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Author(s)	Chan, Fung-san, Sandy; Chan, Suk-ye, Brenda; Chow, Wing-hei; Lam, George
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The Accessibility of Public Housing in Hong Kong: An Analysis of Government Policy and Action

CHAN Fung-san Sandy (2003463497)

CHAN Suk-yea Brenda (2011931266)

CHOW Wing-hei (2011934787)

LAM George (1991940405)

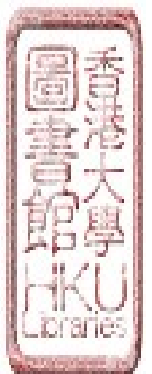
Capstone project report submitted in partial fulfillment of the requirements

of the Master of Public Administration

Department of Politics and Public Administration

The University of Hong Kong

August 2013



DECLARATION

We declare that this Capstone Project report, entitled The Accessibility of Public Housing in Hong Kong: An Analysis of Government Policy and Action, represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

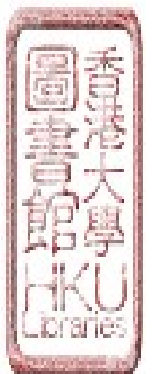
(signature)

CHAN Fung-san Sandy

CHAN Suk-yee Brenda

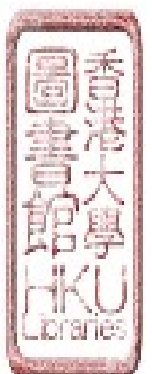
CHOW Wing-hei

LAM George



ABSTRACT

The government of Hong Kong has a long history of providing public rental housing (PRH) to the low income groups in meeting their housing needs. Even though the policy is in place to provide public housing to the needy, the accessibility of public housing in Hong Kong is becoming increasingly difficult. In order to find out the reasons for the problem, the analysis of the nature of goods and services with reference to public housing is helpful in determining how the goods or services is delivered in the best way. The government is the supplier of the public housing, whose policies have evolved from the ad-hoc approach in 1950s-1970s to incrementalism from 1980s onwards, developing through different actions to incentivise PRH tenants to vacate their flats. In response, rational individuals who interact among themselves act in a way to maximise one's benefits in order to become better off, leading to aggregate social phenomenon that is not intended by the government. The sitting tenants of public rental housing and young educated applicants who have newly joined the waiting list of PRH are the evidence of the collective action problem, resulting in the situation of crowding out and inaccessibility of PRH. In the conclusion, recommendations are made by drawing lessons from the case of Singapore for Hong Kong to take forward in future policy to increase the accessibility of PRH.



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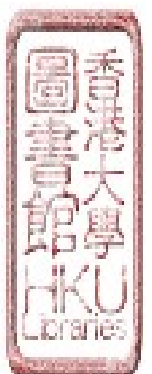
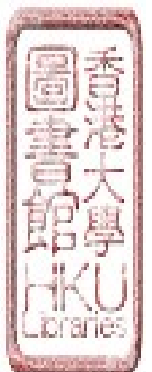


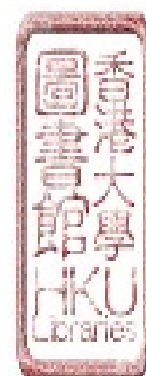
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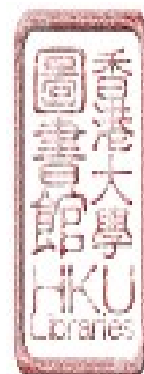
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LIST OF ABBREVIATIONS

CPF	Central Provident Fund (Singapore)
CSSA	Comprehensive Social Security Allowance (Hong Kong)
GDP	Gross Domestic Product
HA	Housing Authority (Hong Kong)
HD	Housing Department (Hong Kong)
HDB	Housing and Development Board (Singapore)
HOS	Home Ownership Scheme (Hong Kong)
HKSAR	Hong Kong Special Administrative Region
MND	Ministry for National Development (Singapore)
MPF	Mandatory Provident Fund (Hong Kong)
MTR	Mass Transit Railway
MHPP	My Home Purchase Plan (Hong Kong)
PAP	People's Action Party (Singapore)
PRH	Public Rental Housing (Hong Kong)
SARS	Severe Acute Respiratory Syndrome
TPS	Tenants Purchase Scheme (Hong Kong)

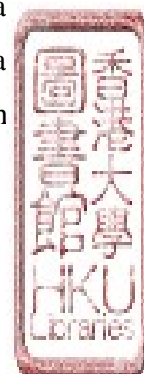


Chapter 1 Introduction

Focus, Objectives and Background

This project analyses how the government of Hong Kong has, over the past few decades, implemented policies and taken actions on public housing and how individuals have responded in different ways to maximise their utility, which exerted a direct effect on accessibility of public housing in Hong Kong. Only accessibility of public rental housing is covered, excluding the subsidised home ownership which is also categorised as public housing in general terms. The term “public housing” in this context is used interchangeably with “public rental housing (PRH)” bearing the same meaning unless it specifically mentions subsidised home ownership. The project examines how the government delivers goods and services by controlling the housing supply. Meanwhile the relationship between the government actions and how individuals react to result in a collective action to further generate the demand for public housing will also be one of the key areas for study. The extent of accessibility to PRH is the outcome compounded by both the government policies and individuals’ collective actions.

In Hong Kong, most people have four traditional major concerns in their daily lives, namely, clothing, food, housing and transport. Among these, the issue of housing always tops the wish list of the general public to improve their living standard. Hong Kong people work hard in order to save enough money to buy their own homes but it is not always easy as in other countries because the property price is always out of reach for most of the general public. As a result, most of the housing units are small and people have to live in an overcrowding way. Worse still, some even live in sub-standard housing like converted industrial buildings, sub-divided flats and cage homes. As housing is considered as a fundamental human necessity to get shelter away from natural disasters, within limited public resources, it is obligatory that the government can provide cheap housing to those who cannot afford to rent or buy their own homes from the private market.



Hong Kong is a small city with a total area of 1,070 km² and a 99-year history as a former British colony, developing from a “barren rock island” to a world-class financial centre in the last century. As the economy of Hong Kong prospered, more and more people came to Hong Kong for settlement from the Mainland and all over the world. The population rose tremendously from 3,650 in 1841 to 7.17 million in 2013.¹ Land and property are scarce resources for which all people living in Hong Kong are competing at a high price. According to the latest statistics provided by the Housing Authority, 29.1% of the population in Hong Kong are living in public rental housing, 17.1% are living in subsidised home ownership housing and the remainder, about half of them are living in private housing.² The demand for public housing has increasingly becoming more acute as evidenced by the skyrocketing property prices and the undesirable living conditions where around 171,000 people are still living in sub-divided flats in old buildings and at least half of them are on the waiting list for the public rental housing in Hong Kong.³ The waiting list for public rental housing has reached an unprecedented high level of 228,400 applicants as at March 2012, of which 111,500 are non-elderly singles who are not part of the government’s 3-year pledge of allotting them with the PRH units. It is noteworthy that 60,300 of the singles are aged below 30.⁴ The current yearly average number of new units of PRH is only 15,000 which will be increased to 20,000 from 2018 onwards and the number of yearly recovered PRH units is only 7000.⁵ As the demand for PRH far exceeds the supply, it appears that the needy are encountering a great difficulty in accessing to the public housing in Hong Kong.

¹ Sun, York Sui. *The Evolution of Public Housing in Hong Kong*. California State University. 1993.

Census and Statistics Department, HKSAR Government. “Hong Kong Statistics Population.” Accessed 3 August 2013.

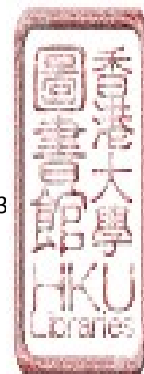
² Hong Kong Housing Authority. “Housing in figures 2012.” Accessed 3 August 2013.

<http://www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf>

³ “Housing officials offer no solution to HK’s subdivided flats problem.” *South China Morning Post*. 31 May 2013.

⁴ Ibid.

⁵ “Enforcement actions against abuse of public housing by Housing Department.” *Oriental Daily*. 11 February 2013 (In Chinese)



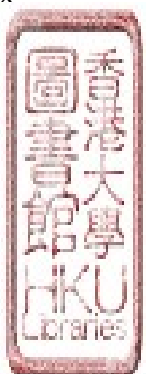
Research Questions and Related Propositions: Theory and Practice

The project addresses the following research questions:

- What policies are available to a government for fostering accessibility to public housing?
- What policies on the accessibility of public housing have been adopted by the Hong Kong government?
- What factors affect the level of accessibility of public housing in Hong Kong?
- To what extent is public housing actually accessible to the public in Hong Kong?
- Drawing on relevant experience in Singapore, what other policies might be adopted by the Hong Kong government to increase the accessibility of public housing in the future?

In delivery of public goods and services to the target groups, the government regulates the access to and consumption of public housing through the application of eligibility criteria and imposing rules on continuous occupancy to ensure that those in greatest need can readily access to the public housing. By building on the traditional ad-hoc approach of meeting the housing needs at different junctures of time and under the prevailing economic, social and political situation, the government enacts small policy changes over time through an incrementalist approach in order to maintain the stable supply of public housing. In response to the government policies, the rational individuals, especially those existing PRH tenants, counteract against the effect of the government policies and maximise their benefits and utility to continue living in the PRH units by buying their own flats under Tenants Purchase Scheme (TPS), paying higher rents if the household incomes exceed the designated level, or evading government enforcement actions to recover their PRH units. Although the Hong Kong government has all along been regulating the rational demand of individuals, the public housing is still considered not easily accessible by the general public in recent years.

From the historical perspective, Singapore started off the public housing policy in 1960 with the aim of providing affordable housing to the needy against a similar social and political



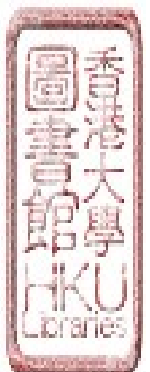
background as in Hong Kong. Having gained experience over almost half a century in running public housing policy, Singapore has successfully made public housing accessible to the public, amounting to 83% of the total population. On examining the key features of Singaporean public housing policy, such as affordable ownership, promotion of public housing market mechanism, commitment in achieving policy targets, flexible land supply policy and unified and integrated planning and coordination of public housing policy, there may be takeaway lessons for Hong Kong to consider in its future policy and action.

Overview of the Analytical Framework

The analysis of the nature of the goods and services is helpful in understanding the role of the government in provision of public housing and the way to incentivise individuals so that the huge demand for public housing arising from collective actions can be controlled. In this regard, the issue of accessibility to PRH in Hong Kong determines who should get heavily subsidised housing benefits. Unlike other countries where land resources are adequate, the housing problem of Hong Kong lies on the disproportionate population growth as well as insufficient land and housing sources. The government does not have the capacity to provide each and every single Hong Kong resident with a subsidised housing unit. The market accounted for slightly more than half of the provision of housing in Hong Kong.

The analytical framework established in Chapter Two addresses the role of the government in the delivery of goods and services. The nature of goods and services is a key basis for understanding the issue of accessibility of PRH. Collective action issues address how individuals respond to government policies and action to maximise their utility. The incrementalist approach advocated by Charles Lindblom⁶, which refers to the method of change by which small policy changes are enacted over time in order to create a larger broad base policy change, assists in analysing how the government makes policy and takes action on public housing in response to the delivery c

⁶ Lindblom, Charles E. The Science of "Muddling Through". *Public Administration Review* 19(2) pp. 79-88, 1959. Wiley.



goods and services as well as demand from rational individuals. The factors considered in the framework serve to structure, guide and inform the empirical analysis in subsequent chapters.

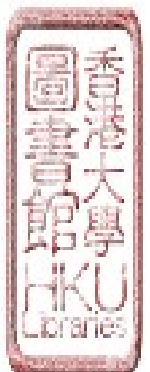
Research Methodology

The empirical analysis of this project is primarily a desktop research based on data and information released by the HKSAR government, particularly the Housing Authority. Policy addresses by the Chief Executive of the HKSAR government and views from the Long Term Housing Strategy Steering Committee, professionals and academics in the field are also reviewed and referred to, together with sources from newspapers and magazines. Perspectives of the HKSAR government and housing-related institutions of Hong Kong are considered and compared with perspectives of the Singapore government. These are coupled with appropriate and relevant literature review, observations and non-research analysis.

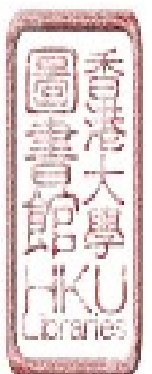
This project adopts a desktop approach to study the government policies and actions in public housing since the study involves an examination and review on relevant government policies and actions which are stated in policy papers. Policy documents from housing organisations and public speeches of officials also constitute the understanding of the relevant government policies and actions. In studying the demand from rational individuals, the government statistics on public housing, reports from newspapers and magazines and observations provide a window for insight and analysis. For the analytical framework involving the nature of goods and services and the incrementalist approach, literature review is used as a foundation of understanding.

Chapter Outline

This report is structured in five chapters, including this introductory chapter. Chapter Two establishes the analytical framework for the project by introducing the types of goods and services, government policy and action in relation to the delivery of goods and services; collective action issues arising from rational demand of self interested individuals and how the government responds to such issues through the incrementalist approach. It also sets out the scope and issues of public services in general by bringing out the issue of accessibility and th



accessibility barriers to public goods and services. This is followed by Chapter Three which details the development of public housing policy and action in Hong Kong from early colonial times to 2012, as well as the functions of public bodies in formulating and implementing public housing policies in Hong Kong. Chapter Four then provides a thorough analysis of the issue of accessibility of public housing by applying the analytical framework of goods and services, collective action and incrementalism. In Chapter Five, the findings of the report are concluded, drawing on the public housing policies in Singapore as a basis for lessons of relevance to future policies in Hong Kong.



Chapter Two Analytical Framework: The Role of Government in the Delivery of Goods and Services

Introduction

In this project, the nature of goods and services is addressed as a key basis for understanding the issue of accessibility of PRH through an analysis of how the government makes policies and takes actions on public housing and how individuals respond to government policies and action to maximise their utility. A set of lenses is developed through which to describe and assess the Hong Kong public housing experience in subsequent chapters. The focus is on types of goods and services, government action in relation to the delivery of these goods and services, and how individuals respond to such government policies and actions. While the government responds to the delivery of goods and services by regulating access through the incrementalist approach, it also has to respond to collective action issues in the demand side where rational individuals tend to take actions that maximise their self interest and in return, push up the demand for public services and overwhelm the effect of government policy and action.

Goods and Services: Types, Accessibility and Ongoing Availability

A four-way classification

Goods and services can be classified into four types: public goods, toll goods, common pool goods and private goods. A public goods is one that is very difficult, if not impossible, to restrict someone's access to it and it is available for subsequent consumption or use by someone else. Air is an example of public goods. A toll goods is one that is possible to restrict someone's access to it and it is available for subsequent consumption or use by someone else. A bus is an example of toll goods. A common pool goods is one that is very difficult, if not impossible, to restrict someone's access to it and it is unavailable for subsequent consumption or use by someone else. A fish in the sea is an example of common pool goods. A private goods is on



that is possible to restrict someone's access to it and it is unavailable for subsequent consumption or use by someone else. Electricity is an example of private goods. Figure 1 provides a matrix of types of goods and services for understanding of the nature of goods and services against two features of jointness of use and exclusiveness. Exclusion and jointness of use or consumption can be viewed as two defining characteristics in distinguishing between private and public goods. Jointness of consumption exists when consumption of a goods or service by one person does not preclude its use or consumption by another person, meaning that consumption is non-subtractible, and vice versa. Exclusion occurs when potential users can be denied consumption of goods or services unless they meet certain terms and conditions. Where exclusion is infeasible, anyone can derive benefits from the goods or service, and vice versa.

Figure 1: Types of Goods

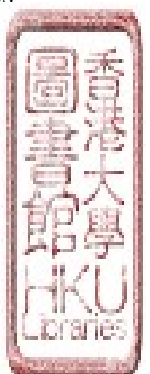
		<u>Alternative Use</u>	<u>Joint Use</u>
		EXCLUSION	Feasible
Infeasible	<i>Common Pool Goods</i>		<i>Public Goods</i>

Source: Ostrom and Ostrom (1977).

Barriers to accessibility

Even though a public goods or service is available for consumption, it can also be easily inaccessible to the public due to various barriers such as the physical barrier, information or cognition barrier, psychological barrier and crowding out. These barriers may arise from changes in circumstances over time. They are discussed in turn in the ensuing paragraphs.

(a) *Physical barrier.* Mismatch of geographical locations of the services provided and the people requiring the services and lack of convenient transportation are examples showing how people's access to the public services are denied. Failure in master planning attributes to the problem c

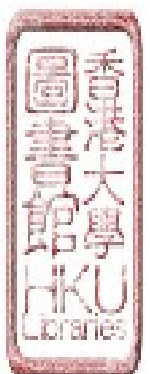


mismatch and increases the physical barrier. For example, health clinics located in remote and sparsely populated areas often record suboptimal usage rate due to physical barrier while health clinics located in more convenient areas are often over-subscribed and patients in need are crowded out.

(b) Information or cognition barrier. Lack of information about a public service denies people from access to it as people are not aware of the existence of such a service or how it is meaningful to their needs. For example, the elderly do not readily avail themselves to the access to public services because of the information barrier as they are often unaware of the public services available to them and the means to obtain information due to insufficient knowledge and limited access to information channels as nowadays most public information are announced through electronic means and internet. The cognition barrier exists when people have negative attitudes or beliefs on public services. For example, many Hong Kong people are frustrated in the government's lack of determination and capability in solving problem of housing shortage. People are deterred by the complicated procedures and the multiple layers of bureaucracy through which they obtain public housing. As a result, many resort to finding accommodation in the private market instead of applying for public housing.

(c) Psychological barrier. Psychological barrier arising from stereotype, social stigma and negative image associated with certain public services denies access. For example, the Comprehensive Social Security Allowance (CSSA) is associated with a negative image of being unproductive. Many poor people refrain themselves from applying for it even they do have a genuine need since they do not want themselves to be portrayed as a social burden. For example, some people would even take up two labour intensive jobs at the same time in order to get sufficient income to feed the family instead of applying for CSSA. They do not want to transpire that they live on social welfare and prevent the younger generation from discrimination. In this way, access is denied as people do not wish to be labeled through obtaining a certain public service.

(d) Barrier due to crowding out. Limited supply not satisfying the total demand crowds people out from the queue to public services and deny their access. Long waiting time and harsh eligibility criteria arising from limited supply pose a barrier to people's access to public services. For example, people who are examined to be eligible for public housing and registered on the



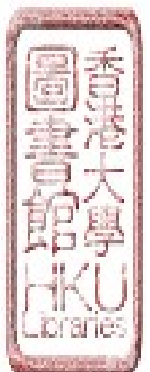
public housing waiting list are crowded out from the public housing service as they would still have to wait for at least 3 years before being given an offer. As housing is a necessity that requires immediate consumption, many of these waiting people resort to subdivided flats or even cage homes in the private market as they do not have any other options.

Collective Action: Demand for Public Goods and Services

People react differently in response to government policy, some comply with it but some react inconsistent with the policy target. Some also react with reference to how other individuals respond to the government within the same group. Rational individuals are considered to be self-interested choosing the best alternative available to them in order to maximise their benefits. Most individuals think that they can take the maximum benefit without having regard to others' interests or being noticed as the group is large enough to accommodate their own needs. Therefore, all rational individuals can lead to irrational aggregate outcomes that are not intended or desired by the policy maker, attributing to the collective action problem.⁷ In this sense, if the government policy and action are conceptualized as the supply of goods and services, the collective action issues can push up the demand for public services and overwhelm the effect of government policy and action.

Sometimes collective action problems arise when out-numbered rational self-interested individuals clog the access and hence paralyse the continual availability of public services. For instance, there has been overwhelming demand for emergency hospital service as those patients with less urgent situations choose to go to public hospitals to receive medical service. People think it is cheap and the medical service is believed to be of higher quality due to its better equipment, together with the limited supply of such services, crowds out those who are waiting in line for access to the service. The services could not be delivered in time for subsequent consumption or use by someone else.

⁷ Bickers, Kenneth N., and John T. Williams. *Public Policy Analysis: A Political Economy Approach*. Boston: Houghton Mifflin Co. 2001.

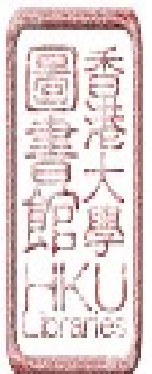


Government Responses to Goods, Services and Collective Action

Public service is a toll goods that is possible to restrict someone's access to it and it is available for subsequent consumption or use by someone else. In other words, the jointness of use exists and it is also feasible to exclude someone from it by applying some terms and conditions. In the delivery of public goods and services, government policies and actions are required to maintain the supply and meanwhile to control the supply by restricting someone's access to its goods and services so that public resources are available for subsequent consumption or use by someone else in the society. For examples, healthcare, education, housing and social welfare are public services categorised as toll goods. The government can set the conditions upon which the public's access to its services is available and leave room for future or other users' consumption.

However, rational individuals tend to maximise their self-interests, resulting in collective action problem which can hugely boost the demand for public goods and services and overwhelm the effect of government policy and action. For instance, the free-riding behaviour of sitting tenants of PRH leads to the minimal 7,000 flats recovered for re-allocation each year, which is against 228,400 applicants on the waiting list as at March 2013. In the case of the sitting tenants, the PRH flats they occupy are turned from toll goods to private goods, which become unavailable for subsequent consumption or use by someone else. This greatly undermines the government's policies and actions in increasing supply of PRH flats for needy individuals on the waiting list.

In response to the collective action issues stated in the above paragraphs, the government is required to maintain the supply of public goods and services as toll goods and keep them from turning into private goods due to the overwhelming demand from the self interested individuals. The government regulates access to and consumption of these public services through the implementation of policies for consumption by means of eligibility criteria and user charges so that they are available for subsequent consumption or use by the general public. For example the Hospital Authority applies the Triage System in the Accident and Emergency Departments at all its hospitals to sort patients into priority categories to ensure treatment is given to patients on the basis of the severity of their conditions. Triage I critical cases are given immediate treatment



Triage II emergency cases are treated within 15 minutes; and Triage III urgent cases are treated within 30 minutes. Patients are also required to pay a fee for the use of service.⁸ Patients might therefore consider whether it is absolutely necessary to use the Accident and Emergency service and whether they could otherwise visit a private clinic or hospital for their particular cases. In this way, the Hospital Authority regulates the accessibility to its Accident and Emergency service and ensures subsequent consumption or use is available by patients in need.

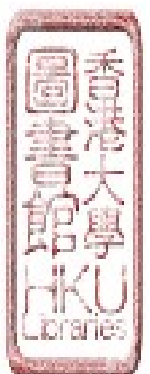
Even though a public goods or service is available for consumption, it can also become inaccessible to the public due to various barriers such as the physical barrier, information or cognition barrier, psychological barrier and crowding out as discussed earlier in this chapter. These barriers may arise from changes in circumstances over time. These accessibility barriers, together with the collective action issues, necessitate corresponding government policies and actions.

In response to the collective action issues and accessibility barriers, the government may adopt an incrementalist approach in addressing the accessibility issue by gradually modifying policies. As advocated by Charles Lindblom⁹, incrementalism in public administration refers to the method of change by which small policy changes are enacted over time in order to create a larger broad base policy change. A series of small steps are taken towards an agenda. For example, the Hong Kong government has incrementally increased the scale of port facilities, build more hospitals and build more schools to cope with the increasing demand so as to maintain the accessibility to these public services. In the social welfare aspect, the Hong Kong government is reluctant to take bold steps such as introducing a “universal retirement protection scheme”. Instead, the line of the government is to take smaller steps in strengthening and improving the

⁸ Hong Kong Hospital Authority. “Guide to Accident & Emergency (A&E) Service.” Accessed 11 August 2013

http://www.ha.org.hk/visitor/ha_visitor_index.asp?Content_ID=10051&Lang=ENG&Dimension=100&Parent_ID=10042&Ver=HTML

⁹ Lindblom, Charles E. The Science of “Muddling Through”. *Public Administration Review* 19(2) pp. 79-88, 1959. Wiley.

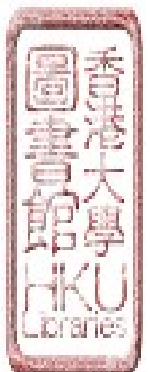


existing retirement protection system that consists of the non-contributory social security system, the Mandatory Provident Fund system and voluntary private savings.

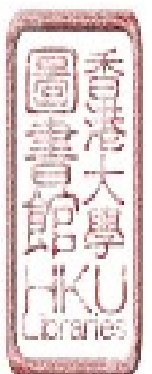
Other than muddling through by enacting small policy changes over time to create a larger broad base policy change, the government can also introduce targeted policies and radical changes to address the issue. Sometimes, in response to emergency situations like natural disasters, accidents or incidents with great social impact, the government would introduce radical changes in its policies to maintain accessibility to certain public services. Targeted policies are enforced to address specific issues. For instance, in the wake of the shortage of obstetrics services for Hong Kong mothers due to the influx of mainland pregnant women giving births in Hong Kong, the Hong Kong government banned mainland women from giving birth in private and public hospitals. The accessibility of Hong Kong women to obstetrics services was thus addressed by such radical change in policy.

Concluding Comments

The nature of goods and services is analysed as a key basis for understanding the issue of accessibility of public goods and services through an analysis of how the government makes policy and takes action on the delivery of public goods and services and how rational individuals respond to government policy and action to maximise their utility. The key elements of the framework, namely types of goods and services, government policy and action in relation to the delivery of these goods and services, and collective action issues are introduced. While the government makes policy and takes action for the delivery of goods and services, collective action problems arise when rational individuals tend to take actions that maximise their self-interests and as a result push up the demand for public services. Coupled with certain accessibility barriers, they overwhelm the effect of government policies and actions. In response, the government may enact small policy changes over time by the incrementalist approach or introduce targeted and radical changes. The next chapter discusses specifically the Hong Kong government's policy and action from 1940s onwards in the delivery of public



housing as a toll goods and how its policy and action have responded to collective action issues as well as accessibility barriers intensify over the time.



Chapter Three Hong Kong Housing Policy and Action in Phases

Introduction

For the past 50 years, the Hong Kong government implemented different housing policies and took various actions to meet the need of the citizens. There were long term planning as well as short term measures in the light of different social crises and phenomena. In general, the goal of the government was to provide shelter to the needy at the initial stage. With the growth of the economy, there was change in the aspirations of the people. The general expectation rose from public rental housing provision to home ownership. This led to the change in government policies and introduction of various housing schemes.

In the ensuing paragraphs, the development of public housing is divided into six progressive stages. The policies and actions in each stage are discussed individually in accordance with the evolving social, economic and political environment during that particular period. Besides, the prominent organisations engaged in housing, either public or government subsidised, are introduced to give a complete picture on how the public housing started to take shape.

Stages in Public Housing Development

Stage I (before 1954)

The housing policies and issues are closely connected with the population figures. In the early colonial days, British government developed Hong Kong as a window and distribution centre to facilitate British trade with China. A great portion of the people living in Hong Kong during those periods were mobile and unsettled, as people just came to Hong Kong for trading purposes, looking for jobs or simply seeking refuge away from war. During the wartime and baby boom after World War II from 1940s' onwards, there has been a quick population growth driven by the massive influx of immigrants from China and natural birth:



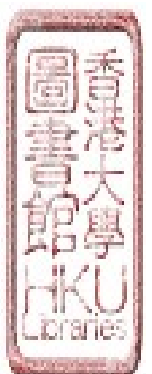
By 1950 when the political turmoil in China and World War II had ended, the population has grown to the level of around 2.3 million.¹⁰

The private housing market in Hong Kong during the early colonial days in 1950s could not meet the acute demands for housing. With limited skills and technology, only Chinese tenement houses were available to provide the living space for general public. Most of the tenement houses were only three to four storeys high, in which most units were sub-divided and occupied by a number of households with shared communal facilities such as kitchen and toilet. In those days, overcrowding was prevalent as the economic development was not good. People could not afford renting an individual apartment for their families as they were mostly low-salaried workers. New immigrants from China resorted to living with their relatives and friends despite their poor living condition, making the environment even more crowded.

The colonial government did not play an active role in providing public housing to the needy. First of all, because of the political philosophy of laissez-faire advocating “Positive non-interventionism” and “Big market small government”, the government was commissioned to make a balanced spreadsheet within the society of Hong Kong and thus, they were bounded not to apply for funding from the British government. Without financial income of other sources, providing massive number of public housing would not be economically and politically feasible. On the other hand, due to the mobility of the population of Hong Kong starting from 1940s onwards, the government perceived that the population boom and the subsequent housing shortage was temporary in nature and did not act swiftly to solve the housing shortage.¹¹

¹⁰ Sun, York Sui. 1993. *The Evolution of Public Housing in Hong Kong*. California State University.

¹¹ Ibid.



Stage II (1954 – 1972)

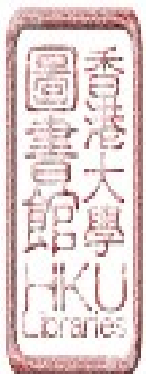
In December 1953, a major fire in Shek Kip Mei destroyed the homes of some 53,000 squatter residents. Coupled with the soaring number of refugee migrants from the Mainland, the Hong Kong government recognised the imminent need to provide shelter for the people. As most of them were either refugees or the grassroots, the target was to provide affordable homes for these low-income groups. The immediate actions were to launch large scale housing programme. The ‘multi-storey buildings’ (or the ‘resettlement blocks’) were first introduced to house the displaced fire victims and other people affected by squatter clearance. Each family was allocated a unit of 120 square feet, based on the standard of 24 square feet per adult. The facilities, though primitive in nature with communal washrooms, laundry space, cooking space and toilets on each floor,¹² could basically satisfy the housing demand of the public in those days. This also marked the beginning of the formal public housing policy of the Hong Kong government.

In the course of resettling the homeless people arising from the fire, an emergency subcommittee of the Urban Council was set up to conduct the relief work. The subcommittee proposed to the government to build multi-storey buildings to house the fire victims. As the squatter problems had come into light after the Shek Kip Mei Fire as well as the vacating the urban lands for industrial and economic development, a new Resettlement Department was created in 1954 to take charge of clearing up and resettling the squatters.¹³ Since the establishment of the resettlement programmes, there have been more than 1,150,000 living in the resettlement blocks between 1954 and 1972, accounting for 28% of the total population of Hong Kong by that time.¹⁴ We can see that the resettlement of squatters has fundamentally shaped the provision of public housing in Hong Kong government which has greatly improved the livelihood of the general public in Hong Kong. The colonial

¹² Juppenlatz, Morris. *Cities in Transformation – The Urban Squatter Problem of the Developing World*. University of Queensland Press. 1970.

¹³ Sun, York Sui. 1993. *The Evolution of Public Housing in Hong Kong*. California State University.

¹⁴ Ibid.



government has since then taken a great and important part in supplying its citizens the housing in Hong Kong.

In 1972, the new Governor, Sir Murray MacLehose, launched the Ten-Year Housing Plan to tackle the slum and squatter problem, as well as the housing plight in resettlement estates. The target was to re-house 1.8 million people in permanent, self-contained public rental housing. The project was scheduled for completion within ten years.¹⁵

Stage III (1973 – 1979)

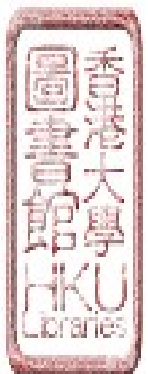
Under the influence of widespread social riots in 1966-67, the government started a radical review on its housing policies. The poor living conditions had made people growing strong sentiments and opposition against the government for their inaction on the hardship of their people. Taking this opportunity, the political force from the mainland China in the name of nationalism stirred up the mob to rock the colonial government by pointing at their poor administration and a lot of young people aired their grievances in poor living conditions and lack of social services. Thus the policy objective of this stage was to raise the housing production target, both in quantity and quality. Besides, the construction of public estates would increase employment opportunity and stimulate consumption,¹⁶ bringing benefits to the economy. The Ten-Year Housing Program was originally targeted to house 1.5 million people and to eliminate all the squatters around Hong Kong. Even though the government could not completely meet its goal, a total of 220,000 PRH flats were built during the period from 1973 to 1982.¹⁷

¹⁵ Yung, Betty. *Hong Kong's Housing Policy – A case study in Social Justice*. Hong Kong University Press. 2008.

¹⁶ Hui, Eddie and Francis Wong. *The Hong Kong Housing Authority and its Financial Arrangement over the Past 50 Years*. The Hong Kong Polytechnic University. 2003. Accessed 11 August 2013

<http://www.housingauthority.gov.hk/hdw/ihc/pdf/thkhafa.pdf>

¹⁷ Sun, York Sui. 1993. *The Evolution of Public Housing in Hong Kong*. California State University.

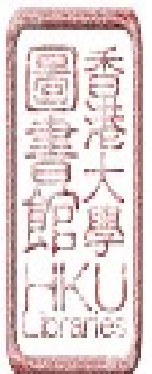


With the government playing an active role in the provision of public housing to the people, there was the need to acquire land resources from different possible means. Apart from the land scarcity in Hong Kong, the problem was that most of the land in the urban area had been fully used as commercial business centre. The setting up of new towns, based on the concept of ‘satellite town’ in the United Kingdom, became the major source of land supply. The Tsuen Wan New Town, the Shatin New Town and the Tuen Mun New Town were identified. Slope-cutting and reclamation were major ways to get new lands for development. Apart from the provision of residential districts, there were also commercial, industrial and recreational areas to meet the needs of the people within the new town. The Oi Man Estate was built in 1975 under the concept of ‘a little town within a city’. In general, the government aimed at improving the quality of public rental housing and the idea of home ownership was still in its infancy at this stage.

Stage IV (1980 – 1996)

This stage was characterised by rapid economic growth as well as the upsurge in the population of the city. Both the population and economic boom led to the strong demand for home ownership. In 1978, the government launched the first batch of public housing in the Home Ownership Scheme (HOS) to meet the demand of the people. It allowed the occupants of the PRH to purchase publicly subsidised apartment from the government. Subsidised-sale public housing estates were built for the low-income residents. HOS bore a special meaning in terms of the accessibility of public housing. Those public housing residents who became home owners had to surrender the PRH units to the government for subsequent allocation to other people on the waiting list, thus the recovery of PRH units increases the accessibility of other people. It could also shorten the waiting list for PRH as some eligible buyers might acquire subsidised flat direct without such allocation.

In view of the anticipated change of sovereignty in 1997, there was a major policy review in the mid-1980s and home ownership was considered as a tool to foster a sense of belonging and to increase social stability. The government further made good use of the market force to



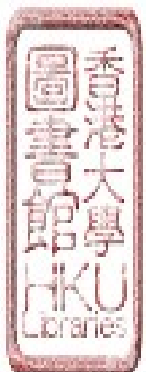
enhance home ownership through various loan schemes. In gist, there was a general shift of the housing policy from public rental housing to home ownership.

Under HOS, there is clear re-sale mechanism. The second-hand market is restricted to eligible low-income residents. Alternatively, the owner had to re-pay the land cost which was subsidised by the government if the flat is sold in the open market. In this sense, the accessibility of the public rental housing would not be adversely affected.

Throughout this stage, the Hong Kong people experienced a surge in home prices. The value of private property had gone out of reach for the general public. The HOS was introduced to bridge the gap between public rental housing. To alleviate the problem of land scarcity, the government increased the development of new town in massive scale. In addition to the Tsuen Wan, Shatin and Tuen Mun new towns which started as early as 1950s, the virgin development of reclaimed fishponds and wetland in Tin Shui Wai was conceived, in order to house more than 140,000 residents on the 240 hectares of land in 1987.

Stage V (1997 – 2002)

With the change of sovereignty in 1997, the newly established HKSAR government pledged to solve the overwhelming problem of housing affordability. The three major policy objectives announced by the then Chief Executive C. H. Tung included (i) to expand the overall housing production to 85,000 units a year; (ii) to shorten the waiting time in the General Waiting List of the PRH; and (iii) to provide affordable homes for those low income groups. These goals were particularly appealing to the public as the property price reached its historical climax, reviving their hope of home purchase through the assistance of the government.

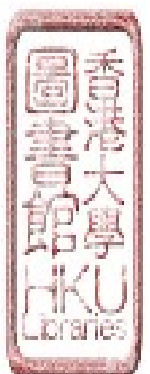


To meet the acute need of housing from the public, the Tenant Purchase Scheme (TPS) was introduced in 1997. It involved the selling of selected government-built public housing estates at price well below the market level. By providing an opportunity for sitting tenants to buy the housing units being occupied at a very affordable price, the TPS provided tenants with the first step in the home ownership ladder so that they could begin to move up to better housing.¹⁸ Basically, there were fewer procedural requirements as the targeted groups were already the clientele of the public housing and therefore not many eligibility criteria have to be met such as the maximum household income. Indeed, the advantage for this scheme was that the government “sold-off” the maintenance and management costs of the public housing to the existing tenants and therefore the financial burden of heavy subsidisation was shifted to the users. Nevertheless, it was criticised that “the offer of deep discounts available for sitting tenants to buy their own flats – whose quality has been steadily improved over the past few years comparable to HOS housing – effectively lured public housing tenants to stay in public housing even though they can afford to buy HOS or private housing”¹⁹ and hence the accessibility of PRH had been greatly undermined due to decrease in the number of the recovered flats surrendered by the existing tenants.

The policy of selling public rental housing flats to the tenants, from a different perspective, bore a direct impact on turning public housing from toll goods to private goods. As the measure had actually made the tenants to permanently live in their existing housing units, public housing was then turned into both excludable and rivalrous. From the viewpoint of impartiality, it could be regarded as a measure tolerating the ineffective use of resources. Those who had an acute public housing need might have to wait for a longer period because of the policy implementation.

¹⁸ Lok Sang, Ho, and Gary Wai-chung, Wong. 2008. *The Housing Ladder and Hong Kong Housing Market's Boom and Bust Cycle*. Centre for Public Policy Studies, Lingnan University.

¹⁹ Ibid.



Not only did the regional financial crisis in 1998 lead to a rapid downslide of the property value in Hong Kong, but also brought a drastic change in the housing policy. The withering of the property market was closely related to the bust of the economy. In the first place, the yearly target of 85,000 housing units was abandoned. In 2002, the government announced the suspension of the HOS and the other subsidised home ownership schemes. It further stopped all scheduled land auctions, and the supply of new land would only be triggered from the Application List initiated by the property developers.²⁰ The rationale behind was simple – the government did not want to see further shrinking of the property value which might undermine the already feeble economy. All these measures aimed at stabilising and boosting the property market.

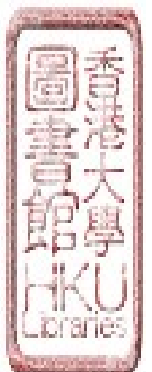
Stage VI (2003 – present)

The outbreak of SARS epidemic in 2003 gave another heavy blow to the Hong Kong economy as well as the property market. In the same year, the waiting time of PRH was around 2 years, which was the shortest for the past decade. The economy took a few years to revive, and so was the private property market. The private sector's failure to produce affordable housing could be regarded as a 'market failure' justifying government intervention.²¹ With the devaluation of the private properties, it left room for the government to expand its policies of assisting the public in home ownership at a relative low cost.

From 2007 onwards, the property market was on an unprecedented rising trend again, causing the property value to reach another historical climax in 2012. Similar to the situation faced by the his predecessor and his government in 1997, the Chief Executive C.Y. Leung targeted to shorten the waiting time for public rental housing and to provide affordable homes for the Hong Kong people who are in need. To meet the policy goals, the re-launch of the Home Ownership Scheme was announced. Besides, the government would actively

²⁰ Yung, Betty. 2008. *Hong Kong's Housing Policy – A case study in Social Justice*. Hong Kong University Press.

²¹ Smart, Alan. *The Shek Kip Mei Myth: Squatters, Fires and Colonial Rule in Hong Kong, 1950-1963*. Hong Kong University Press. 2006.



increase the scale of public rental housing provision. The housing production target will further increase to 25,000 starting from 2018 when the government planned to build an average of about 20,000 PRH flats and 5,000 HOS flats each year in support of the Chief Executive's commitment to increase the overall production of housing.²²

Major Organisations Engaged in Housing

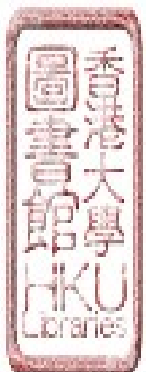
Hong Kong Housing Society

There are various organizations engaged in public housing in Hong Kong. Early history can be dated back to the year 1948 with the establishment of the Hong Kong Housing Society which is still in operation nowadays. It is an independent and not-for-profit organisation incorporated by ordinance in 1951. Providing complementary housing through a number of its own innovative schemes and as a partner of the government, the Housing Society builds self-contained homes for the people in need at non-prohibitive rates. It aims to meet niche markets and fill the gap between private market and the government. The first of its rental housing estate “Sheung Li Uk” was completed in 1952 to provide low-rental housing for the grass root families. At present, the Housing Society runs 20 rental housing estates providing around 32,000 units. The latest activity includes the selling of ‘Heya Green’ in 2012 which was its first urban redevelopment project.

Hong Kong Housing Authority and Housing Department

The Hong Kong Housing Authority (HA) is a statutory body established in April 1973 under the Housing Ordinance. The HA develops and implements a public housing programme which seeks to achieve the Government's policy objective of meeting the housing needs of people who cannot afford private rental housing. The Housing Department (HD) is th

²² HKSAR Government. Hong Kong Policy Address 2013. Accessed 12 August 2013.



executive arm of the HA.²³ Policies regarding PRH in Hong Kong are formulated by HA whereas the HD is responsible for executing the policies.

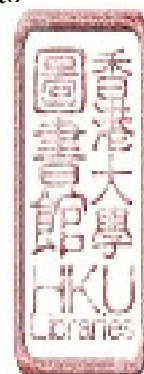
Transport and Housing Bureau

Currently housing policies in Hong Kong is placed under the purview of the Transport and Housing Bureau, headed by Professor Anthony Cheung Bing-leung who also assumes the office of Chairman of the Housing Authority. The bureau aims at striking a fine balance between a healthy development of the private residential property market on the one hand as well as the provision of subsidised housing to those in need on the other. For subsidised housing, it is the target of the government to provide an adequate supply of public rental housing to maintain an average waiting time of three years. For those middle class who cannot afford to acquire a private residential property, the government is also prepared to assist them along in the housing ladder through the re-launch of the Home Ownership Scheme.

Concluding Comments

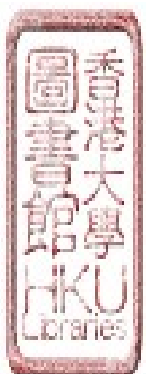
For the past century, Hong Kong has successfully transformed itself from a small and rural fishing port to an international financial centre. No doubt, the property market played a significant role in the economy boom. Not only did it help generate revenue for the government, its citizens also benefited from the surge in property value. The wealth inflation effect through the creation of an affluent class adds momentum to the economic growth. Yet the property market is closely linked to the housing need – a basic necessity of every individual. The surge in property market value has made home ownership out of reach for both the middle class and grass root people. The government should have a major part to play in enhancing the accessibility of housing to its people.

²³ Hong Kong Housing Authority, HKSAR Government. "About Us" Accessed 13 August 2013
<http://www.housingauthority.gov.hk/en/index.html>



While the Hong Kong government is determined to help those who cannot afford to buy or rent private housing, the actions and policies implemented largely hinged on the prevailing property market in different stages. In general, there is a gradual progression in the provision of public housing – from the ‘resettlement blocks’ to self-contained apartments and from rental housing to home ownership. However, the government has placed the economic growth ahead of its commitment to meet the housing requirement of the needy. The introduction of the HOS in 1978, its suspension in 2002 and the recent re-launch reflect that the government does not have a thorough plan to tackle the housing problem in Hong Kong. The officials only solve the imminent housing problems in an ad-hoc approach without regard to the systemic housing mechanism. On the one hand, the policy of the government tends to muddle through in light of the property market value, land supply, economic situation and the demand from the people. On the other hand, the general public tries to interpret the policy and take appropriate acts with a view to maximising the benefit from the property market.

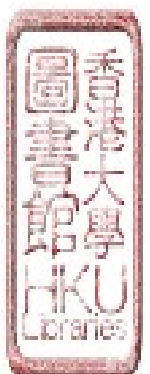
In the next chapter, we shall look into the housing policy and actions of the government under the analytical framework of incrementalism, in the sense that long-term and strategic housing plans are yet to be seen. At the same time, the reaction of the people leads to collective action which poses further barrier to the problem of accessibility to housing.



Chapter Four A Critique of Housing Policy and Action: Problems of Accessibility, Incrementalism and Collective Action

Introduction

In recent years, as evidenced by the long waiting list for PRH and there remained a large group of Hong Kong people not being properly housed but living in sub-divided flats and cage homes, it is obvious that there are some problems of accessibility to PRH. As a result, people of imminent housing needs are barred from acquiring PRH flats provided by the government. In this Chapter, the main barriers to accessibility are analysed through the lens of the government incrementalist housing policies and collective action of the individuals. Over the past few decades, Hong Kong government has taken up the responsibility of providing affordable housing units to the low income group who cannot fulfill their housing needs by themselves. The housing policies have evolved in a way to add on small changes to the existing ones, making incremental shift from the status quo, influenced by the traditional laissez faire political philosophy. Through adopting this approach, the public housing policies are considered unable to meet the desirable outcome of what ought to be, that is to realistically address the housing needs of those who actually cannot secure housing by their own means. In order to cope with the policies, the self-interested individuals would react to maximise their own benefits that may depart from or counteract the policy aims, exacerbating the problem of accessibility to PRH.



The Main Barriers to Accessibility to Housing

Entry Barrier

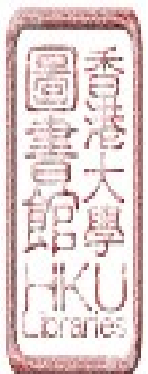
The harsh eligibility criteria and long application procedures have created an entry barrier to Hong Kong's public housing. To be eligible for PRH, one has to be a permanent resident of Hong Kong and meet the prevailing income and total net asset limits. For a family of 4, the total family income should not exceed \$20,710 and the total net asset of the family should not exceed \$436,000 as at 1 April 2013.²⁴ Such criteria bar many citizens who do have genuine need from their access to public housing. Under the high property price in the private market, a family of 4 earning slightly more than \$20,710 a month is unlikely to be able to afford renting a private property, not to say purchasing one. Yet they cannot pass the threshold for submitting an application. Even a citizen fulfills the eligibility criteria for PRH, he would still have to go through a long process of filling in an application form, getting registered on the waiting list and attending a vetting interview before being given an offer eventually. Such process is long, complicated and deterring.

Long Waiting Time

The long waiting time from application for public housing to offer of a PRH flat creates another barrier to accessibility. Since the nature of public housing requires immediate consumption, the long waiting time is detrimental to the daily lives of applicants and many of them are forced to cram into subdivided flats and cage homes in the private market. The targeted waiting time for applicants on the PRH waiting list until being allocated with a PRH flat currently remains at the level of 3 years. Although 3 years itself is already a long time for the desperate living with the poor conditions of cage homes and subdivided flats, it seems the government could not shorten the waiting time as it has already lagged behind from the target in most cases. A common live case to quote is that a Hong Kong resident registered on the PRH waiting list in 2007 and is still waiting for his family's turn to be offered a PRH

²⁴ Hong Kong Housing Authority. "Income & Total Net Asset Limits for Single Person & Families (HD273A). Accessed 11 August 2013

<http://www.housingauthority.gov.hk/en/flat-application/application-guide/ordinary-families/index.html#p2>



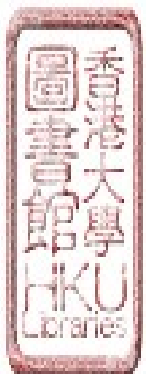
flat. He is currently living with his family in their subdivided flat in Kwun Tong. Obviously, they are only one of the many whose access to public housing is seriously hindered by the long queuing time.

Despite the acute demand for shortening of the PRH waiting time, Mr Michael Choi Ngai-min, member of the Long Term Housing Strategy Steering Committee, commented that it would be difficult to shorten the 3-year target and recommended to maintain the current target. In fact, given the long PRH waiting list exceeding 228,400 applicants and the lead time of the construction of new PRH flats as announced in the 2013 policy address, the waiting time would inevitably remain long and it would continue to be a barrier to the accessibility to public housing in Hong Kong.

Mismatch of Needs

Mismatching between the geographical location of public housing and what is desired by the public deters the public's access to public housing as well. With the most conveniently located land being occupied for luxury private housing development (e.g. location in the vicinity of public transport infrastructure such as MTR), due to the limit of PRH locations, many PRH estates have to be built in the less accessible part of Hong Kong territories. While the tenants would mostly be earning their living in the urban area, PRH in the more remote areas would effectively increase everyday travelling time as well as financial burden on travelling costs. In the 2013 policy address, the Chief Executive pledged that another site in Sha Tau Kok would be allocated for rental housing development.²⁵ Obviously, Sha Tau Kok is a very inaccessible location for the grassroots who need to commute between their remote homes and urban areas for work. Such mismatching causes many PRH applicants to decline their offer and to keep on waiting for another offer. Some of them even give up the PRH allocations but resort to the sub-divided flats in urban areas.

²⁵ HKSAR Government. Hong Kong Policy Address 2013. Accessed 12 August 2013.



Incrementalist Housing Policies and Accessibility of PRH

Limited Supply

The limited supply of new housing units of PRH as compared to the demand of Hong Kong families forms accessibility barrier. As the Chief Executive C.Y. Leung stated in the 2013 Policy Address, in recent years, Hong Kong's urban development has taken a disturbing turn. All too often, there are wrangles over land use and infrastructure projects, leading to sluggish land development and housing shortage.²⁶ Supply shortage is the crux of the prevailing housing problem. In the past 5 years, on average only about 15,000 PRH flats were completed each year and the figure for HOS flats was zero.²⁷ Although the government has speeded up the pace of building more PRH flats and targeted to provide a total supply of PRH of at least 100,000 units over the 5 years starting from 2018,²⁸ actual construction takes time and the supply will increase only after a few years. As commented by HO Hei-wah, Chairman of the Society for Community Organization, the increase in supply as pledged in the 2013 Policy Address was only a baby step and was still insufficient to meet the actual demand of people. On one hand, the small change in the supply makes it difficult in locating suitable site for building PRH estates and on the other hand, the government is cautious in regularising the supply of subsidised housing in order to adjust the accessibility issue without taking bold steps for fear of a deep fall of property price.

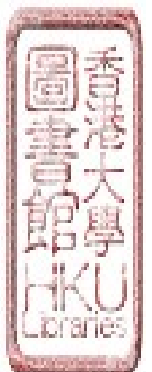
Lack of Master Planning

Public housing policy requires master planning with reference to the city's demographic structure, town planning, land supply, and etc. The Hong Kong government approach to address the housing problem has long been on an ad-hoc basis instead of conducting master planning. If there is call for more supply from the society, the government will simply loo

²⁶ HKSAR Government. Hong Kong Policy Address 2013. Accessed 12 August 2013.

²⁷ Ibid.

²⁸ Ibid

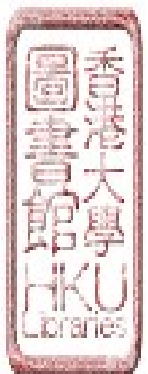


at the housing figures without investigating the structural and systemic issues of the housing sector and market holistically. The lack of master planning for instance, in the Donald Tsang's term has resulted in the supply of PRH failing to meet the demand of the society. The complete halt in HOS has significantly decreased the recovery rate of PRH flats and put much more pressure on the demand of new PRH flats. To this end, the current government has set up the Long Term Housing Strategy Steering Committee to set housing targets for long term planning and maintenance of consistent supply with reference to population projection, structure, demand for housing, land demand from the industrial and commercial sectors.

Policies with Unintended Outcomes

In fact, the Hong Kong government has been putting a lot of efforts of devising a long list of housing policies through different housing bodies in order to solve the housing problem of the low income group since the first introduction of the public housing policy in 1950s. With the growth of the economy, many PRH tenants are in fact financially capable of buying their own homes but choose to continue to live in PRH units. In order to incentivise the well-off PRH tenants to buy their own homes and move away from their PRH units, the government has since 1986 introduced the policy of charging double rents for rich tenants.²⁹ Soon after the handover in 1997, the then Chief Executive Mr. C. H. Tung intended to increase the home ownership of Hong Kong people up to 70% and introduced the Tenants Purchase Scheme (TPS) in 1998 which enabled PRH tenants to buy their flats. The policies of charging double rents for well-off tenants and selling public rental housing to the tenants, from a different perspective, have a direct impact on turning public housing from toll goods to private goods. As the two measures have actually made the tenants to permanently live in their existing housing units, public housing is then turned into both excludable and rivalrous. The double-rent policy in 1986 pushed the idea to the extreme that tenants who were no longer qualified for public housing could retain the property by paying a higher rent. This policy has fundamentally reversed the government position to encourage rich tenant to leave

²⁹ Lok Sang, Ho, and Gary Wai-chung, Wong. *The Housing Ladder and Hong Kong Housing Market's Boom and Bust Cycle*. Centre for Public Policy Studies, Lingnan University. 2008.



their PRH flats. It can be regarded as a measure tolerating the ineffective and mismatch of use of resources once the tenants are willing to pay for more. Those who have an acute public housing need may have to wait for a longer period because of the policy implementation.

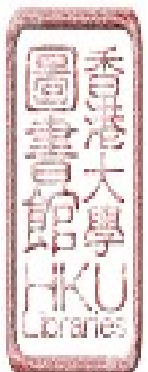
Bureaucracy

To obtain land for the construction of new PRH flats, the government could resort to either the development of new land, reclamation or urban renewal. The first two options involve cooperation and coordination between various government bureaux and departments such as the Lands Department and the Planning Department. Since every single bureau or department has its own agenda and focus of work, it is difficult for them to work collaboratively and reach consensus. Government departments often work on the conventional practice and procedures in dealing with the urgent need of housing shortage without regard to a strategic approach to tackle the thorny issues. This often leads to long lag time in land development and affect the public's accessibility to public housing. Hong Kong lacks a unified government body to focus resources to coordinate the development of land and the building of public housing. That is why considerable time and resources are spent due to the bureaucracy of various government bureaux and departments.

Lack of Enforcement Action Against Abuse

The Hong Kong Housing Department has been slow in combating the misuse of PRH units. Out of the 7,000 recovered PRH units annually, only 400 units were involved in violation of regulations.³⁰ There have been widespread phenomenon that some of the well-off tenants have moved out from their PRH flats which are left unattended or involved in illegal transactions without surrender to the Housing Authority. In addition, there have been number of detected cases of PRH tenants subletting their flats in the past years. Recently

³⁰ "Enforcement actions against abuse of public housing by Housing Department." *Oriental Daily*. 11 February 2011 (In Chinese)

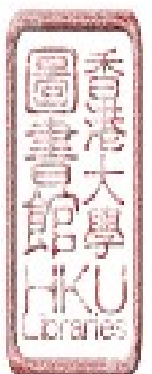


there was a case of a tenant in Leung King Estate in Tuen Mun subletting the rooms in his PRH flat for \$2,000 a month. Many other PRH tenants follow suit and even place subletting advertisements of their PRH flats on the Internet. Obviously the government did not step up the enforcement action against the abuse, which would send a wrong message to the public drawing up more actual case of abuse of public resources. As a result, the accessibility of PRH will be undermined by the inaction of the government.

Collective Action and Accessibility of Public Housing

The supply of housing units as a goods and service in Hong Kong is mostly determined by the government provision and private market whereas the behaviour of consumers can affect a great deal of the demand. Unlike private goods, supply and demand curves draw up the price upon which a goods is sold. In the case of public rental housing which is a toll goods, the supply and demand only exert a great effect on the accessibility of the goods such that crowding out will occur when demand exceeds the supply. The collective action of a group suggests that the behaviour of each rational member of a group interact among themselves in order to serve their own self-interests, leading to irrational group performance or inefficient allocation of resources. In accordance with the famous notion of “Logic of Collective Action” advanced by Mancur Olson, “even if all of the individuals in a large group are rational and self-interested, and would gain if, as a group, they acted to achieve their common interest or objective, they will still not voluntarily act to achieve that common or group interest.”³¹ We will examine how the individuals react with each other as well as in response to the government policies and action, influencing the accessibility of public housing in Hong Kong.

³¹ Olson, Mancur. *The Logic of Collective Action - Public Goods and the Theory of Groups*. Harvard University Press. 1965.



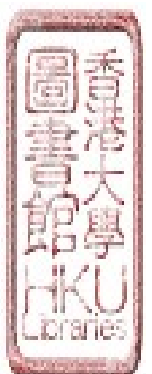
Housing Ladder

There are a number of types of housing in Hong Kong including private ownership, private rental, subsidised ownership and public rental, the last of which is the focus of our study. According to the figures provided by the Hong Kong Housing Authority, there was 29.1% population living in public rental housing and 17.1% in subsidised home ownership housing in 2011³², representing over 46% of Hong Kong people are living in “public housing”. Based on the notion of “Housing Ladder” suggested by Ho and Wong, the public rental housing tenants are in the best position to save sufficient capital to buy more expensive and better homes to move upward along the housing ladder. For example, tenants in public rental housing enjoy a low rent and therefore a large portion of their monthly income can be saved for buying a Home Ownership units or a private property. This is particular the case in Hong Kong from 1970s’ onwards when public rental tenants have worked hard to sponsor better education for their children who have in return buy flats to improve the living standard of their families, moving upward to become home owners from their previous status of public rental tenants. The purchasing power of public housing tenants was observed to be significant in 1990s’. As cited in the study of Ho and Wong, “An official survey by the Hong Kong Housing Authority showed that in 1992-1993 as much as 24 per cent of housing transactions were due to the public housing tenants and as much as 13 per cent to public housing tenants owned one or more homes.”³³ As a virtuous cycle, the tenants at the bottom of the ladder gradually move up to the top of it, leaving more vacant units for allocation to those who are on the waiting list of the public housing. Under the mechanism of the housing ladder, the public rental housing is considered as a starting point for people to live as a temporary home and provide a fertile ground for them to accumulate enough savings for climbing towards the higher end of the housing ladder.

³² Hong Kong Housing Authority. “Housing in figures 2012.” Accessed 3 August 2013.

<http://www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf>

³³ Lok Sang, Ho, and Gary Wai-chung, Wong. *The Housing Ladder and Hong Kong Housing Market’s Boom and Busi Cycle*. Centre for Public Policy Studies, Lingnan University. 2008.



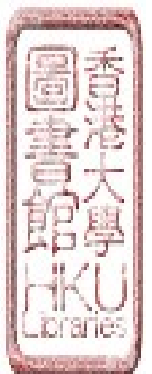
Ripple Effect of Difficulty in Home Ownership

Public housing is a scarce resource involving a great deal of capital investment and land resource. The number of PRH flats has become a great financial burden on the government expenditures and therefore cannot be increased substantially. As at June 2012, there were 728,000 PRH units in Hong Kong. Without taking into account the land price, the average cost for building a PRH unit is around HKD\$400,000 and meanwhile the average monthly maintenance and management costs are around \$1,000. The heavily subsidised nature is financially not sustainable.³⁴ If the proposal of increasing the number of PRH is not feasible, as aforesaid, the housing ladder played an important role in the accessibility of public housing in Hong Kong as the existing tenants have chance to move upward to buy their own properties, leaving more vacant flats to the new comers. Whether the public housing tenants can move away from their rental units towards home ownership depends much on their access to the property market. Due to the decreasing number of yearly output of new private residential units built over the past few years following the failed attempt of producing a yearly target of 85,000 new housing units announced in 2003, the property market has been overheated by limited supply, the influx of overseas capital and low interest rate. The property price in Hong Kong has exceeded the affordability of average Hong Kong people, like the middle class group. In recent years, due to the skyrocketing property prices in Hong Kong, people were barred from entering into the home ownership market, making them remain in the original level of the housing ladder and thus the mobility of people has become less. In this way, the demand for public housing will only exponentially exceed the supply, making the public rental housing more inaccessible.

Better PRH, Less Incentivised to Leave

The early construction of public housing was mainly of primitive design and provided minimal facilities to residents due to limited societal resources and shorter lead time to mee

³⁴ "Public Housing Rental, Home Ownership Scheme, Public Housing are chessmen on the board." *Hong Kong Economic Journal*. 4 December 2012. (In Chinese)



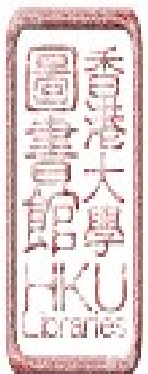
the growing needs for rehousing squatters affected by clearance. The standard allocation of space in the first generation of public estates in 1970s was around 35 square feet per adult, compared with the current level of 70 square feet per adult,³⁵ indicating that there has been a double increase of living space over 4 decades. Because of the overcrowding situation in the early public housing, tenants have more incentive to move out from their units once they have accumulated sufficient down payment to buy their own flats either through HOS or directly in the private markets. The building quality of the contemporary public estate in Hong Kong has significantly improved. Not only does the size of the PRH flat has significantly increased, the town planning, design, layout and facilities of the PRH flats are also more comparable to HOS flats. Nowadays, the PRH estates are all connected with easily accessible markets, shopping centres, restaurants, children playgrounds, transport infrastructure and community service. During the frozen period of sale of HOS flats, some of the built HOS flats were even converted into PRH flats in order to meet the growing demand for PRH and to minimise the financial burden on maintenance of vacant flats. As the PRH is so much better than before, the existing tenants had less incentive to buy the HOS flats or private properties in order to improve their standard of living. If they leave the PRH flats and buy their own homes, their disposable incomes will be less than before, which may lower their standard of living at other facets. In this way PRH tenants prefer to stay in PRH flats, turning the public rental housing as their permanent homes.

Sitting Tenants

The pulling force of remaining in the public housing has been growing intensively by the improved living condition in public housing as well as the changing social culture in Hong Kong. Nowadays, young people seek a greater degree of personal space and try to live apart from their parents in order to gain more freedom. The size of households in Hong Kong is growing smaller and smaller. According to the government statistics, the average domesti

³⁵ Hong Kong Housing Authority. "Information Booklet on General Housing Policies." Accessed 11 August 2013.

<http://www.housingauthority.gov.hk/en/common/pdf/about-us/policy-focus/policies-on-public-housing/A05/A05.pdf>



household size as at May 2013 stood at 2.9, dropping from 3.4 in 1991 and further to 3.1 in 2001.³⁶ There is a widespread phenomenon in the public housing in Hong Kong that most of the sitting tenants are elderly whereas their children moved out by themselves or started their own families after marrying. As earlier discussed, the private flats are growing more and more expensive. Young couples are only capable of buying small flats for themselves and therefore they tend to live apart from their old parents. The parents are actually happy with this arrangement as they can enjoy more private living space and the fact that they remain in PRH flats can serve as a back-up home for their children in case of economic downturn. Another group of sitting tenants is those well-off households whose incomes exceeded the subsidy limit and they are charged with double rents. Even by paying the higher rents, the tenants still enjoy a much lower living costs than home ownership as their disposable income will become much less if they finance their homes through mortgage repayment. In response to the double rent policy, some sitting tenants even apply for splitting their household from their high-earning children in order to circumvent the compliance of paying higher rent.³⁷ In order to evade from the enforcement of abusing public housing, the sitting tenants will not honestly declare their change of personal circumstances and continue to occupy their existing housing units. Without moving out to vacate the flats for other applicants on the waiting list, sitting tenants have effectively changed the nature of PRH from toll goods to private goods.

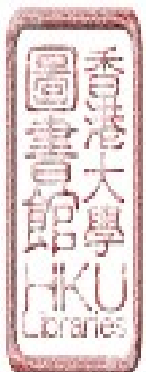
³⁶ Census and Statistics Department, HKSAR Government. "Hong Kong Statistics Population." Accessed 3 August 2013.

<http://www.censtatd.gov.hk/hkstat/sub/so20.jsp>

"Great housing need of singles. More studies on building more small units." *Singtao Daily*. 28 January 2013. (In Chinese) 單身需求大研多建細單位.

<http://hk.news.yahoo.com/%E5%96%AE%E8%BA%AB%E9%9C%80%E6%B1%82%E5%A4%A7-%E7%A0%94%E5%A4%9A%E5%BB%BA%E7%B4%B0%E5%96%AE%E4%BD%8D-220421928.html>

³⁷ "Prevalence of self-living young people, Housing Society advocating living harmoniously with elderly." *Mingpao*. 2 February 2013. (In Chinese)



New Demand

Over the recent years, a new group of applicants, for example, university students emerge as the applicants on the waiting list of PRH. Owing to the skyrocketing price of private properties that has become out of reach for most young people, a lot of them apply for PRH on their own as a single person once they reach 18 years of age, even though they do not have the imminent need. The recent figures show that among the 228,400 applicants on the waiting list, 111,500 are non-elderly singles, of which 60,300 are aged 30. There are more than 20,000 students on the waiting list in 2012.³⁸ In fact, the university students apply for PRH because they foresee that they cannot afford buying private property upon their graduation and they want to join the waiting list as early as possible. Some of them even consider that they do not want to earn extra money so as to maintain their eligibility for PRH. Their net disposal income will be higher if they stay in PRH than buying or renting private property. Young people, especially who attain higher education qualification have a far greater potential for earning higher income than the middle-aged singles. Priority should be given to the middle-aged as their earning power will be less than the fresh graduates. As a result, the accessibility of PRH is greatly undermined because those who are supposed not to be the potential applicants have increased the demand for PRH, competing for the limited supply.

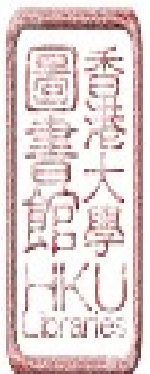
Crowding out Access to Public Housing

It is clear from the above paragraphs that the government lacks a long-term policy on public rental housing and does little to ensure that the public housing tenants can move upward along the housing ladder so that they can leave the public rental housing as long as they are financially capable. Nonetheless, because of the limited supply of both HOS and private flats,

³⁸ "Above-35 singles may get priority in public rental flats." *South China Morning Post*. 13 November 2012.

"Over twenty thousand young singles applying public housing." *Singtao Daily*, 9 October 2012. (In Chinese)

<http://hk.news.yahoo.com/逾二萬單身青年輪候公屋-220937526.html>



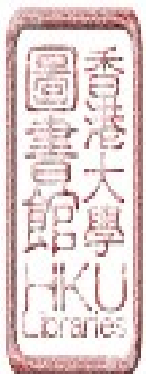
the individuals are stuck in the middle of pipeline, crowding out other desperate people on the waiting list from access to the public housing. The government should advocate that the public rental housing is a transitional stage towards the ultimate goal of home ownership and increase supply so that the individual can respond to it by moving out. At present, the sitting tenants have effectively turned toll goods into private goods by permanently living in a public housing unit. The individuals are rational and self-interested to maximise their own benefits by acting in response to the economic situation and government policies and actions.

Social Stigma and Community Rejection

In Hong Kong, public housing has a negative social image and this forms hurdles for building more public housing. There is a stereotype that public housing is associated with grassroots, poor hygiene condition and various social problems. It is generally believed in Hong Kong that a community having a large proportion of public housing estates is considered low-end and the price of the private property in that community would be adversely affected. This poses a strong barrier to the public for gaining access to public housing. The “Not In My Backyard” idea is still prevalent and most people do not wish the government to build PRH near to their homes.³⁹

For example, a site designated for building PRH in 2006 was opposed by the Kowloon City District Council and it was finally resolved in 2012 that the land would be used for the construction of HOS flats. According to the record, a questionnaire survey conducted by the Kowloon City district councilors shows that over 90% of PRH tenants in the district oppose to the construction of PRH flats on that site. Their reasons include worries and doubts on the suitability of building high-rise buildings, ventilation, and etc. The plot of land was thus left vacant for so many years while a large number of applicants on the PRH waiting list still have to wait year after year. It is indeed a challenge for the government to balance various vested interests and more importantly to sweep away the social stigma associated with public housing.

³⁹ “Increasing the production of housing units, Hong Kong people need to give in.” *Hong Kong Economic Journal*. 1 December 2012.

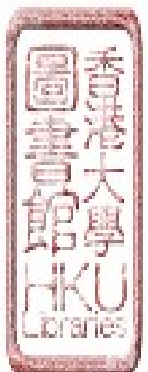


housing. Whenever there is a consultation of a plan to build PRH flats in a district, the landlords would oppose to any PRH construction plan in their communities as the proximity to PRH may drive down their property price or level of rent. Once a person has acquired a private property in Hong Kong, he would attempt to protect his property value by guarding the land around his property, preventing any action which might affect the price. This further affects the accessibility of Hong Kong's public housing.

Concluding Comments

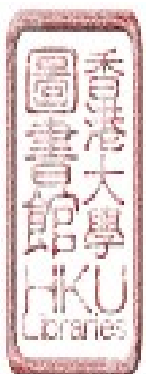
With limited land and housing resources, the cost of housing in Hong Kong is very high that the low income group cannot meet their housing needs in the private market. The Hong Kong government cannot provide all the people with public housing as a personal entitlement but acts as an income distributor to allocate substantial societal resources in public housing to the neediest people. It is criticised that there are too many barriers to the access of the public housing for example, the current eligibility criteria of the residency requirement or the harsh income limit, the unduly long waiting time, and mismatch of locations of PRH where tenants need to commute between their place of residence and urban area for work.

In order to ensure social equity of assisting the underprivileged to get their basic housing needs within scarce public resources, applying eligibility criteria to the toll goods like public housing in Hong Kong is considered as one of the simplest and effective means to exclude other non-target group from access to it. Under the current mechanism, there are already too many eligible people for the PRH and hence the waiting list for PRH has risen to an unprecedented high level. Relaxing the eligibility criteria will increase the number of eligible applicants, making the waiting list for PRH even longer and the neediest people will have to wait for even longer time in order to access to PRH. This would exacerbate the crowding out problem of accessibility to PRH.



The accessibility to PRH is determined by two factors: the supply and demand of PRH. The supply of PRH has been hindered by the government's incrementalist approach in delivery of public housing. Whether the production of public housing can be significantly increased to meet the demand of those on waiting list is of paramount importance. The government appears not to be able to increase the supply of PRH within a short span of time owing to the complicated structure of housing market in Hong Kong which involves a number of vested interests of property developers, the property owners and people who wish to buy one. Learning through the lessons from C.H. Tung's target of building 85,000 housing units annually, the government would not run the risk of taking bold steps to increase the supply of PRH. Also due to lack of master planning on land use and technical difficulty in zoning, what the government can do at present is to maintain a steady level of supply of PRH. Against the background of not directly increasing the supply by building more PRH flats, the government can only tried to incentivise existing tenants to leave PRH through the implementation of double rent policy and TPS. Nevertheless, the people responded to the government policies in an unexpected and undesirable way, leading to the problem of collective action. Because of the skyrocketing price of private property and the immobility of housing ladder, the sitting tenants exhausted all means in order to remain permanently in PRH, making it more excludable and rivalrous. On the other hand, the new demand for PRH emerges from those who want to advance their chance of accessibility to PRH until it is too late like the university students applying for PRH once they reach 18 years of age. As such, the accessibility to PRH is greatly hindered by the crowding out effect.

In the next chapter, the public housing policies in Singapore will be examined to see how Hong Kong can take forward the Singapore experience in its future housing policies. A few recommendations are drawn on some relevant key features of Singapore's successful public housing experience.



Chapter Five Conclusions and Recommendations

Conclusions

In the midst of the current political environment, public housing policy, which exerts a strong effect on the livelihood of the low income groups, has become a political war of words among citizens, stakeholders, social groups, legislators and government officials. The northeast new town development has recently created a great political turmoil involving interests of existing inhabitants, environmental groups, farmers, property developers and even personal interests of officials. Without fixing the problem of accessibility to public housing of the needy who cannot afford renting or buying private flats, the controversy will continue. At present, there are at least 171,000 people living in undesirable sub-divided flats exposed to high risks of fire. The unprecedentedly long waiting list for PRH of around 228,400 applicants as at March 2013 also indicates that the public housing in Hong Kong is far from sufficient for the needy.

At the outset of the study, the analysis of the nature of goods and services of public housing assisted us in understanding how the government can deliver goods and services effectively in order to incentivise the individuals to react in compliance with the policy target. Public housing is a toll goods where it is possible to restrict someone's access to it and it is available for subsequent consumption or use by someone else. Therefore, in order to ensure that the PRH is readily accessible by qualified users, it is important to limit the eligibility criteria so that a designated group of people who are justified to access to the scarce public housing resources. One of the most effective ways is to devise measures to encourage sitting tenants not to turn their PRH flats from toll goods into private goods, because by doing so will deny the accessibility of others. The government adopted an incrementalist approach to take effect of the gradual changes in housing policy for enhancing the accessibility. For example, the policies of charging double rents for well-off sitting tenants and selling PRH flats to them for incentivising them to buy their own flats and ultimately leave their PRH flats as they could trade more expensive homes along the housing ladder. The individuals respond to this policy in a different way because they regarded themselves to be entitled to what they have paid for. As a result, they remain in th



PRH units and crowd out other users from accessing PRH. The collective action problem of the individuals has effectively generated more demand for PRH instead of providing more recovered flats to increase the supply.

Recommendations for Hong Kong's Future Housing Policy Drawing on Singapore's Experience

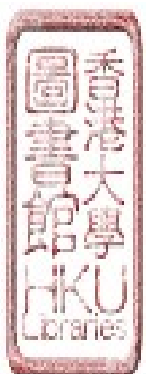
Having analysed the government policy actions and collective action problem of individuals in the area of accessibility of PRH in Hong Kong, the discussion now turns to Singapore's successful public housing experience from which Hong Kong could learn some lessons in terms of future policy and action.

Like Hong Kong, Singapore started its public housing efforts 55 years ago from humble and challenging beginnings. Singapore was once regarded as one of the worst ghettos in the world in 1940s, but nowadays Singapore has achieved world leadership position when it comes to providing public housing⁴⁰ and Singapore's public housing policy has been widely viewed as a showcase of the benevolent rule by the governing party, the People's Action Party (PAP). In Singapore, public housing has improved the overall attractiveness of the urban environment, making Singapore the de facto public housing labs of the world.⁴¹

Overall it is not appropriate for Hong Kong to follow exactly what Singapore has done in public housing, the main reasons being: (i) the effective land utilisation in Singapore is much higher than Hong Kong's – landscape in Singapore is quite flat and Hong Kong mountainous; and (ii) the Singapore government is much stronger than Hong Kong's. For example, Singapore has, under uninterrupted leadership by the PAP, been continuously undergoing reclamation witho

⁴⁰ "Feeling from Singapore." *Hong Kong Economic Journal*, 7 May 2013. (In Chinese)

⁴¹ Wong, Y.C. Richard, "The long-term housing policy in Hong Kong. Land for Hong Kong people." Chung Hwa Book Co. January 2013. (In Chinese)



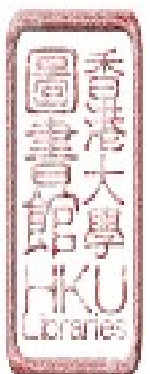
opposition from the local environmental protection movement.⁴² Nevertheless, a number of key features of Singapore’s successful public housing experience are relevant and useful for Hong Kong, and the following recommendations are drawn from such key features aimed at improving the accessibility of PRH in Hong Kong in the future.

Unified Public Housing Agency

It is imperative that the Hong Kong government strengthens its policy development and implementation effectiveness by establishing a strong, unified, cohesive and integrated housing body through streamlining and simplifying its numerous agencies and public organisations concerned with public housing and related policy matters. There are indeed a large number of such groups involved in the public housing policy process including but not limited to the Transport and Housing Bureau, the Hong Kong Housing Authority, the Housing Department, the Hong Kong Housing Society, the Urban Renewal Authority, the Development Bureau, the Long-term Housing Strategy Steering Committee, the Town Planning Board, the Land Department, and Heung Yee Kuk. This has led to disarticulated and inconsistent housing policy and long-term planning.

Public housing in Hong Kong should be better coordinated, delivered and made accessible by a lead agency similar to Singapore’s Housing and Development Board (HDB) which has been functioning very well (since the founding of Singapore in 1959) under the political leadership of the Ministry for National Development (MND) and the PAP. Through the HDB/MND system, Singapore has integrated public housing with promoting strong family ties, sustainable development, and the national pension scheme. Residents of HDB flats see themselves as proud citizens, satisfied owners and stakeholders of Singapore fully aligned with the fate of the

⁴² Chan, Y.C.. “Crazy property market without telling you”. Enlighten & Fish .January 2013.(In Chinese)



nation.⁴³ The multiple agencies situation in Hong Kong could reduce public housing policy to only targets on paper and not concrete achievements delivered.⁴⁴

Such re-engineering and re-organising of Hong Kong's public housing agencies could also help reduce the regulatory costs of development in Hong Kong which are viewed as higher than those in Singapore. According to a housing scholar, the difference between housing price and construction cost on average has been enlarged by 67% due to regulatory-related delays. Thus, high housing price levels in Hong Kong have not been really caused by land shortage but by the above-mentioned high regulatory costs of development, noting that the percentage of land developed in Singapore is over 90% versus 25% in Hong Kong.⁴⁵ In Hong Kong, public housing on average takes 7 years to construct and this is mainly due to the tedious and complex interplays among a multitude of government agencies⁴⁶. This long lead time has hindered the accessibility of PRH.

Strategic Approach to Housing Policy

Historically, the public housing policy of the Hong Kong government has been ad hoc first then “incremental” and not as visionary as that of Singapore where the PAP, and the nation's founder, Mr. Lee Kuan Yew, right from the start (in 1959 – when he and the PAP won the election and came into power) saw public housing as a means for land reform and for gaining citizens' loyalty and support for nation building.⁴⁷ Hong Kong started with a laissez faire approach in housing

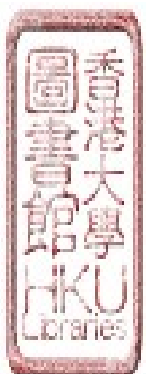
⁴³ Wong, Y.C. Richard, “The long-term housing policy in Hong Kong. Land for Hong Kong people.” Chung Hwa Book Co. January 2013. (In Chinese)

⁴⁴ “With long-term planning, without holistic development.” Hong Kong Economic Journal Monthly, May 2013. (In Chinese)

⁴⁵ Wong, Y.C. Richard, “The long-term housing policy in Hong Kong. Land for Hong Kong people.” Chung Hwa Book Co. January 2013. (In Chinese)

⁴⁶ Chan, Y.C.. “Crazy property market without telling you”. Enlighten & Fish .January 2013.(In Chinese)

⁴⁷ Wong, Y.C. Richard, “The long-term housing policy in Hong Kong. Land for Hong Kong people.” Chung Hwa Book Co. January 2013. (In Chinese)



policy and then evolved from acting ad hoc to incrementalism with the government remaining in control of the public housing allocation process, whereas Singapore took a strategic and socialist approach right from the start but then quickly developed effective market mechanisms for public housing.

It is recommended that after the first 60 years of providing public housing, the Hong Kong government take a Singapore-style strategic approach (as opposed to incrementalism) to formulating and executing public housing policy and integrate it with a number of the relevant areas like public transport, schools, healthcare, community development, the Mandatory Provident Fund (MPF) and population policy to improve the accessibility of public housing.⁴⁸ In fact, Hong Kong should learn from Singapore's strategic-all-encompassing, integrated value-chain approach which has been successfully applied to not only public housing policy but also other policy areas and various industry sectors including aviation, bearing in mind that Hong Kong has significantly lagged behind in this regard,⁴⁹ even if it is no longer a British colony practicing incrementalism.

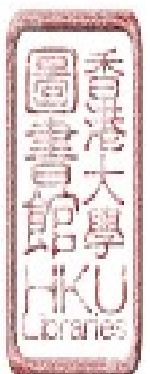
Fairness in Public Housing Allocation and Market Mechanism

Another successful experience of Singapore's public housing policy is its emphasis on a fair distribution of resources to citizens advocated by a capable and strong government which is trusted by citizens, compared with the Hong Kong government's track record in setting standards for allocating public housing units to the public has been messy.⁵⁰ In Singapore, owners of HDB flats, thanks to government policy, have no difficulties in acquiring home ownership and also enjoy the benefits of effective market mechanisms for both sale and rental transactions - a HDB flat owner can also rent out part of or his/her entire flat, thereby enabling the public housing

⁴⁸ "Have ECs lost their objective?" *The Straits Times*. 23 May 2013.

⁴⁹ "Without the support of policy, Hong Kong will run after Singapore." *Hong Kong Economic Journal*, 13 May 2013 (In Chinese)

⁵⁰ Wong, Y.C. Richard, "The long-term housing policy in Hong Kong. Land for Hong Kong people." Chung Hwa Book Co. January 2013. (In Chinese)



market to develop freely.⁵¹ “Collective action” among Hong Kong’s PRH tenants unwilling and unable to move for fear of losing their benefits can be easily contrasted with Singapore’s HDB flat residents most of whom opt for home ownership rather than tenancy believing that the former is more beneficial for them.⁵² In fact, even recently more HDB flat owners were “holding on to their properties, even after the expiration of the minimum occupancy period” and “resale HDB flats were hotcakes in the property market”.

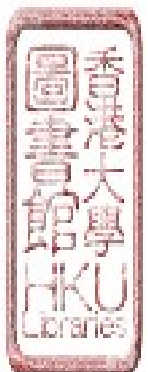
Hong Kong could thus well consider improvements along similar lines towards developing effective market mechanisms for public housing sale or rental, thereby improving the accessibility of PRH. “Trapped tenants” of PRH could then be “liberated” and thus have better accessibility to public housing. In order to avoid potential speculative excesses, Hong Kong could consider some of Singapore’s good measures such as: (i) only citizens can buy HDB flats; (ii) landed immigrants with permanent residency can buy resale HDB flats’ (iii) generally HDB flat-owners can only sell their flats after living in them for at least 5 years’ (iv) a family can own only one HDB flat at any one time’ and (v) restrictions are imposed on singles wishing to buy HDB flats – only starting from July 2013 can singles aged 35 or older and earning not more than S\$5,000 a month buy HDB flats.

Affordable Public Housing Ownership

Half of the households in Hong Kong are home owners whereas the other half has become disadvantaged due to the continuing rise of housing price levels, thus causing an increasing resentment and anxiety from the non-owners who believe the government collaborates and colludes with property developers in order to generate handsome amount of revenue from land sale. The Hong Kong government should consider taking some minor administrative measures that could turn these non-owners (PRH, HOS and TPS) into real owners (at least 80% of the Hong Kong population), thereby yielding major improvements in social equity and transactio

⁵¹ Ibid.

⁵² “Singaporean housing policy cannot be implanted in Hong Kong.” *Apple Daily*, 23 July 2013. (In Chinese)



costs.⁵³ In this way, Hong Kong could also avoid having a divisive community torn between home-owners and non-owners, and regain past confidence, unity and stability.⁵⁴ In particular, PRH residents could thus avoid being trapped for life as tenants, and the flat sale price levels should be reasonable and affordable. Another lesson from Singapore's experience is that HDB flats enabled the majority of Singaporeans to enjoy home ownership and to become stakeholders of the economy who can benefit from an increasingly wealthy nation.⁵⁵ In Hong Kong, home ownership is not just for accommodation, but for most families a major source of savings and a means for social upward mobility, and as such, home ownership has critical cross-generational impact on families.⁵⁶

Tenants of PRH should thus be assisted with acquiring home ownership with more flexible financing schemes including the enabling of such tenants to withdraw savings from their MPF accounts to make down payment in purchasing subsidised public housing flats, and Singapore offers a good model - HDB flats are effectively a much better version of Hong Kong's HOS. HDB flats are government-built and sold to eligible Singaporeans at heavily-subsidised price levels,⁵⁷ and a key policy objective has consistently been to ensure that every Singaporean can afford it. For example, a family is eligible with even only two members and with not more than S\$8,000 of monthly income and starting from 1968, Singaporeans have been able to buy HDB flats with their money in the national pension scheme, the Central Provident Fund (CPF). In Hong Kong, currently PRH tenants have no property right and occupants of HOS and TPS need

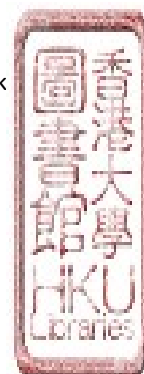
⁵³ Wong, Y.C. Richard, "The long-term housing policy in Hong Kong. Land for Hong Kong people." Chung Hwa Book Co. January 2013. (In Chinese)

⁵⁴ Ibid.

⁵⁵ Wong, Y.C. Richard, "The long-term housing policy in Hong Kong. Land for Hong Kong people." Chung Hwa Book Co. January 2013. (In Chinese)

⁵⁶ Ibid.

⁵⁷ Chan, Y.C.. "Crazy property market without telling you". Enlighten & Fish .January 2013.(In Chinese)



to make a large land price payment before becoming true home owners, thereby having no prospects for ownership as land price levels continue to rise.⁵⁸

Public Housing Quality and Living Space

The high quality of HDB flats is a worthwhile target for Hong Kong to strive for achievement, making public housing more attractive and accessible. HDB has been very innovative with continuing efforts in building design and development. For example, studio apartments for the aging population, monetization options for flat owners, subsidised building upgrades and the provision of broadband communications network facilities and overall quality.⁵⁹ As early as the 1970s, over 20 designs were made available to build HDB flats, then in the 1990s, private-sector architects were started to be invited to participate in the design of new HDB projects.

The living space in Hong Kong's public housing is limited and therefore improvement in this regard is recommended with reference to Singapore's hard-to-beat benchmark. Many HDB flats are over 1,000 sf whereas Hong Kong's average size per occupant is only 150 sf which is equivalent to half of Singapore's⁶⁰ and large families can have even 4-bedroom HDB flats⁶¹ - much better than Hong Kong's PRH which at one point was referred to as just "units of accommodation" and not "flats".⁶²

⁵⁸ Wong, Y.C. Richard, "The long-term housing policy in Hong Kong. Land for Hong Kong people." Chung Hwa Book Co. January 2013. (In Chinese)

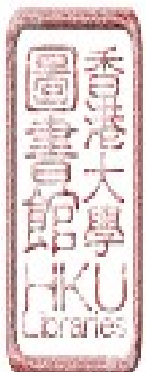
⁵⁹ Housing and Development Board, Singapore Government. "Sales Launches." Accessed 15 August 2013.

<http://www.hdb.gov.sg/fi10/fi10321p.nsf/w/BuyingNewFlatFlatsonOffer?OpenDocument>

⁶⁰ "CY Leung hoped Hong Kong people live in large space. Think tank: 3 terms of government cannot fulfill this target." *Mingpao*, 20 March 2013. (In Chinese)

⁶¹ "Feeling from Singapore." *Hong Kong Economic Journal*, 7 May 2013. (In Chinese)

⁶² "The memorandum of the Executive Council revealed the truth of the ten-year house building plan." *Hong Kong Economic Journal Monthly*, February 2013 (In Chinese)



Land Supply for Public Housing

Finally, the key to improving PRH accessibility in Hong Kong is enabling more land supply. Though reclamation projects are not welcome by the public and environmental group, without better option, reclamation is recommended as a pragmatic solution towards this end. Since over 100 years ago reclamation has been the most cost-effective way to increase government land supply in Hong Kong, and has generally not been resisted by the people including the environmental protection movement which is mainly concerned about the Victoria Harbour and green parkland. The government could thus consider reclamation in the outlying islands areas despite the fact that it lost confidence and momentum because of a court decision in recent years ruling against further reclamation in the Victoria Harbour, and perhaps relocating container terminals in Kwai Chung and Tsing Yi to other locations to release more land for housing.⁶³ Such a restart of the reclamation works should be initiated as early as possible because it takes an average of at least 8-10 years to complete the full process from reclamation of land to construction of public housing units.⁶⁴ Singapore has reclaimed 6,000 hectares of land whereas Hong Kong only 2,000 hectares.⁶⁵ Singapore's experience and success track record in land administration and inventory management is useful for Hong Kong⁶⁶ on practically increasing the land supply. A good example is Singapore's Marina Bay reclamation program in the 1970s which provided an inventory of land for the subsequent successful development of the Gardens by the Bay project.⁶⁷

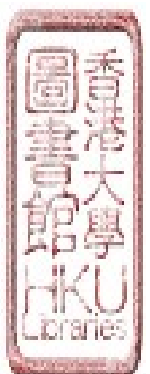
⁶³ "More promising financial situation in Singapore." *Hong Kong Economic Journal*, 9 May 2013. (In Chinese)

⁶⁴ Chan, Y.C.. "Crazy property market without telling you". *Enlighten & Fish*. January 2013. (In Chinese)

⁶⁵ "CY Leung hoped Hong Kong people live in large space. Think tank: 3 terms of government cannot fulfill this target." *Mingpao*, 20 March 2013.

⁶⁶ "Exclusive interview with Sir Gordon Wu: Total failure of land policy." *East Weekly*, 16 January 2013. (In Chinese)

⁶⁷ "With long-term planning, without holistic development." *Hong Kong Economic Journal Monthly*, May 2013.

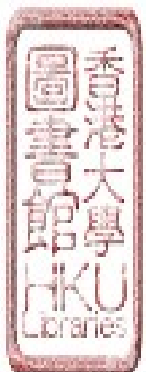


Concluding Comments

By 2012, 29.1% of Hong Kong's population lived in PRH but the demand for more PRH units had become increasingly acute due to the continuing rise of property price levels, a shortage of land supply, and a low production/supply level of PRH flats (the current yearly average number of PRH flats is only 15,000 which will be increased to 20,000 only from 2018 onwards, and the yearly number of recovered PRH flats is only 7,000). As at March 2013, the waiting list for PRH in Hong Kong has reached a record level of 228,400 people of which around 49% are non-elderly singles who are not covered by the government's latest pledge to provide more PRH units. Furthermore, around 171,000 people are still living in sub-divided flats in old buildings and at least half of them are on the waiting list for PRH. The demand for PRH thus far exceeds the supply and it appears that those in need have had great difficulties in accessing public housing in Hong Kong.

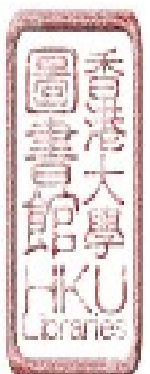
The Hong Kong government has, over the past 60 years either under the British rule or the governance of the SAR government, solved public housing problems at various stages on an ad hoc basis, without a thorough long-term systematic plan, and then incrementalism rather than a strategic approach. The Hong Kong government has been muddling through in the light of the property market dynamics, the land supply limitation, the economic situation and the demand from the people of Hong Kong. On the other hand, the general public tries to interpret the Hong Kong government's policies and acts appropriately to maximise their benefits from the property market, and such collective actions have affected accessibility to PRH. Overall, the government has put economic growth on a higher priority than helping the poor and the needy.

As the contemporary problem of the accessibility to PRH is gaining force and the waiting list for PRH is growing longer than ever before, it is recommended that the Hong Kong government take a strategic approach to public housing policy in order to improve accessibility. For benchmarking and inspiration towards developing useful recommendations for Hong Kong's future policies, Singapore is a good source of ideas because the country has achieved a world leading track record in providing quality and affordable public housing to a majority of its people.



and therefore accessibility to public housing is no longer a problem at all. Until today Singapore is still very strategic, innovative and effective in terms of public housing policy development and implementation.

Drawing from some relevant key features of Singapore's successful public housing experience, it is suggested that the Hong Kong government consider the following points for future policies and action: (i) unify public housing policy coordination, implementation and accountability through a lead agency similar to Singapore's HDB/MND, (ii) take a strategic approach to public housing policy and fully integrate it with other relevant policy areas, (iii) ensure fairness in public housing allocation and develop market mechanisms for public housing, (iv) provide affordable public housing, and (v) increase land supply for public housing through faster and better reclamation, land administration and inventory management measures.



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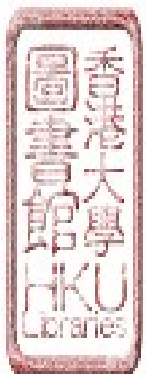
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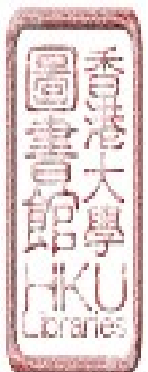
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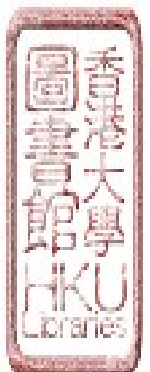
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