

**Teacher's version P.157-161*

(Activity 2: Debate on the proposal for Home Ownership Scheme (HOS))

Reading Materials

Study Source I & II and discussion questions on P. 4

“Home Ownership Scheme (HOS): let it rest forever or revive it?”

Source I

Background information on HOS

1. The Hong Kong Government launched HOS in 1976. Under the scheme, flats were sold to those (middle class) whose income exceeded the criterion for public rental flats but could not afford private flats.
2. The scheme has been implemented by the Housing Authority (HA). The buyers were those living in public rental flats or whose income or asset value was lower than the prescribed level. The selling price of a HOS flat was as low as 60%-70% of the market price.
3. In 2002, the Government announced the decision to stop building HOS flats as it wanted to withdraw totally from private flats market. At that time there were about 56% families living in self-owned flats.

The Choices of the Planning Committee of the Housing Authority (HA)

In a review and brainstorming session in October 2007, the planning committee of the HA gathered the following data:

1. 90% of the available sites for building public flats are in urban districts.
2. A tenant of public housing flat who buys a HOS flat is required to return the rental unit to the HA for relocation. 5% of the public housing tenants (30,000 households) want to buy self-owned flats. In a public demonstration, a strong demand was made to the HA to build and sell new HOS flats to tenants of public housing.
3. HA has 50 billion cash which can support the daily operation and building plans for the next 10 years.
4. In the past, selling HOS flats provided the major recurrent income to HA.
5. The number of well-off households paying double rent grew 100% in three years.

6. The waiting list for public rental housing rose from 91,000 in 2004 to 108,000 in 2007. The government agreed to provide enough land to HA to build public rental housing so that the average waiting time for a qualified applicant will be three years. (The current waiting time is less than three years)
7. The prices of private flats (400-700 sqft) ranged from \$3,200 in the New Territories to \$5,900 per sqft on Hong Kong Island. The average price of private flats was about 60% of that in 1997. A private flat (400-700 sqft) in a new town usually costs 1.2 to 2 million (such as Tseung Kwan O and Tin Shui Wai).
8. 80% of public housing tenants are paying less than \$1,800 a month.
9. The building cost of a HOS flat is double that of a public rental flat.

Sources:

1. Apple Daily, Tai Kung Pao, Sing Pao Daily News, Sing Tao Daily , The Standard, 5 October 2007
2. Ming Pao, 15 June, 5 October 2007

Source II

The planning committee made two proposals to achieve the following two objectives:

- A. Stable source of income for building plan and daily operation.
- B. Building enough public rental flats to maintain the average waiting time at three years.

Proposal 1

Build a small number of HOS flats (3,000-5,000) every year in urban districts. The majority (80%) of new HOS flats are to be sold to existing public housing tenants and the remaining to those who cannot afford private flats and are not eligible for public rental housing.

This proposal can achieve the following objectives:

- a. Sale of HOS flats provides stable source of income.
- b. Old public rental flats are released for waiting applicants so that the average waiting time can be kept at three years.

Proposal 2

Return the sites in urban districts to the Government and put them up to auction for the property developers to build private flats. The Government then gives part of the auction revenue to the HA and allocates enough sites for building rental flats for potential applicants. Well-off tenants of public flats are required to pay a higher rent or choose to buy private flats with low-interest loans from the HA.

This proposal can achieve the following objectives:

- a. The Government gets stable income from the sale of sites.
- b. Sufficient public rental flats can be built with full support of the Government.

Guideline on discussion in expert groups:

Evaluate the two proposals in regard to the efficient use of scarce sites in urban districts and equalising income distribution.

1. Who will gain and who will lose in the proposals?
2. Which proposal will lead to a more efficient use of scarce sites? In what way it is more efficient?
3. Which proposal will lead to a more equitable income distribution? In what way it is more equitable?
4. If your objective is to help the low-income group to live in public rental flats, which proposal would you opt for? Support your decision with economic reasoning.
5. If your objective is to help the well-off tenants of public flats, which proposal would you opt for? Support your decision with economic reasoning.

Debate Topic:

“Proposal 1 is more advantageous than proposal 2”