of his Audit Report, in particular the shortage of land supply for public housing development, the long lead time for planning and land development process, the need to meet the target of maintaining the AWT at around three years, and the challenges of securing financial support for the 10-year PRH development programme. We will take full account of the audit observations and recommendations when formulating the Government's LTHS. Moreover, we will follow up on the views and comments of the Public Accounts Committee.