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To: cpueng@cpu.gov.hk
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Subject: Having been closely involved in housing policy last word

Commission for Strategic Development

Home Ownership

Sir,

I have been closely involved in housing policy, housing production, housing infrastructure, housing management, housing demolition and development for so long I find it extremely difficult to speak again on this subject without emotion.

First of all I would make a general point about my belief in the role of government. There are certain things in this life which cannot be left

to the mantra of “small government: big market”, among them are health care, education and housing . You need only look at these three markets, hospitals, schools and housing to see where the market leads you. Private hospitals, private schools, private housing, in every case there is literally a high price to pay!

In 1998 the Government published an extremely informative and comprehensive White paper on housing. Even today it is worth reading.

In 2002 in publishing its Review of the institutional framework of housing the government reaffirmed the main components of housing policy, they were, firstly ensuring adequate housing for all, secondly promoting and helping home ownership, and thirdly securing the effective use of the private sector. Elsewhere in that Review and picking up on that third point about the private sector it spoke of moving to a more cost effective system increasingly based on direct fiscal subsidies. It goes on to say the Government considered that a residual programme of 2,000 flats a year roughly equivalent to one public housing estate, will be a prudent insurance against possible unforeseen circumstances and so as to retain a readily available stock of subsidized home ownership flats. It went on “in giving up the production of subsidized home ownership flats an equivalent number of loans to eligible households will be

made available”

Later on this same 2002 Review goes on to draw attention to the Housing Bureau’s long term forecasts and makes a pledge, and the word is pledge a stronger word than promise, to offer 50,000 publicly assisted housing opportunities a year comprising public rental housing, rental allowances, subsidized home ownership flats and housing loans. The Review then states its intention to keep this pledge over a ten year period. In addition in various sentences the Review also mentions the continuation of the Tenants Purchase Scheme.

Why am I bothering to remind you of these things?

It is not to make trouble, but to bring out the point that the Housing Loan scheme was dropped and a new one not started, the Tenants Purchase scheme was discontinued, the sale of existing Home Ownership flats halted until recently, and the building of the one estate a year of 2,000 flats never implemented. The rental allowance scheme which was mentioned so far as I can recall did not get off the ground.

That is why we are here today.

The point is this: housing **need** is always there; people are born and die, get married and have children, are divorced, and in our case immigrants continue to cross the border, (three hundred and fifty thousand since the 2002 Review was written). Housing **need** survives things like SARS and economic downturns.

Of course a tremendous lot has been done since the Shek Kip Mei fire, huts have gone from our hillsides and hundreds of thousands now live securely in rental and home ownership homes. Indeed little credit is given to the bedrock of stability that these housing policies have given us through the ups and downs of these last ten years but we cannot now throw our hands in and say “enough is

enough we will leave it to the private sector! ” That’s what we did! Last years production by the private sector was worse than I can remember of about eight thousand flats. Now we are running around in circles wondering what to do.

Here are a few ideas !

This debate should not firstly be about subsidy it should be about housing need. First ask what is the need then decide how to deal with it .We cannot turn a blind eye to the scourge of poor housing, to the deplorable conditions in which thousands of people live, some to be known all round the world by that curiosity of Hong Kong “cage homes”.

Because the private sector is failing to provide for the needs of society, to meet the needs of the poorer classes, we must restart with a modest programme of so called subsidised home ownership flats. I know it will take time to get started but it will be seen and applauded widely to be the right move.

I certainly support whatever measures can be introduced to encourage the secondary market for homes that have already been built

I believe the Tenants Purchase Scheme should be revived A fresh launch of this scheme could include greater safeguards against abuse. There will be defaults but I am advised these are manageable. In proposing this I am not alone, this has long been advocated by our professional economists. We should listen to them.

We need a long term on-going land production programme as a bank for future needs, it is not good enough at this late stage to say that land will take many years to produce. It should be there, land is an investment for future needs.

It is a matter of much criticism that large areas of land have been lying idle at Kaitak for thirteen years. In this critical situation there should be a statement from government about its use; much of it no doubt should be brought quickly into use for subsidised Home Ownership and rental housing..

Much argument has taken place about affordability and there have been statements from the property agencies that there are flats available for \$2million. The sad fact is that there are tens of thousands of households who cannot afford flats at this level and who are outside the household limits for rental housing. Measures could be taken, which are not home ownership, to help these urban poor, either by introducing a new class of publicly assisted rental housing or a rent allowance scheme previously mentioned.

As for the Government initiative to ask developers to build small flats, at ten thousand dollars a square foot even a small flat of 400 square feet will be too expensive to meet the needs of low income families

With regard to urban renewal the core of these operations because of the conditions of the buildings and their age must mean that for the majority redevelopment is the only answer. Effort to speed up the redevelopment of these urban slums which are beyond repair would bring hope to many households.

The Village Housing policy has been much criticized but the fact remains that, with each village house providing three flats, nine thousand good sized flats last year came on to the market. Is there a housing advantage to be gained by revising and reforming the policy within a better planning regime? Rationalise its application and recognize the contribution that small houses can make to the supply of accommodation just as Fair View Park did many years ago when we were facing an acute shortage of affordable homes.

It is said the property developers have large land banks in the New Territories outside the Outline Zoning Plans. Is there a case for revisiting our planning ideals and allowing some of these large holdings to be developed independently. Hong Kong must be one of the few, perhaps the only city, with no suburban plans.

I have tried to think today both within and without the box. Certainly we need to think seriously about what to do about this very critical social-and political-situation.

Thank you.