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\$7.5bn starts war on property prices

Moira Holden, Jason Gagliardi
and Wing Kay Po

The Government yesterday announced plans to build more public housing in an attempt to control property prices.

A \$7.5bn development fund will be established from the Housing Authority's surplus to build an extra 10,000 public flats annually for the next five years, if government proposals get the go-ahead.

Donald Tsang, the Secre-

tary for the Treasury, said the proposals could check property prices and accelerate the public housing programme.

"These extra flats, together with parallel efforts by the government task force set up to tackle private housing prices, should have a stabilising effect on all sectors of the housing market," Tsang said.

Bruce Walker, a director of the property consultants Vigers, welcomed the announcement, saying it would take pressure off the residential property market "without sending it into a tailspin".

But Walker said the Government was not doing enough to help the sandwich class, which earned too much to qualify for subsidised housing but had no hope of buying a private flat.

The chairman of the Housing Authority, Rosanna Wong, cautiously welcomed the plans too, but warned a detailed study would be needed.

But legislators attacked the move, saying the surplus was an illusion created by years of underspending on housing.

The housing spokesman for the United Democrats, Lee Wing-tat, said the authority managed to produce 35,000 flats a year, radically short of the 45,000 to 50,000 it should produce.

Under the new proposals, the bulk of the authority's burgeoning \$9.5bn cash surplus would go to a development

fund designed to speed up the supply of assisted housing.

An initial \$7.5bn would be used to further the policy of providing affordable housing by financing land-clearance and projects to clear and re-house squatters in areas not covered by current programmes.

Money from the surplus would also be ploughed into setting up the infrastructure for new housing estates.

"The land is already earmarked but it cannot be developed because we haven't got the resources to develop it," Tsang said. "The land is not served by infrastructure, but the development fund would enable us to do that."

The Housing Authority's remaining \$2bn would finance an improvement account to carry out repairs on older housing categorised by the Finance Branch as "no longer adequate against present day standards". This account would be topped up each year.

The plans also include a package to allow the Housing Authority to retain \$13.5bn, in loans from the Government before 1988, and to wipe out interest payments on them.

The authority would repay the \$12.8bn cash it has received since 1988 at a 5 per cent interest rate.

Before yesterday's announcement, the Government's target was to provide 42,000 flats a year.