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## Housing: Unending Crisis

A family's quality of life depends very heavily on the comfort and convenience of its housing. Hong Kong's misfortune is that its homes are where its Third World legacy is most intractable. The housing stock's defects are often so serious that they threaten health and safety. They have grown beyond the ability of individual families to remedy. The bill to be paid by contemporary society for past neglect has become both onerous and inescapable. Housing is also the challenge which Hong Kong's rulers have consistently underestimated in the past. The third Chief Executive, Leung Chun-ying, called Hong Kong 'a modern, safe, convenient and liveable metropolis'. The disagreeable truth is that this boast does not apply to the home of the average family, as he pointed out.

Shortage in the supply of housing has pushed up property prices and rental substantially. Many families have to move into smaller or older flats, or even factory buildings. Cramped living space in cage homes, cubicle apartments and sub-divided flats has become the reluctant choice for tens of thousands of Hong Kong people.<sup>1</sup>

These unfortunates are the victims of the refusal by previous administrations over the last half century to frame policies in terms of homes fit for an increasingly prosperous society.

Hong Kong entered this century with a housing heritage that was shameful. Average living density was 150 square feet per person. For families buying their own flats in 1998, the average mortgage absorbed 33 per cent of the household's income.<sup>2</sup> In addition, 235,000 individuals were still living in squatter huts.<sup>3</sup> Housing conditions were to get worse. A 2006 United Nations study found that the relative size of Hong Kong's slum population was increasing at a far higher rate than the average for advanced economies.<sup>4</sup> In 2013, households living in public housing had to have less than 59 square feet per head before being classified as 'overcrowded families' who could seek rehousing.<sup>5</sup>

For such a prosperous community, the housing data were shocking enough. These statistics did not uncover, however, the full inadequacy of the housing stock, much of which had never been fit for human habitation, as this chapter will show. It provided shelter of a sort for most families rather than homes with a decent quality of life for all. The average size of accommodation was so small that privacy was a luxury even though in this century, the 'one-child family' became the norm. Everyone's living standards were depressed by the limited space for furniture and consumer durables. In addition, the average student lacked personal study space. Families could not provide comfort and safety for their elderly or disabled members. The average bathroom and toilet was not easily converted for safe as well as convenient use by those with limited mobility. Narrow corridors and doorways obstructed the use of wheelchairs.

Leung Chun-ying set housing at the heart of his agenda for winning hearts and minds. He was following a well-established but ill-fated tradition. The first Chief Executive, Tung Chee Hwa, had made a dramatic building programme the centrepiece of his plans for the transformation of Hong Kong (and he had appointed Leung as housing overlord in 1997).<sup>6</sup> Tung's ambitious vision was to prove his downfall, as Chapter 1 recounted. Tung had been following the example of a colonial governor, Sir Murray (later Lord) MacLehose, who continues to be lauded for the visionary housing programme launched after his arrival from London in 1971. That too had failed to meet its targets although MacLehose proved better at managing his public image than Tung.<sup>7</sup>

Leung was also to discover soon after taking office that the chances of any rapid increase in the amount of affordable housing were remote. He conceded in his 2013 Policy Address that the supply of new public housing would remain flat for the next four years. After that date, the rate of annual construction was expected to expand by 28 per cent.<sup>8</sup> Leung was trapped by the legacy of Tung's decisions at the start of the century when the government terminated its land and housing programmes. The cumulative consequences of past housing neglect and favouritism towards property interests had become a formidable barrier against any ambitious remedial action.

### **The New Slums**

It was not just the chronic shortfall in the supply of new homes that confronted Leung. He also faced, as he said in his first Policy Address, a daunting legacy of housing that had been built at the cheapest cost and to the lowest specifications in previous decades and mostly neglected by the owners ever since. Officials had long been aware of the threat



of dilapidation in high-rise concrete buildings. In 1988, the Housing Authority had started to upgrade the 560 buildings which it had erected before 1973. Because of the complexity of this sort of renovation programme, its final stage was not reached until 2009, by which time, it had been necessary to launch a new monitoring and renovation scheme.<sup>9</sup>

The private sector was in worse straits, and schemes launched under previous administrations had not halted the deterioration of the housing stock. Private owners had mostly been unaware that the maximum design life of their concrete flats was only 50 years. In addition, the government had left unresolved for decades the obstacles to adequate management and maintenance of the average block of flats when under multiple-ownership.

By 2011, the private sector had become a time bomb. Its alarming dimensions had been uncovered by the Urban Renewal Authority (URA), whose public statements on social deprivation were remarkably frank and far-sighted for a public body in contemporary Hong Kong. Altogether, 110,000 families were already living in 'homes that are neither healthy nor safe', the URA reported. In these slums, life was made 'miserable by the dirt, decay and lack of amenities that the rest of the community takes for granted'. No less serious was 'the risk from the disease and dangers' in 4,000 buildings erected 50 or more years earlier. They had reached the end of their design life, according to another URA survey, which identified 2,600 of these buildings as 'already substandard'. Typically, three or more families were packed into the average living unit of around 500 square feet. The common areas were filthy and prone to flooding, and there was a constant threat of fires caused by defective electrical wiring and fittings. The total number of 'dilapidated, overcrowded and neglected' buildings with their 'dreadful standards of accommodation' was forecast to rise rapidly because by 2030, Hong Kong would have 16,000 buildings that were 50 or more years old.<sup>10</sup>

For vulnerable groups, the housing crisis of modern Hong Kong was part of the new poverty. Increasingly, the elderly, the unemployed and low-wage individuals and households were forced to seek shelter in the worst of the housing stock, where rents were high, amenities sparse and squalor abounded. The government insisted that these conditions had to be tolerated. In 2012, despite Leung's condemnation of such housing quoted at the start of this chapter, his ministers rejected a call for more humane policies, it is explained below. Instead of a permanent home, housing has been viewed almost universally either in terms of minimal shelter or as an investment asset that would be freely traded in the future.

### **The Market's Chronic Failure**

The government, it was explained in Chapter 1, had withdrawn from the housing market by 2002 (apart from homes for low-income groups), and the private sector was freed from effective competition from the public sector. That move followed an earlier claim by Donald Tsang Yam-kuen when still Financial Secretary, that market forces had ceased to operate 'fairly and freely'. The government was determined, he proclaimed in 2001, to reduce its 'intervention in the housing area, and to restore the proper role of the private residential property market'.<sup>11</sup>

This decision should be seen in the wider context discussed in earlier chapters of the enthusiasm among senior officials for shrinking the public sector as a matter of principle and regardless of social costs. The dominant role of the government in housing was 'an unfortunate thing', Tsang had already observed in 1998, 'In all [other] sectors of the market we are totally free.'<sup>12</sup> His comments ignored the Consumer Council's research into the cost to the community of the lack of competition within the private property sector especially, and the International Monetary Fund's endorsement of calls for a competition law to remedy such abuses.<sup>13</sup>

In practice, the withdrawal of the government from the housing market proved disastrous for the community. A long-term shortage of accommodation became impossible to avoid.

- The annual supply of new public housing fell by 62 per cent: from an annual average of 38,900 units for the period 1997–2002 to 14,600 for the period 2007–12.
- The annual supply from the private sector fell by 45 per cent: from an annual average of 21,900 units for the period 1997–2002 to 9,900 units for the period 2007–12.

### **A Modern Tragedy**

As a dramatic signal of the better world to which the new Special Administrative Region could look forward, Tung Chee Hwa had declared in 1997: 'To me and to the community as a whole, housing is the number one priority.' 'To be able to build these 85,000 [new housing] units is the absolute priority,' he went on.<sup>14</sup> Tung had at his command a public housing model that had been tried and tested in economic fluctuations and political crises for over four decades. His housing policy carefully incorporated this expertise.<sup>15</sup> His intention was not a revolution in the public sector but to make it function faster and more efficiently. His blueprint openly relied on the findings of the colonial administration's Long Term Housing Strategy Review published in early 1997, which had



been well publicised and thoroughly discussed by the legislature.<sup>16</sup> From this document was borrowed the main title for Tung's 1998 White Paper on housing, *Homes for Hong Kong People*.<sup>17</sup> Almost immediately, however, his ten-point programme to build 85,000 new homes a year and lift the ratio of home-owners to 70 per cent of the population came under fierce attack.

Initially, his Financial Secretary and future successor, Tsang Yam-kuen, brushed aside any suggestion that Tung's targets might prove overambitious, insisting that 'if there is anything which obstructs the target of 85,000, it has to be removed'.<sup>18</sup> Nevertheless, Tung later faced allegations that he had set these daunting targets against the advice of his officials and even before a feasible programme had been drafted. He was accused of adopting a populist strategy designed to dramatically increase the housing supply and bring down market prices.<sup>19</sup> He was blamed for the 40 per cent drop in residential property prices during the first nine months of his programme. By 2003, prices were to have fallen by a full 70 per cent.<sup>20</sup>

Tung was so overwhelmed by this disaster that he ended his involvement in housing policy. In 1997, his responses to personal briefings from the Housing Authority had been lengthy and demonstrated keen personal interest. By the end of 1998, they had been reduced to a formal, two-sentence acknowledgement from his private secretary of receipt of the briefing documents.<sup>21</sup> The public housing programme was virtually abandoned in 2001.<sup>22</sup> Thus ended the government's traditional commitment to ensuring an adequate supply of public housing, both for rent and for sale, to families which could not afford to look for homes in the private sector. This policy had been the showpiece of government social programmes since 1954 and was widely credited with enabling the government to reduce potential social unrest through providing low-rent homes which could help to offset the low wages of the labour force.<sup>23</sup>

The tragedy was that Tung had got off to an excellent start in the public housing sector. The reforming momentum of 1997 was so dynamic that by 2002, some of the community's worst housing problems inherited from the colonial era had been finally overcome and at an even faster rate than Tung had originally planned.<sup>24</sup>

- Average waiting time for public rental housing was reduced from almost seven years to just over three years and, in the case of elderly applicants, from just over three years to 16 months.
- 'Inadequately housed' households were reduced from 170,000 to 100,000.
- Some 68,000 households from older Resettlement Estates were rehoused in modern units.

- Public housing tenants in overcrowded units fell from 8.4 per cent of the total residents to 2.1 per cent.
- The 24 squalid, often rat-infested Temporary Housing Areas and Cottage Areas were finally cleared, and their 12,600 households rehoused.<sup>25</sup>

These were goals which had eluded the last Governor, Christopher (later Lord) Patten. But the achievements only made good shortfalls created by past neglect. They were not enough to offset the calamitous consequences for the future of Tung's decision to hand over responsibility for the supply of housing to the private sector.

### A Squalid Heritage

One of Hong Kong's most harmful Third World legacies was the way that the people of Hong Kong had been conditioned continuously since World War II to endure living conditions that were at the very margins of what could be considered fit for human habitation. The community came to take for granted a lack of living space and amenities so acute that quality of life was constrained to an unpleasant degree. The failure to provide decent homes for Hong Kong families can only be fully understood in the context of this historical experience which led the community to tolerate the intolerable for some 70 years.<sup>26</sup>

From the early 1950s, an astonishing surge in the supply of housing got underway in the public and private sectors. But the quality of accommodation in both seems unbearable in retrospect. Public housing standards were kept as low as possible as a matter of official policy, despite complaints from the government's own medical adviser. In the private sector, slum conditions were the norm for existing tenements and for newly built multi-storey buildings, officials complained. They made it plain that families living in squatter huts were far better off.

#### *Squatters: Neither safe nor healthy*

In 1963, some 585,000 people — 17 per cent of the total population — were still living in squatter huts.<sup>27</sup> They were expected to survive despite health and safety facilities that were outright inhuman. The government provided squatters with only the minimum amenities and services required on 'basic humanitarian, security and public grounds', to quote an official policy document. Any steps 'to introduce or provide services beyond the barest essentials,' officials argued, 'would be to run the very real risk of attracting great numbers of people from our pre-war and post-war slums.'<sup>28</sup>



Government policy was to provide only minimal protection against fire hazards in squatter areas, while health and sanitation standards were of the lowest.<sup>29</sup> Thus, in the 1960s, water was supplied on the basis of '1 tap for 500 people' while the allocation of latrines was '1 compartment to 100 people'.<sup>30</sup> Reluctance to improve these levels persisted into the 1970s.<sup>31</sup>

*Public housing: Barely tolerable*

The public housing programme has been compared by one academic to the state planning of 'some socialist countries'.<sup>32</sup> By 1963, some 463,000 squatters had been moved into permanent housing in the new resettlement estates, which provided homes for 13 per cent of the total population.<sup>33</sup> These families had been freed from life in makeshift shanty huts and from the dangers caused by fires in the dry winters and from the typhoons and landslides of the summer months. But standards in the first Resettlement Blocks were tolerable only by comparison with the grim conditions for the rest of the community.

Densities of occupation were alarming. When the first Resettlement Blocks became available, the Director of Medical and Health Services had protested that 'the standards of accommodation accepted for resettlement are probably the lowest in the world so far as cubic space is concerned'.<sup>34</sup> The statutory minimum was 35 square feet of living space per person, which was not very different from the average in Mainland cities around 1960.<sup>35</sup> The colonial administration discarded this requirement for Resettlement Blocks, however, and an allocation of 24 square feet per adult was approved. But by 1963, this standard was 'being officially depressed', a government report admitted, and average living space of '16 sq.ft. for an adult and 8 sq. ft. for a child' was being tolerated.<sup>36</sup>

There was little privacy either within or outside the home, and initially, there was complete disregard for family comfort and personal dignity. Latrines and washing facilities were communal and shared by all the tenants on a floor. Families had to do their cooking in the corridors. Squalor was a constant threat.<sup>37</sup> In 1965, the government accepted that these primitive standards were no longer tolerable. Construction of 'Mark IV' Resettlement Blocks began, and each flat had its own toilet which freed families from sharing communal latrines for the first time. Public housing projects continued to upgrade facilities and improve living space thereafter.

The colonial administration was determined to exclude 'welfare' from its criteria for allocating public housing. The programme was to be no more than a land clearance exercise to remove squatters from building sites. Social grounds were not approved as a qualification for

public housing until 1964, and then on a very limited basis although the government did not face a shortage of funds.<sup>38</sup> Public housing, nevertheless, made possible a major expansion of Hong Kong's social services. Resettlement Estates provided space for rooftop schools and a variety of welfare non-governmental organisations (NGOs) and relief agencies, including facilities for children with impaired hearing, for example. Nothing so convenient and well-organised was available in other urban neighbourhoods.

In 1985, the government faced the first housing bill for its Third World tolerance of corruption which had been allowed to flourish until the creation of the Independent Commission Against Corruption (ICAC) in 1974. Twenty-six Resettlement Blocks built between 1964 and 1973 were found to be so dangerous that 15,000 families were moved out at a cost of HK\$800 million to the government. A further 577 blocks built before 1983 were found to be sub-standard as a result of a corrupt conspiracy between civil servants and construction companies.<sup>39</sup> These revelations obliged the government to accept that the earlier Resettlement Blocks were unsatisfactory homes, and it began to rebuild them.<sup>40</sup>

#### *Private sector: Better off as squatters*

The private sector underwent a transformation of its housing stock comparable in scale to the early resettlement programme. Between 1956 and 1963, it was officially estimated, 310,500 persons had been evicted from private sector buildings that were to be redeveloped. Many of these families sought shelter in other, increasingly overcrowded premises in the private sector which 'through sheer pressure of demand started turning into near slums'. Here, rents were high and key money was demanded for new tenancies.<sup>41</sup>

The demolished tenements were described by the Director of Social Welfare as having been often worse than squatter areas: 'more cramped, insanitary, dark and unhealthy'.<sup>42</sup> Conditions in the new buildings that replaced them were just as dreadful according to a 1963 official Working Party, and tenants would have been better off as squatters.

. . . it is not unknown for 60 or 70 persons to be living in a three-room flat . . . the W.C.s are as few as the builder could get away with installing; and on many if not most floors the water taps can stay empty even in a good water year because of the inadequacy of the internal supply pipes. The people in these buildings may well present a more serious health hazard, and bring up their children mentally, socially and physically more handicapped or stunted than if they had been in . . . squatter shacks on the hillsides.<sup>43</sup>



If the public sector could not prevent outright swindling by contractors and shoddy work by sub-contractors aided and abetted by extensive corruption (even after the ICAC was set up in 1974), what hope was there for a better performance in the private sector?<sup>44</sup> Indeed, the government stated openly that private construction standards were far lower.<sup>45</sup>

*Contemporary Hong Kong: Squalor survives*

The drastic reduction in the government's public housing programme in this century made it extremely difficult to rescue families from even the most dangerous and squalid living conditions. There was a lack of spare capacity in the public sector, which meant that private sector tenants were not rehoused even when they were living in rack-rented slums which were in breach of health and safety requirements or which involved illegal sub-division of residential units.

The government tried to pacify critics of the official tolerance of this dangerous and illegal accommodation with sentimental appeals. Many of the owners of 'old and dilapidated buildings' were 'elderly themselves', the legislature was officially informed in 2010, and 'their poorly maintained flats are probably their only assets'. Illegally sub-divided flats should also be viewed, it was suggested, as an understandable — and, by implication, acceptable — response by the property market to 'a growing demand for affordable housing'.<sup>46</sup> The minister responsible for handling this problem was asked by a legislator in 2011 why she did not 'ban sub-divided units across the board' or 'immediately revise the public housing allocation system to enable existing tenants of sub-divided units to be allocated public housing'. Her reply included a repetition of her colonial predecessor's excuse in 1963 for the grim conditions of squatter areas (quoted earlier in this chapter). If public housing were provided on a priority basis for those living in this illegal accommodation, she said, it might result in 'encouraging people to move into sub-divided flats which would worsen the problem'.<sup>47</sup>

Throughout the government's efforts to play down the scale of the scandal, the numbers at risk were seriously underestimated. There was a dearth of statistics which, the government claimed in 2012, would be virtually impossible to overcome. A mere six months later, an officially-sponsored survey revealed that 171,000 individuals were living in subdivided buildings. Almost half their 'homes' lacked one or more 'of the essential facilities (i.e. kitchen or cooking place/toilet/water supply)'.<sup>48</sup>

The URA was left to find a solution. It had launched its original slum clearance programme with a substantial government injection of capital. Its projects depended very heavily, nevertheless, on commercial partnerships with developers. These business deals aroused constant public

suspicion that the URA must put the profits of its partners ahead of the public interest.<sup>49</sup> The controversies distracted attention from the urgent need to rehouse over 100,000 families living in the slums which the URA proposed to clear and whose plight it consistently highlighted.

### **Supply Crisis: The Government Stands Idly By**

As private sector supply shrank instead of expanding to fill the gap left by the government's retreat from the housing market, officials stuck to the role of bystanders. In future, the government's only fixed commitment would be to ensure that qualified applicants from low-income families on the list for public housing tenancies would have to wait no more than three years to obtain a flat, the housing minister explained. Public housing targets were no longer set in terms of new residential units. They had become 'assisted housing opportunities'. There would be no more annual production targets, it was revealed, and the government would allow the number of 'assisted housing opportunities' to fluctuate from one year to another.<sup>50</sup>

In effect, property developers were being given a long-term guarantee that a future government could not re-enter the housing market except with great difficulty. The need for the Housing Department's professional, technical and managerial teams had disappeared, and by 2002, the last of them were being dispersed or disbanded.<sup>51</sup> Half a century's experience and expertise had been jettisoned. It was now impossible to resurrect public housing programmes at short notice, as Tsang Yam-kuen himself had foreseen in 2001.<sup>52</sup> When the government finally bowed to public dissatisfaction in 2011 and decided to re-enter the housing market on a limited scale, it no longer had the professional teams capable of organising the funding, design and tendering for the new projects.

Nor did the government have the building sites.<sup>53</sup> In 2000, the senior official responsible for housing had confidently declared that his team had an inventory of about 1,000 sites, enough to build up to 730,000 public and private housing units by 2008.<sup>54</sup> For the developers, this land bank represented a major barrier to maximising their profits, and they argued that these were assets which ought to be liquidated to ease pressure on public finances in a time of economic recession. It was claimed, for example, that by selling off the 38 sites allocated for new Home Ownership Scheme (HOS) flats, the government would generate HK\$46.8 billion, equivalent to 27 per cent of the total budget revenue for 2001–02. Developers had been particularly anxious to get hold of Housing Authority sites which were located in the core urban areas and ideal for private residential projects. They won, and the Housing Authority surrendered its freedom to manage its land bank



independently.<sup>55</sup> The long-term consequences were calamitous. In 2011, another minister confessed 'that the major housing policy review in 2002 had resulted in a shrinkage in land supply' not just for housing but to meet the needs of new industries.<sup>56</sup>

The Asian financial crisis has been made the scapegoat for these radical changes in traditional policy. They were, in fact, the outcome of the adoption by senior officials in the 1990s of an agenda to shrink the public sector and to adopt business values and practices. The Housing Department had begun this process in 1995, with the initial goal of improving its image with the public, its residents and its staff. The following year saw consultants hard at work on a plan to make the organisation as similar as possible to a business enterprise.<sup>57</sup>

This approach was misguided. It ignored the department's role of 'town manager' and how its staff were more than rent collectors. They were the guardians of the tenants' quality of life in terms of cleanliness, respect for common areas and facilities and the early identification of causes of dissatisfaction. These traditional responsibilities were not endorsed by the department's new 'Management Enhancement Programme', however, whose primary concern was cost-cutting. The consultants who had advised on the department's future had fostered the belief that 'much of the bureaucratic apparatus which previously services these families' housing needs will need to be dismantled'. The ultimate objective was that 'the bottom third of the market' — public housing tenants — were to be 'released from bureaucratic control'. They would own properties that they would be free to trade at 'real market prices', and 'the economy [would be] stimulated by the freeing up of resources inefficiently deployed'.<sup>58</sup>

This vision of the future for the lower segment of the market was pure fantasy. In early 1997, the Director of Housing had publicly promoted large-scale privatisation of public housing as the solution to a host of management problems. Yet, for those at the bottom of the housing market, he had admitted, the choice was stark. 'There is almost no private sector accommodation for rent other than in the oldest, most dilapidated properties, in bed-space apartments and the like, or in squatter shacks. That is where most of our tenants come from.'<sup>59</sup> How could it be imagined that this group could benefit from commercialisation of the Housing Authority and the Housing Department? A decade later, the failure of business-based policies could no longer be concealed. The numbers living in unsafe and illegal premises were increasing, as was earlier explained, which the minister responsible attributed, at least in part, to market forces. The enthusiasm among officials for private sector solutions had always been unrealistic. The private sector was simply incapable of replacing the government, as Tung Chee Hwa himself had admitted in 2001.<sup>60</sup>

### **Protecting Investors**

The long-term housing problems of Hong Kong involved 'market failure'. Bank of China senior economist, Wang Chunxin, had warned in 2003 of long-term 'market malfunctioning'.<sup>61</sup> Furthermore, the private sector had already shown itself incapable of providing the community with better homes. Their quality had barely improved, he noted, no matter how high property prices rose or how fast the economy grew. Between 1989 and 2001, per capita GDP doubled, he pointed out, but the average private flat recorded only 'a meager increase' in size.<sup>62</sup>

Officials, nevertheless, liked to justify their decision to get out of the housing market as a measure to protect investors. The sentiment 'always on our mind when we frame our housing policy', said Tsang Yam-kuen while still Financial Secretary, is that 'for the ordinary family including mine, the purchase of a home is the single most important investment made in a lifetime'. As a result, he went on, 'We want to feel confident that this home will be a good investment for our own future and a store of value which we can pass onto our children.'<sup>63</sup> As a result, he decided that the HOS scheme should be abolished although it had proved an invaluable ladder in enabling families to move from being public tenants to owner-occupiers, first in the public and then in the private sector.

In 2001, he declared the HOS was a threat to property values. His statement was to form the basis of housing policy for the next ten years. He wished to end 'a situation where government subsidised ownership housing competes unfairly with the private sector market' and adversely affected 'the wealth of all home-owners who represent half of the households in Hong Kong'. The time had come, he declared, for 'ridding ourselves of inefficient and interventionist elements in our public housing programmes'.<sup>64</sup> The data produced in support of this attack on public housing were not convincing.<sup>65</sup> Not surprisingly, therefore, the announcement that 'heavily subsidised HOS' would no longer 'crowd out private housing in a slow market' did not provide an instant cure for the property sector's woes.<sup>66</sup>

The public did not accept the government's condemnation of HOS as a threat to property values. With the greatest reluctance, officials eventually conceded that the community wanted the programme reinstated, and in 2010, it was announced that 'on balance, there was support for subsidising home ownership'.<sup>67</sup> The following year, the first tentative steps were taken to revive this policy.



### Limited Quality Control

Poor quality is a legacy from which both the public and private sectors have suffered. When officials were called to account for the construction scandals in public housing estates recounted above, they claimed that quality control had been an unrealistic goal in the 1960s and sub-standard construction had been almost impossible to avoid. 'The building industry suffered from severe water restrictions, shortage of cement, a temporary ban on the use of explosives and a shortage of skilled construction workers,' a senior official stated. The government's overriding aim had been 'to produce the largest possible number of units to meet the pressing housing need within the limited resources then available'. 'The tender prices for these buildings were . . . substantially lower than those for other building works,' he went on, and 'one gets what one pays for,' although he denied that it had ever been 'the Government's intention that safety should be compromised'.<sup>68</sup>

Subsequently, maintenance of public housing started to deteriorate once privatisation measures got underway. In 1999, Housing Authority tenants were made responsible for hiring their own contractors to carry out repairs with the result 'that many tenants had allowed defects inside their flats to deteriorate' and 'minor items' became 'major maintenance issues'. A significant problem was that tenants often faced 'difficulties in procuring [repair] services in the market', an official explained. In the case of the elderly and tenants with disabilities, the Authority accepted that they could not be expected to take responsibility for maintenance. The market, once again, had failed to provide a solution, and in 2006, the Authority resumed responsibility for repairs.<sup>69</sup>

The private sector fared far worse. This century's crisis started with a decision 50 years earlier to lift the restrictions on erecting buildings with more than five storeys.<sup>70</sup> Hong Kong's familiar multi-storey, mass housing then got underway, and by 1959, a single development project was offering for sale almost 1,000 units as small as 517 square feet.<sup>71</sup> These early buildings had no specific design life, a URA report stated, and 'they are more prone to rapid deterioration' because they 'contain low strength concrete'. The indications were that at least 30 per cent of the properties built in the 1950s were in 'poor' condition by 2009.<sup>72</sup>

The government's building professionals had become seriously alarmed about the private sector in the 1990s, and a number of schemes were launched from 1998 onwards to eradicate dangerous and illegal conditions in privately owned buildings.<sup>73</sup> These efforts were very limited, however, as the minister responsible later confessed.<sup>74</sup> The underlying strategy was sensible but underestimated the scale of deterioration that would need government intervention to overcome.<sup>75</sup> In

parallel, a separate campaign was launched to counter dilapidation by tackling what were regarded as the most dangerous hazards:

- 'unlawful building works', since these evaded statutory requirements and government monitoring and were often undertaken by individuals with no trade or technical qualifications; and
- illegal rooftop structures, especially where these provided no safe escape routes in case of fire.

Between 2001 and 2011, some 400,000 unlawful building works had been removed, and the most dangerous illegal roof top structures had gone. But another 400,000 had been identified and still remained to be remedied, while legal orders to remove a further 52,000 had been ignored by property owners. In the meantime, a new hazard had been created: the growing trend to sub-divide and rent out premises in older buildings with no regard for health and safety standards. The result was accidents with serious loss of life.<sup>76</sup> Multiple-ownership proved a serious obstacle to enforcing basic fire safety measures, especially in buildings not designed originally for exclusive use as living accommodation, and the government felt unable to rigorously enforce the legislation despite the potential danger to their occupants.<sup>77</sup>

These campaigns removed only the most visible dangers and promoted the most urgent repairs and immediate maintenance. The full dimensions of the mounting crisis only started to receive the official exposure that they warranted when the URA began a protracted drive to expose the desperate conditions which Hong Kong's slum population was forced to endure. By 2010, the government had followed the URA's lead and was denouncing 'dilapidated concrete', 'illegal alterations to internal building structure' and general disregard for building legislation as 'urban time bombs waiting to strike and cause injuries and fatalities'.<sup>78</sup>

### **Buyers Beware**

The property sector was a glaring example of how business came first in Hong Kong with no regard for social costs. Developers had long enjoyed extraordinary market advantages which were reinforced by the absence until 2012 of a competition law. In 1987, the nine largest developers had supplied 48 per cent of new private residential housing. By 1991, their share had risen to 84 per cent. The industry was also becoming dominated by the largest firms. Between 1991 and 1994, four developers supplied 55 per cent of the new units, with a single developer producing 26 per cent of the total.<sup>79</sup>



The price of private sector flats rose so rapidly that they were 'beyond the reach of the average family', the colonial administration had admitted.<sup>80</sup> Between 1985 and 1994, the annual average price increase was 23 per cent, far outstripping the annual inflation rate of 8 per cent. The property market was in the hands of a very small number of players who were able to generate exceptional profits by the standards of other listed companies. The only countervailing force in this monopolistic situation was the public housing programme. After the government had finally withdrawn from the property market in 2002, the annual increase in property prices until 2011 was 19 per cent. The annual inflation rate in this period was less than 2 per cent.

Developers have enjoyed an additional advantage in protecting their interests in this century. They were able to block the introduction of statutory measures to protect the consumer. The legal right to full disclosure of all the information that a buyer needed in order to make an informed choice was taken for granted for everything from insurance policies and financial products to vegetables and air-conditioners. But not for new flats. In Hong Kong, sales of uncompleted residential properties have been standard practice and a crucial source of funding for developers since the 1950s. After a 1958 scandal, the government introduced measures to protect purchasers of uncompleted properties from fraud and insolvency on the part of developers and lawyers,<sup>81</sup> and attempts by developers to circumvent these procedures were not tolerated.<sup>82</sup> Some 30 years later, a new danger surfaced for prospective buyers because of what a Legislative Council document called 'rampant' problems such as 'inaccurate size of the property, misleading descriptions of fittings and finishes, sketchy layout and location plans'.<sup>83</sup>

In the 1990s, a campaign began to stamp out these abuses and introduce modern legislation to protect the public. Draft legislation emerged in 2000 but was not enacted.<sup>84</sup> In 2005, the government excused its inactivity on the grounds that 'the self-regulatory regime had struck a proper balance between protecting consumers' interests and providing an environment conducive to business development'.<sup>85</sup> The public was being asked to trust the property developers.

Officials continued to reject calls for legislation despite substantial evidence that the buyers were still at serious risk. The government entrusted the Real Estate Developers Association (REDA) with the enforcement of voluntary self-regulation even though not all developers were members of REDA, which, in any case, lacked the power to eject members for malpractice or misconduct. The Financial Secretary tried self-regulation again in 2009 with 'nine new enhancement measures' for the sale of new residential property. Complaints about abuses mounted, however, and the government was finally forced to legislate. But the

developers managed to postpone the date on which legislation would finally come into force until 2013. And even then, several displayed considerable reluctance to comply with the new regulations.<sup>86</sup>

The truly shocking feature of this reluctance to protect home-buyers was the ample evidence of how vulnerable the public were to exploitation in the Hong Kong property market. The community was deliberately left unprotected by the government for almost 20 years after the costs to the community of the monopolistic state of the market had been revealed.<sup>87</sup> The Law Reform Commission had identified how to end the abuses in 2001.<sup>88</sup> It was not just the consumer who was at risk from the lack of competition in the property sector. Hong Kong's financial system was in danger. The Chief Executive of the Hong Kong Monetary Authority warned in 2005 that 'the structure of the market itself, in which there is a virtual oligopoly in the supply of property' endangered the stability of Hong Kong's financial markets.<sup>89</sup>

### **Conclusions**

Nowhere is the community more at the mercy of history than in its housing. The mistaken policies of the past and the defects in quality and design were literally built to last, even in the construction of the cheapest accommodation. This chapter has illustrated how Hong Kong's current housing standards are tolerable only by comparison with the dreadful conditions in which much of the adult population grew up. Squalor and high densities of occupation, however, become less and less tolerable for any ageing population no matter how primitive was the sanitation and how squalid the living environment endured by the elderly during their childhoods.

Most of the housing stock was built originally to accommodate individuals who were fit, active, mobile and away at work or school for much of the day. For individuals whose mobility is limited and for whom privacy is essential for sleep, for toilet and self-care, the average housing unit in this century — in both the public and private sectors — is uncomfortable and sometimes dangerous. The younger generation is also at risk. As they enter their teens, they too need space and a measure of privacy, partly because of the social expectations of this century but also for them to function effectively under the modern education system with its emphasis on self-study. Young people who wish to set up their own homes face additional obstacles. So scarce has been the available supply of public housing that the best the government could suggest in 2011 was to encourage NGOs to expand the supply of hostel places at reasonable rentals for the under-30s. This short-term remedy was endorsed by the third Chief Executive in 2012. The hostel places, it was made clear, 'were not meant to provide permanent accommodation'.<sup>90</sup>



A principal defect in official policy-making was the failure to see housing in terms of people's homes, this chapter has argued. Instead, housing was all about assets, values and prices. Private owners were assumed to have a strong financial incentive to maintain their property. Similarly, it was assumed by the Housing Authority that comparable incentives could be created in the public sector. Maintenance has proved unsatisfactory in both sectors. The damaging consequences of these mistaken assumptions are conspicuously on view in the dilapidated state of so many buildings.

The focus should have been on ensuring the quality of the home. The case for insisting that building maintenance and repair were treated as urgent priorities could then have been made in terms of providing a safe and healthy living environment. Instead, the priority was how to maintain orderly queues for the limited supply of public rental housing, for which the principal qualification was low income rather than the need to be removed from unfit living accommodation. The definition of need was subordinated in this century to political convenience, this chapter has shown, just as it was when squatters were denied adequate water and sanitation half a century earlier. Individuals and families have been permitted to remain in buildings which were unhealthy and dangerous because, after 2002, officials found it inexpedient to give them priority over others with low incomes whose applications to join the Housing Authority's waiting list for tenancies had already been approved. This policy was maintained, this chapter has recounted, because private sector accommodation, however dangerous, was seen as an appropriate market solution for the personal situations of these individuals.

There was an obsession within the government about the market's merits and a reluctance to perceive its limitations or to recognise its failures. It was astonishing that the government in this century has been so insistent that the solution of Hong Kong's housing problems (except for the needy) should be left to market forces without 'unfair' competition from the government. And yet, officials intervened in the stock market to rescue developers (and other listed companies) when values slumped in 1998. Furthermore, developers benefited from delays in enacting legislation to ensure that the property sector conformed to the same principles of fair competition and consumer protection that applied to almost every other business in Hong Kong.

The inescapable conclusion of this chapter is that market failure has overtaken the property sector. The property market has yet to show that it will ever be able to ensure that supply and demand at least approach equilibrium. In addition, the market cannot be trusted to operate in an orderly manner that will not endanger Hong Kong's financial stability. Hence, the frequent intervention by monetary officials to limit mortgage business.

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The other unhappy conclusion is that there can be no early end to Hong Kong's housing crisis, either in terms of supply or maintenance. The government's exit from housing was so total that nothing was left of the machine that had formerly provided public housing for over three million people and had created a reserve land bank sufficient to meet demand for several more years. This structure had been denounced as 'bureaucracy' by senior officials and laid waste. It was not to be mourned until a decade later when the third Chief Executive hoped to revive the housing vision of his original mentor, Tung Chee Hwa. In 2013, Leung Chun-ying discovered that starting from scratch, the process of 'land planning and consultation procedures, as well as design and build' would take five years to complete so that the annual output of public housing would be more or less static until 2018 at 'the earliest'.<sup>91</sup> 'The housing problem has now become as bad as or even worse' than in the 1950s, according to Mrs Elsie Tu, one of the most formidable critics of British colonial rule.<sup>92</sup>

### Notes

1. Leung Chun-ying, Chief Executive, *Hong Kong Hansard (HH hereafter)*, 16 January 2013, p. 4907.
2. MDR, 'Survey of Housing Aspirations of Households (1999) Prepared for Planning Department. Executive Summary' (Hong Kong: 1999), pp. 3–5.
3. *Homes for Hong Kong People into the 21st Century* (Hong Kong: SAR Government, 1998), p. 31.
4. UN-Habitat, *The State of the World's Cities Report 2006/2007: 30 Years of Shaping the Habitat Agenda* (London: Earthscan, 2006), 'Table 1: Population of slum areas at mid-year, by region and country; 1990, 2001 and slum annual growth rate', pp. 181–2; 'Table 2: Slum population projections, 1990–2020', p. 193.
5. There were relatively few public housing tenants with less than 59 square feet per head by 2012. The criterion itself is significant as an indication of the minimalist standards still used to define adequate housing in this century. Transport and Housing Bureau, 'Panel on Housing, Subcommittee on the Long Term Housing Strategy, Measures to Maximize the Rational Use of Public Rental Housing Resources' (CB(1)600/12–13(03), February 2013), p. 4.
6. Tung Chee Hwa, Chief Executive (designate), *Government Information Services (GIS hereafter)*, 21 March 1997.
7. Examples of MacLehose's detractors, critics and admirers are Mary Lee, 'Hongkong: And the Plans Came Tumbling Down', *Far Eastern Economic Review*, 30 March 1979; Joseph Y. S. Cheng, 'Goals of Government Expenditure in a Laissez-Faire Economy: Hong Kong in the 1970s', *Asian Survey*, Vol. 19, No. 7 (July 1979), pp. 697–8, 701, 704; Paul Wilding, 'Social Policy and Social Development in Hong Kong', *Public and Social*