

Mr President, Honourable Members and fellow citizens,

I. Introduction

Vision

1. Hong Kong people are hardworking, tenacious and earnest. We have an enterprising, dedicated and law-abiding spirit. Our civil service is outstanding, efficient and clean. We have an independent judicial system, and excellent law and order. As well as sophisticated transport systems and telecommunications networks, we are also endowed with close and extensive connections with the Mainland and abroad. These are the distinct advantages of Hong Kong.

2. The broader environment in which we operate is also highly favourable. We have strong backing from our country for our development. The Asia-Pacific region outpaces the West in terms of economic growth. The rapid growth of the Mainland and its reform and opening up will continue to bring new opportunities.

3. As long as we can capitalise on these advantages and opportunities, Hong Kong will go from strength to strength. As long as we keep focused on development, avoid feuds and strive for results, Hong Kong will be able to sustain its economic growth. As long as we have a proactive government and well-planned industrial policies, people from different backgrounds will have the opportunities to realise their potential, and young people will be able to put their learning to good use. With sustained economic growth, we will be able to properly address our housing, poverty, ageing population and environmental problems.

4. With the wisdom and the will to make the right choices and decisions, and comprehensive and long-term planning for land use, we can provide a better living and working environment for the people of Hong Kong. New business

ventures and expansion will no longer be constrained by cost for premises. If we are all willing to go the extra mile, we can make Hong Kong a more liveable city with lush countryside, fresh air and a clean environment.

5. As long as the housing shortage persists, we have no alternative but to restrict external demand and curb speculative activities. Similarly, for other areas prone to shortages, I will put Hong Kong people first.

6. To develop a knowledge-based society, I will take practical steps to provide free and high-quality kindergarten education and enhance primary and secondary education so that our young people have a variety of quality study pathways with multiple entry and exit points. We will also promote lifelong learning to further raise the quality and competitiveness of Hong Kong people.

7. The measures we adopt to attract or restrict people from other places to reside in Hong Kong must be determined with regard to the overall interests and needs of the community at large. We must carefully deal with the impact that some 200 000 babies born to non-local parents may have on Hong Kong.

8. Hong Kong culture is a unique fusion of Chinese and western influences. We will strive to promote our arts and cultural development and related industries with local colour to enrich our lives and raise our city's profile in the Mainland and abroad.

9. We will uphold our core values, implement "One Country, Two Systems" in accordance with the Basic Law, and properly manage the relationship between Hong Kong and the Mainland.

10. Hong Kong has reunified with our motherland. Under the principle of "One Country, Two Systems", Hong Kong people administer Hong Kong with a high degree of autonomy. As a Special Administrative Region of our country, we receive strong and steadfast support from our country. Capitalising on the advantages of "One Country, Two Systems", we have not only

opened up the vast Mainland market as our economic hinterland, but also enhanced Hong Kong's status as an international hub of financial services, trade and shipping. We have made gradual and orderly progress in our democratic development in accordance with the Basic Law and relevant decisions of the Standing Committee of the National People's Congress (NPC). Therefore, upholding the sovereignty of our country and the authority of the Basic Law is in the overall and long-term interests of Hong Kong. It is also the responsibility of every Hong Kong citizen.

Underlying Considerations

11. This Policy Address presents the annual work plan of the Government. It also sets out our long-term blueprint and objectives for Hong Kong. In drawing up and implementing this blueprint, I have taken into account the following four factors. First, the deep-seated problems of Hong Kong cannot be solved overnight. But we need to grasp the nettle and take the first step to deal with them. Second, we must act proactively to address the concerns of the people promptly. I have already rolled out an array of major policies over the past six months instead of withholding them for the Policy Address. Third, the Government is determined to deliver results. But we must act with one heart and one vision to tackle these problems. Fourth, some decisions which are fiscal-related will be announced by the Financial Secretary in the Budget.

A People-oriented Government

12. The number of people aged 65 or above in Hong Kong will surge from 940 000 to 2 560 000 within 30 years. An ageing society will pose challenges to our economic and social development and put new demands on public services and public finance.

13. Given our limited land resources, the Government must take into account capacity issues when formulating population and other related policies. The Government serves Hong Kong

people and our objective is to safeguard their interests first and foremost. We must manage immigration properly to avoid negative impacts on our livelihood; accord priority to developing the potentials of Hong Kong people; and provide more opportunities for young people, women and the elderly to join the workforce to enhance our productivity. Our objective is to make the best use of our local talent pool and, when necessary, take in immigrants to make up any shortfall. For new arrivals who settle in Hong Kong, regardless of their ethnicity, Hong Kong is their home. We must help them integrate into our community.

14. Babies born to non-local parents will add pressure to our medical, education and other services. The policy of no delivery bookings of pregnant Mainland women whose husbands are not Hong Kong residents has borne fruit. Cases of non-local women in labour gate-crashing hospital emergency wards have come under control. Last month there were just 19 such cases. I have decided to maintain the “zero delivery quota” policy for expectant Mainland mothers whose husbands are not Hong Kong residents. At the same time, the Government will seek to tackle the root of the problem by legal means.

Addressing People’s Pressing Needs

15. My team and I have taken expeditious actions to address the most pressing needs of the community. Over the past six months, we have dealt with, and made plans to solve, problems related to economic development, housing, poverty and people’s livelihood.

16. On the economy, I have set up preparatory task forces for the establishment of the Economic Development Commission (EDC) and Financial Services Development Council (FSDC) to identify areas for Hong Kong’s further development.

17. In light of the public’s grave concern over housing, the Government has introduced a series of short to medium-term measures, including introducing a Buyer’s Stamp Duty and

increasing the Special Stamp Duty rate, advocating “Hong Kong property for Hong Kong people”, increasing land supply, allowing applicants with White Form status to purchase Home Ownership Scheme flats with unpaid premium, and building youth hostels. The new Long Term Housing Strategy Steering Committee has started to explore and formulate the long-term housing strategy.

18. With regard to people’s livelihood, we have re-established the Commission on Poverty. We have also undertaken a variety of initiatives, including introducing ahead of schedule a standard concessionary fare of \$2 for the elderly and eligible people with disabilities to travel on buses. We have enhanced the Work Incentive Transport Subsidy Scheme. We have also increased the subsidy under the Elderly Health Care Voucher programme. The new Old Age Living Allowance scheme will be implemented. We have launched the Universal Accessibility Programme to retrofit lifts to footbridges in various districts. We have earmarked \$200 million for improving several thousand hawker stalls across Hong Kong. We will also set up a new outdoor bazaar in Tin Shui Wai. These examples demonstrate the determination of the current-term Government, with the support of our civil servants, to meet public aspirations as promptly as possible.

II. Economic Development

19. Sustained economic growth is a prerequisite for us to tackle housing, poverty, ageing population, and environmental problems. Promoting economic development is therefore the primary goal of the Government. During my term, I am fully committed to the principle of keeping expenditure within the limits of revenues, and to maintaining a business-friendly environment with a simple and low tax regime.

Role of the Government

Appropriately Proactive Governance

20. To promote economic development, the Government must be “appropriately proactive”. The Government should refrain from intervention when the market is functioning efficiently, except to ensure a level playing field. But in cases of market failure, the Government must take appropriate action to address the problem. In the past six months, we have taken such actions in a proactive manner. To address housing shortage, we have introduced and implemented the policy of “Hong Kong property for Hong Kong people” to give priority to the needs of local home buyers over non-Hong Kong residents. We have also introduced the Buyer’s Stamp Duty and, through administrative means, disallowed delivery bookings for expectant Mainland mothers with no ties to Hong Kong. These measures are examples of “appropriately proactive” governance. They have received public support and started to deliver results.

Economic Policy

21. There are currently two major trends in economic development. First, the global economic gravity is shifting to the East. Second, the implementation of the National 12th Five-Year Plan will usher in a new wave of development for the Mainland economy.

22. The National 12th Five-Year Plan explicitly supports Hong Kong in reinforcing and enhancing its status as an international financial, trading and shipping centre. Over the past three decades, we have contributed significantly to the resounding success of the Mainland's reform and opening up. Hong Kong has also benefited from this national achievement. Our competitive edge, together with Government's "appropriately proactive" approach, makes Hong Kong well placed to diversify its industries to meet the needs of our people for start-up initiatives, investment, business operation and employment. We must deepen and expand our industries. For deeper development, we must play to Hong Kong's strengths to increase business volume. To expand development, we must diversify the products and services of our existing industries, and identify new areas for development.

23. Our goal is to formulate a holistic industrial policy. I will soon announce the establishment of the EDC. From a high-level, cross-departmental and cross-sectoral perspective, the EDC will explore ways to make use of our long-standing advantages and the opportunities offered by our country. It will focus on efforts to broaden our economic base, work on the overall strategy and policy to enhance our long-term development, and identify industries which present opportunities for Hong Kong's further economic growth. Under the EDC, Working Groups on Transportation, Convention and Exhibition Industries and Tourism, Manufacturing Industries, Innovative Technology and Cultural and Creative Industries, and Professional Services will be set up to make concrete recommendations to the Government.

Economic and Trade Relations with the Mainland and Overseas Countries

Hong Kong and the Mainland

24. The Government will strengthen Hong Kong's external trade and economic co-operation. For the Mainland, we will enhance G2G (Government-to-Government) co-operation and

enhance our economic partnership with provinces and municipalities in the Mainland on all fronts. Hong Kong will have a role to play as a “node” and part of a network for the Mainland. By “node”, I mean that Hong Kong will serve as an international financial centre and a business hub of our country. As “part of a network”, Hong Kong will foster its co-operation with other provinces and municipalities in the Mainland. We will also take full advantage of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

25. I proposed in my Manifesto that a new joint working group be set up under CEPA. We have reached consensus with the Ministry of Commerce on enhancing the existing mechanism for the implementation of CEPA by setting up an additional joint working group. The Mainland side of the joint working group will be led by the Ministry of Commerce, with participation of relevant Central People’s Government (CPG) ministries and municipal governments. The Hong Kong side will be led by the Trade and Industry Department. The joint working group will provide targeted assistance to sectors which have encountered relatively more entry barriers, according to the feedback from the sectors concerned, with emphasis on assisting small and medium enterprises (SMEs).

26. As neighbours, Hong Kong and Guangdong Province are mutually dependent and complementary to each other. As such, there is far-reaching strategic significance in enhancing and deepening our co-operation. The Government will seek to foster comprehensive co-operation between Hong Kong and Guangdong in the areas of finance, modern service industries, industry collaboration, international shipping, logistics, trade, convention and exhibition, tourism, environmental protection, building of a quality living area and social administration. We will achieve this through different measures including ensuring effective implementation of CEPA and leveraging the early and pilot measures for Hong Kong service industries to tap the Guangdong market. We will also take forward the Hong Kong/Guangdong Co-operation Framework Agreement. In addition,

we will promote better interface between the major transport infrastructure facilities of Hong Kong and Guangdong.

27. The CPG has adopted the “early and pilot implementation” approach in Guangdong Province to improve our service industries’ access to the Mainland market. This policy has proved successful in assisting Hong Kong in better capitalising on its advantages as a platform to provide funds, talents and technology to the Mainland. During my duty visit to Beijing last month, I proposed to the CPG that this approach be extended beyond Guangdong Province to other provinces and municipalities in the Pan-Pearl River Delta region. The proposal received positive feedback from the CPG. We will take forward the proposal with the relevant CPG ministries and provinces as soon as possible.

28. Currently, the Government has four offices in the Mainland: in Beijing, Guangdong, Shanghai and Chengdu. To take advantage of the rapid economic development in the Mainland’s central region, we propose to set up another Economic and Trade Office (ETO) in Wuhan. We are also looking into the feasibility of setting up liaison offices in various other cities.

29. Meanwhile, I have requested our Mainland offices to enhance their functions. First, every office will have dedicated staff to strengthen liaison with Hong Kong people and groups in the Mainland, and provide them with information and assistance as far as possible. Second, a new Immigration Division will be set up in the Chengdu ETO, in addition to those in our Beijing Office and the Guangdong ETO. Third, we will step up our efforts in conducting policy research and gathering data related to Hong Kong people in the Mainland to better gauge their situation and service needs. We will also analyse the opportunities and challenges for Hong Kong people arising from national policies. Fourth, to strengthen “homeland relationship”, we will enhance communication and publicity targeted at all sectors in the Mainland. In parallel, to provide stronger assistance to Hong Kong people and enterprises in the Mainland,

we will study ways to rationalise the working relationships between the offices of the HKSAR Government and those of statutory bodies, including the Hong Kong Trade Development Council and Hong Kong Tourism Board, in the Mainland.

30. We will re-organise the Greater Pearl River Delta Business Council. The Council will be renamed the “Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland”. Its expanded terms of reference will cover economic and trade issues between Hong Kong and all regions in the Mainland. It will make policy proposals and suggest implementation strategies for strengthening economic and trade co-operation between Hong Kong and the Mainland, including measures to assist Hong Kong enterprises in tapping the Mainland market.

Hong Kong and Overseas Countries

31. Hong Kong is an externally-oriented economy. The Government will maintain ties with our trading partners and related international organisations around the world in order to expand our markets. We will strengthen economic and trade exchanges with emerging markets and participate actively in the World Trade Organisation’s negotiations to create a more favourable trade environment. We will also endeavour to enter into more free trade agreements with our trading partners. We are seeking to join the China–ASEAN Free Trade Area so that our goods, services and investments can access the ASEAN market under more favourable conditions.

32. We will also pursue Investment Promotion and Protection Agreements with overseas countries. This will help secure better protection of overseas investments by Hong Kong business people and attract foreign investors to Hong Kong. We have agreed with Russia and Chile respectively to negotiate such an agreement and will strive for early conclusion of the negotiations.

Development of Industries

33. I will now highlight the development of some major industries.

Financial Services Sector

34. The National 12th Five-Year Plan specifically states our country's support for Hong Kong's development as an offshore Renminbi (RMB) business centre and an international asset management centre. Under "One Country, Two Systems", Hong Kong is an ideal "testing ground" for steady market reforms of our country's interest rate and exchange rate regimes, and its gradual realisation of the RMB capital account convertibility. In the space of just a few years, Hong Kong has become the largest and most liquid RMB business centre outside the Mainland. We will consolidate and expand our offshore RMB business, especially in the areas of cross-border RMB trade settlement, and issuance of offshore RMB bonds and securities products.

35. The Asian region has seen the fastest wealth growth globally. We will consolidate our leading role as the asset management centre in the Asia-Pacific region, and strive to develop Hong Kong into a more comprehensive fund and asset management centre.

36. While consolidating our traditional strengths, such as providing a platform for initial public offerings, we will also look out for new growth areas, one of which is the development of the commodity futures market. Hong Kong is also set to play a crucial role in the internationalisation of the Mainland's commodity futures market, given the Mainland's huge demand for commodities and the gradual internationalisation of its commodity futures trade.

37. In order to achieve these targets, I will establish the FSDC as proposed in my Manifesto immediately. It will provide a high-level and effective platform for stakeholders to explore ways to complement the internationalisation of the financial market of our country. It will also help facilitate the further development of

Hong Kong's financial services industry, including advising the Government on areas related to diversifying the financial services industry and enhancing Hong Kong's position and functions as an international financial centre of our country and in the region.

Business and Professional Services

38. CEPA provides preferential treatment for our business and professional services sector to enter the Mainland market. To achieve the goal of basically liberalising trade in services between the Mainland and Hong Kong by the end of the 12th Five-Year Plan period, the Government and the relevant CPG ministries have embarked on studies with a view to formulating as soon as possible a specific work plan. The further opening up of the Mainland's services market to Hong Kong will facilitate our businesses and professionals to expand their presence in the Mainland.

39. "One Country, Two Systems", the rule of law and the advantages of CEPA stand Hong Kong in good stead in promoting arbitration and mediation services. The International Court of Arbitration of the International Chamber of Commerce, the China International Economic and Trade Arbitration Commission and the Hague Conference on Private International Law have all set up their regional offices in Hong Kong. We will strive to further attract suitable international legal organisations as well as arbitration and mediation institutions to set up offices in Hong Kong. This will enhance our position as a legal services hub in the Asia-Pacific region and strengthen our role as an international legal services centre, in turn promoting our economic development. Apart from recently forming the Steering Committee on Mediation, the Department of Justice will vigorously promote our arbitration and mediation services in the Mainland and abroad through various channels.

International Shipping Centre

40. In the National 12th Five-Year Plan, the CPG has made clear its support for Hong Kong to reinforce and enhance its

status as an international shipping centre. I would like to emphasise that the concept of “shipping centre” covers both aviation and maritime transport. We will continue to improve our aviation, maritime and land transport facilities and their connectivity, and reinforce and enhance Hong Kong’s role as a regional hub for passenger and cargo traffic.

41. We will build on the strengths of our existing terminal business to develop our international maritime services. The business environment in Hong Kong is highly globalised with a sophisticated financial system, robust legal system and deep pool of well qualified professionals. The development of affiliated maritime services in Hong Kong has been gaining momentum in recent years. These include ship management, shipping agency, ship finance, marine insurance, ship registration and legal services. We will take account of recommendations in a consultancy study to be completed later this year as we seek to reinforce the maritime service cluster and develop high value-added maritime services. This is an example of how we may “expand” our industries.

Industries Where Hong Kong Enjoys Clear Advantages

42. When the previous-term Government suggested promoting the six industries where Hong Kong enjoyed clear advantages, the proposal gained support from the community. In promoting the industries over the past four years, we have identified certain issues that need to be addressed. For example, our medical sector is facing manpower shortage, and the public is divided as to whether education services should be regarded as an industry. The need to meet local demand also clashes with the need to promote the growth of these two industries. The EDC will review the overall industrial development strategies and policies in order to draw up relevant proposals.

Innovation and Technology Industries

43. We attach great importance to the significant contribution of innovation and technology to the development of the economy and industries. There are a number of drivers for technological innovation in Hong Kong, including our rule of law, internationally acclaimed universities and sound intellectual property rights protection. The Government will focus on the development of the highly competitive sectors of the innovation and technology industries in light of Hong Kong's strengths. We will provide software and hardware support; foster co-operation among the Government, industry, academia and research sectors; forge closer collaboration with the Mainland; and inject additional resources when necessary. All these will be conducive to the commercialisation of research and development results, which will in turn give impetus to the development of the industries.

44. In the National 12th Five-Year Plan, development of innovation and technology is elevated to a very important strategic level with explicit support given for Hong Kong to develop emerging industries. We must seize the opportunity to build more platforms for enhanced scientific research collaboration between the Mainland and Hong Kong, so as to help the Mainland's technological enterprises to "go global" and attract foreign investment. This will also entice more technology enterprises to set up offices in Hong Kong.

45. Universities have always been a major cradle of innovation and technological development. We will work with them to promote their research and development results. We are examining the future positioning of the patent system in Hong Kong, and will map out the way forward in the near future. We also plan to set up a working group to study the overall strategy for promoting Hong Kong as a hub for intellectual property trading. The working group will comprise Government representatives, industry stakeholders, and experts from different fields.

Testing and Certification Industry

46. Testing and certification is an industry with good development potential and a sector where we enjoy a clear advantage. Over the years, the industry has established a good foundation, based on a robust accreditation system, high professional standards and an excellent reputation. CEPA provides another favourable factor for the industry in that it allows testing laboratories in Hong Kong to undertake testing in collaboration with designated Mainland certification bodies of products processed in Hong Kong for the China Compulsory Certification System. All these make Hong Kong well positioned to develop into a major testing and certification centre in the region.

47. The Government will focus promotion efforts on six selected industries with potential demand for testing and certification services, namely, Chinese medicine, construction materials, food, jewellery, environmental protection and information and communications technologies.

Development of Small and Medium Enterprises

48. SMEs are the pillar of our economy. With the support of the Small and Medium Enterprises Committee, we have launched various multi-level support programmes for SMEs in different areas, such as loan guarantee, expanding export markets, export credit insurance, upgrading and restructuring, brand development, start-up support, technology research and development, and patent application. The Hong Kong Productivity Council set up the “SME One” in 2012 to promote these programmes and explain programme details to SMEs. We will continue to strengthen our communication with SMEs and render them more support in a timely manner. SMEs have massive potential in tapping the Mainland market but often encounter obstacles in doing so. We will attend to this priority issue. The Government will continue to help SMEs tap the Mainland market by various means, including effective use of

the Dedicated Fund on Branding, Upgrading and Domestic Sales, and supporting Hong Kong business associations in establishing sales and promotion venues in the Mainland for building the Hong Kong brand.

III. Housing and Land Supply

Challenge, Unity and Choice

49. Hong Kong is hilly and surrounded by water. Land is a scarce resource. Hong Kong people have levelled hills and reclaimed land from the sea to develop a cityscape dominated by skyscrapers and a financial centre. We have built bridges across valleys and tunnels under the sea, with highways criss-crossing Hong Kong. We have risen to the challenge and turned Hong Kong into a modern, safe, convenient and liveable metropolis. This is the remarkable success story of Hong Kong.

50. We must turn a new chapter in our success story, despite the many difficulties that may lie ahead. We cannot afford to stand still in this highly competitive world. To stand still is to fall behind, and that could leave us out of the game altogether.

51. In recent years, our 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.

52. 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.

53. After the deadly fire in Fa Yuen Street, I visited a mother and her daughter living in a sub-divided flat in the vicinity. I met a youngster who slept in a box suspended from the ceiling in a flat in Sham Shui Po. I have also been told that in some factory buildings with high ceilings, the space of a storey has been converted into three-tier wooden domestic cubicles. These places are beset with problems such as poor water supply, inadequate sewage facilities, poor ventilation and, in some cases, no natural light. The problems go deeper than the need to rent living space

due to unaffordable property prices. And it is not just a matter of living in older or smaller homes. There are hygiene, health, and even safety concerns. Residents in these cubicles include both new immigrants and long-time residents of Hong Kong. Their plight has cast a dark shadow on our thriving city.

54. In the 1970s and 1980s, hillside squatter huts and rooftop structures posed health and natural hazards. Today, cage homes, cubicle apartments and sub-divided units also pose serious fire and health risks. In the old days, our housing problem was out there to be seen. Nowadays, it is hidden indoors but no less serious.

55. In the past, to address our housing problem, we developed land extensively, built many new towns, and launched large-scale public housing projects. We are proud of this success story. Yet today we see undergraduates applying for public rental housing (PRH), and the number of Waiting List applications has exceeded 200 000. Do we have the same resolve to confront today's housing problem?

56. The top priority of the current-term Government is to tackle the housing problem. We recognise that problems stemming from property prices and rental, cage homes, cubicle apartments and sub-divided units cannot be solved overnight. But we must acknowledge these problems, understand the gravity of the situation, and take the first step forward to resolve them. The Government will engage a research institution to assess the situation and to estimate the number of sub-divided units in Hong Kong. We recognise that to overcome the housing problem, the Government and I will encounter difficulties, obstacles, and resistance. We need your support, unity, and the determination in making viable choices.

Guiding Principle and Objectives of Housing Policy

57. Some people believe home ownership is not the only way for meeting accommodation needs: it can be met just as well by

rented flats. But I believe that home ownership by the middle class is crucial to social stability. The Government is therefore determined to uphold the principle of assisting grassroots families in moving into public housing and the middle-income families in buying their own homes.

58. Our policy objectives for housing are to (i) assist grassroots families to secure public housing to meet their basic housing needs; (ii) assist the public to choose accommodation according to their affordability and personal circumstances, and encourage those who can afford it to buy their own homes; (iii) provide subsidised home ownership flats on top of PRH so as to build a progressive housing ladder; and (iv) maintain the healthy and steady development of the private property market, with priority to be given to meet Hong Kong permanent residents' needs.

Current Housing Supply

59. Supply shortage lies at the heart of the prevailing housing problem. In the past five years, on average only 9 800 private residential flats and about 15 000 PRH flats were completed each year; the figure for Home Ownership Scheme (HOS) flats was zero. In other words, the public and private sectors on average produced only about 24 800 flats each year in the past five years. In mid-2012, the vacancy rate of private residential units was 4%, the lowest in 15 years.

60. With the concerted efforts of various departments, we have secured land for the development of about 75 000 new PRH flats over the five years from 2012-13 and about 17 000 HOS flats over the four years starting from 2016-17. The first batch of new HOS flats is scheduled for pre-sale next year. We have just put in place a scheme to allow 5 000 eligible White Form applicants to purchase on the secondary market in two phases HOS flats with premium unpaid. In a couple of months' time, we will put on sale about 830 remaining surplus HOS flats. The Greenview Villa project launched by the Hong Kong Housing Society (HKHS) will also provide 988 flats.

61. Regarding the private residential property market, we estimate that a total of 67 000 first-hand units should come on the market in the next three to four years, including units under construction but not yet sold or offered for sale, unsold units of completed projects, and units from disposed sites ready for construction.

62. Clearly, the total supply of public and private housing over the next five years will be higher than that in the past five years.

Increasing Supply of Subsidised Housing in Short to Medium Term

63. We will increase and expedite the supply of subsidised housing -

- (i) As a production target, the total supply of PRH will be at least 100 000 units over the five years starting from 2018;
- (ii) I have asked the Transport and Housing Bureau (THB) to review and expedite the construction of public housing flats without compromising quality, and find ways to simplify technical assessments under different regulatory requirements;
- (iii) I will invite the HKHS to build more subsidised housing. In view of the very favourable response to the Greenview Villa project, the Government has set aside a site in Sha Tin for the HKHS to develop a similar housing project. Another site in Sha Tau Kok will also be allocated for rental housing development. Together, the two sites will provide about 1 000 units;
- (iv) I have asked the Development Bureau (DEVB) and the THB to examine all projects in the pipeline to increase the plot ratio as appropriate;

- (v) The Housing Department will step up its efforts to combat the abuse of PRH resources. Together with the PRH flats surrendered voluntarily by tenants, on average a net number of about 7 000 units will be recovered every year. With another 15 000 or so new flats completed, there will be more than 22 000 PRH flats available for allocation a year;
- (vi) The first batch of 2 100 new HOS flats will be offered for pre-sale next year. In due course, PRH tenants who purchase HOS units will vacate their PRH flats, which will then be available for reallocation; and
- (vii) Since the latest income limit for subsidised housing is capped at \$40,000 a month, we believe that in future, the income limit for HOS flats should enable those who were previously eligible for the My Home Purchase Plan (MHPP) to become eligible under the HOS. As such, we have decided not to roll out any more projects under the MHPP. The four pieces of land in Tai Po, Diamond Hill, Choi Hung and Ma On Shan respectively, originally earmarked for the MHPP, will be used for new HOS development instead.

Long-term Housing Strategy

64. The Long Term Housing Strategy Steering Committee is conducting a comprehensive review of public and private housing demand, including the demand for rental housing and home ownership, and devising a new long-term housing strategy. Also, the Committee will assess the medium and long-term housing needs of different social strata and groups, set priorities and make long-term plans. The establishment of the Committee and other relevant government measures demonstrate unequivocally the Government's commitment and actions to resolve the housing problem. The Committee will publish a public consultation paper in mid-2013.

Guiding Principle and Objectives of Land Supply

65. Land shortage has seriously stifled our social and economic development and smothered many opportunities for people to start and expand their businesses. High housing prices and rents also affect young couple's plans to marry and start a family. This undermines family harmony and can cause potential safety and health hazards.

66. We need land for housing development; we also need land for elderly homes, students' hostels and venues for hosting sports, religious, arts and cultural events. Yet, if we roll out the map, we will clearly see that outside the country parks and areas of high conservation value, Hong Kong still has many tracts of undeveloped land and potential sites for reclamation.

67. We should bear in mind that public demand for land is generated as much from the surging population as from people's aspirations for more space to alleviate their cramped living conditions. Roughly, more than half of the private dwellings have a saleable area smaller than 50 square metres. Do we have the courage to make it our vision to improve the living space for the future generation?

68. The Government will continue to adopt a multi-pronged approach and step up its efforts to meet housing and other needs. For this purpose, we will increase the supply of land in the short, medium and long terms through optimal use of developed land and identifying new land for development at the same time.

69. We have adequate funding, sophisticated technology and feasible plans for increasing land supply. The only question is whether we can stand united with one vision.

70. In considering whether a site should be developed, the use of the site after development, or how to accommodate different views and aspirations in the process of development, we do not have any perfect option. We have to make real and difficult choices. Should we preserve the North East New

Territories as a rural area or develop it into a new town providing public rental housing, HOS flats, private residential flats and sites for different industries? In the Kai Tak Development Area, should we build a sports city or use the land for residential development? We must have the courage and resolve to make hard choices and decisions with the overall interests of the community in mind. The Government will strive to balance different interests when making choices. But the fact is that the community will never reach a full consensus over such issues. In fact, we cannot afford to, and should not, wait for a full consensus.

71. Land development is a long process. Yet, society's demand for land is subject to frequent and unpredictable changes. Failure to make timely adjustment in supply will trigger market fluctuations and other social consequences. To respond more flexibly to society's needs for land, the Government is determined to develop new land extensively and build up an abundant "land reserve" that can more than meet the short-term demand. That way, the reserve can be used to meet future demand in a timely manner.

72. Extensive land development takes 10 to 20 years. Our young people should recognise that the planning proposals and development options under discussion today are intended to address their future needs. It is all too easy for the Government to side-step the problem, but it is today's young people who will have to bear the adverse consequences in future.

Increasing Supply of Housing Land in Short to Medium Term

73. The Government will take a number of strong measures to increase housing land supply in the short to medium-term -

- (i) I announced in August 2012 that 36 sites, including Government, Institution or Community (GIC) sites and other Government sites, with an area measuring 27 hectares in total, would be used for housing

development to provide about 11 900 residential flats. Of these sites, 10 have been zoned or are going through town planning procedures for rezoning for housing development. Rezoning for the remaining 26 sites is expected for completion by 2016. This requires the support of the community in the relevant districts. We have made some progress and will continue to consult the District Councils. To identify more suitable land for conversion to residential use, the Planning Department (PlanD) will continue to review sites currently zoned for GIC uses and other Government sites;

- (ii) There are 13 sites in Green Belt areas, measuring 57 hectares in total, which are devegetated, deserted or formed and considered suitable for rezoning for residential use. Town planning process will commence in phases. For seven of the sites, the rezoning process will be completed by 2017 to provide some 13 500 units. The remaining six sites will be rezoned subsequently within a few years to provide some 9 500 units. I will ask the PlanD to expedite the rezoning process. Meanwhile, the PlanD is engaged in the next stage of Green Belt review, with the purpose of releasing more sites for housing development;
- (iii) In its last round of review of industrial land, the PlanD has identified a total of 60 hectares of land to be released for non-industrial uses. Sixteen sites measuring 30 hectares in total are considered suitable for rezoning for residential use. Among them, 13 have been completed or are undergoing the rezoning process and can provide about 14 600 units upon redevelopment. The PlanD is expediting the rezoning process for the remaining three sites with capacity to provide some 5 800 units. The PlanD will also conduct another round of review of industrial

land shortly with a view to increasing housing supply;

- (iv) The DEVB is working with the PlanD and other departments to increase the development density of unleased or unallocated residential sites as far as allowable in planning terms. I have also asked other government departments to take the same positive approach in handling applications from private residential developments for approval of higher development density, in order to increase flat supply as far as allowable in planning terms. Meanwhile, the Lands Department is reviewing land administration procedures and processes related to land grant and premium assessment to expedite land supply;
- (v) I have asked the policy bureaux to act decisively to optimise the use of land and, where the original intended use is not required anymore, to convert the land for housing development or other uses that meet the more pressing needs in the community as soon as possible. For example, as the HKHS has been unable to identify partners for its short term land use project in Tin Shui Wai Area 112, the Government is considering rezoning the land for residential, hotel or other suitable uses;
- (vi) We are actively considering relaxing or lifting a moratorium, which is an administrative measure, currently in force to restrict the sale of new land or modification to lease in Pok Fu Lam and the Mid-Levels, so as to lift development restrictions in these two areas;
- (vii) We will step up efforts to put into full play the integrated development of mass transportation and residential property, and take forward the planning for residential development at Kam Tin South West Rail Kam Sheung Road Station and Pat Heung

Maintenance Depot, with land of about 33 hectares in total estimated to provide about 8 700 flats. In addition, engineering studies will be conducted for the adjoining areas, totalling about 110 hectares, to identify land for public and private housing development. The Government will also explore vigorously the residential development potential of land along existing and planned railways;

- (viii) In the coming four years, the Urban Renewal Authority (URA) will supply approximately a total of 4.9 hectares of land under its development projects, which will be mainly used for residential development. It is estimated that about 4 700 flats can be provided. To address the aspirations of property owners and speed up the pace of urban renewal, I will invite the URA to forge ahead with its “demand-led” redevelopment scheme. To that end, the URA also set out to redevelop industrial buildings through a pilot scheme in October 2012, including redevelopment for residential purpose;
- (ix) Over the past three years, the Town Planning Board has approved 57 planning applications for residential development. Among them, two applications involved sites identified in the last round of review of industrial land for residential use. The other 55 applications involve a total of 130 hectares of land and are estimated to provide over 45 000 flats when the projects are implemented. The Government will, in the interests of the public, expedite the administrative approval procedures and take other corresponding measures so that these flats are made available as soon as possible; and
- (x) We will develop the former Diamond Hill Squatter Areas (Tai Hom Village), former Cha Kwo Ling Kaolin Mine, former Lamma Quarry and Anderson Road Quarry, which do not involve land resumption.

In order to expedite these four development projects, we will actively consider making use of private developers' capacity for development in providing infrastructure and ancillary facilities, and construction of public and private residential units on these sites. The four projects together are estimated to provide about 27 hectares of residential land for the construction of about 15 000 units.

74. The major sources of land for housing are land sale by the Government, sites earmarked for public housing development, redevelopment of public housing, private redevelopment projects, URA projects, and railway property development projects. The 10 measures just mentioned will increase and accelerate housing land supply. Seven of these measures already will make available over 300 hectares of land for housing, providing about 128 700 units in the short to medium term based on known developments.

Long-term Land Supply

75. The Government will take forward the following projects as soon as possible.

North East New Territories New Development Areas

76. According to earlier planning, the North East New Territories New Development Areas (NDAs) will provide about 533 hectares of developable land, including housing land for 53 800 units. This will be an important source of supply for public and private housing in the years to come. The first batch of residential units will be completed in 10 years. To meet public demands, we are actively studying the possibility of appropriately increasing the development density and proportion of public housing. We are also identifying sites for new HOS flats and taking forward, as appropriate, the "Hong Kong property for Hong Kong people" policy.

Hung Shui Kiu New Development Area

77. Following the North East New Territories NDAs, the Hung Shui Kiu NDA is our next major development project. With a study area of 790 hectares, this project can provide over 400 hectares of developable land according to preliminary assessment. We will step up the efforts to formulate a preliminary outline development plan for embarking on the next stage of public engagement.

Developing the New Territories North

78. Apart from the North East New Territories and Hung Shui Kiu NDAs, there are also vast tracts of land released from the Closed Areas and other undeveloped areas in the New Territories North. While some of them have high ecological significance and are unsuitable for development, there are others that have certain development potential. I have already asked the PlanD to study the feasibility of taking forward further development of the New Territories North, with a view to developing a modern new town there on a similar scale of the Fanling or Sheung Shui New Towns.

Review of Deserted Agricultural Land in North District and Yuen Long

79. I have asked the PlanD to expedite the review of agricultural land in North District and Yuen Long currently used mainly for industrial purposes or temporary storage, or which is deserted. It is hoped that suitable land within the 257 hectares of areas under review can be released for housing development as soon as possible.

Development of Lantau Island

80. With the rapid development of the west bank of the Pearl River Delta, Qianhai, Nansha and Hengqin, coupled with the availability of the Hong Kong-Zhuhai-Macao Bridge and other infrastructure, the northwest of Hong Kong will become a focal point of development. Lantau Island, in particular Tung Chung,

has a geographical advantage for the development of logistics, tourism and other industries, hence creating new employment opportunities for the local residents. We are now conducting the Tung Chung New Town Extension Study to explore the potential of developing Tung Chung into a new town with more comprehensive and better developed community facilities. We will also continue to explore in earnest the development potential of Lantau Island and areas along the trunk routes in New Territories West.

Reclamation on an Appropriate Scale Outside Victoria Harbour

81. To build up the land reserve, we will actively press ahead with reclamation outside Victoria Harbour, while endeavouring to keep the impact on the environment and marine ecology to a minimum. In accordance with the site selection criteria formulated after the stage one public engagement, we will put forward possible reclamation sites for further consideration and commence the stage two public engagement as soon as possible. After that, we will conduct planning, environmental and engineering feasibility studies on selected sites. We hope that a total of about 2 000 to 3 000 hectares of land can be made available in this way. Initially, North Lantau, Lung Kwu Tan in Tuen Mun, Southwest Tsing Yi and Ma Liu Shui near the estuary of Shing Mun River are among the sites we have identified. They will provide a total of about 600 hectares of land.

Rock Cavern and Underground Space Development

82. Reclamation aside, rock caverns and underground spaces are viable sources of land supply. We are studying the feasibility of relocating the Sha Tin Sewage Treatment Works to a cavern to make way for housing or other uses. We are also conducting a study on the long-term strategy for rock cavern development with a view to preparing rock cavern master plans and formulating policy guidelines. Moreover, we will further explore the potential of developing underground spaces in the urban

areas. This includes studying the possibility of linking up the underground spaces of existing or planned structures in the urban areas.

Supplying More Commercial Land and Facilities

83. The Government will address the shortage of commercial land supply in a holistic, innovative and decisive manner. I have asked the bureaux concerned, including the DEVB, the Financial Services and the Treasury Bureau and the THB, to take forward and co-ordinate the following initiatives: to convert government office buildings and GIC sites in Central and Wan Chai to commercial use, and to accelerate the development of the North Commercial District on Chek Lap Kok Airport Island.

Energising Kowloon East

84. Kowloon East, as another core business district of Hong Kong, has the potential to supply an additional office floor area of 4 million square metres. To expedite the plan, we are considering relocating the existing government facilities in the two action areas of Kowloon East. It is expected that these two action areas will be able to provide about 500 000 square metres of floor area in total.

Kai Tak Development

85. The works within the Kai Tak Development Area are making good progress. The first berth and terminal building of the Kai Tak Cruise Terminal will come into operation in mid-2013, and the PRH estates in the area will also be ready for occupation in phases this year. To facilitate the transformation of Kowloon East, we will review planning of the sites in the Kai Tak Development Area and explore the possibility of increasing office and housing supply without compromising the land supply from the area in the coming five years. A consultation on the outcome of the review will be conducted in due course.

Kai Tak Fantasy

86. The former runway tip in the Kai Tak Development Area has excellent potential to be developed into a tourism and entertainment hub. We propose setting up on this site a recreational landmark — Kai Tak Fantasy. On top of recreation facilities, it can be turned into an “edutainment” destination which will reflect Kai Tak’s unique aviation, maritime and transportation history.

Revitalising Industrial Buildings

87. Our policy to revitalise industrial buildings has been put in place for almost three years. In total, 13 applications for redevelopment and 49 for wholesale conversion had been approved, which could provide a total gross floor area of about 680 000 square metres for non-industrial uses. The Government is prepared to further relax certain restrictions on wholesale conversion, including allowing owners to recover the amount of gross floor area loss due to alteration of building structure by making minor changes on the outside of the existing building frames under specific conditions. Such arrangements will further facilitate revitalisation of industrial buildings, hence increasing commercial and residential land supply.

Harbourfront Authority

88. Victoria Harbour is a valuable asset of Hong Kong people, and should be “a harbour for the people, a harbour of vitality”. To enhance the attractiveness and vibrancy of the harbourfront, we welcome the Harbourfront Commission’s proposal for setting up a dedicated statutory Harbourfront Authority to press ahead with harbourfront development in a holistic manner with an innovative mindset and a more flexible management approach. The DEVB will collaborate with the Harbourfront Commission in conducting public consultation on the proposal. If the proposal is supported by the public, the Government will take forward the legislative work and provide the financial support. This will be a key milestone to create a Victoria harbourfront for the people.

Heritage Conservation

89. We have worked to strike a balance between the need to respect private property rights and the need to preserve our heritage. On the premise of respecting private property rights, we need to offer appropriate economic incentives to encourage private owners to either hand over or conserve historic buildings in their ownership. In light of the experience gained over the past few years, we need to review the policy on the conservation of privately-owned historic buildings. This will include formulating a set of more detailed mechanism and criteria for determining the extent and means to use public resources for the conservation of privately-owned historic buildings, and studying whether there is a need to enhance conservation of such buildings in the context of town planning.

Overall Co-ordination of Land Supply

90. The Steering Committee on Housing Land Supply chaired by the Financial Secretary will be re-organised as the Steering Committee on Land Supply. The new Committee will co-ordinate the overall plans for development and supply of land in Hong Kong for various uses, and adjust supply in response to changes in demand. It will report to me on a regular basis.

91. The design, planning and implementation of the land development projects I have just mentioned may generate all kinds of controversies, including people's interests, rehousing, environmental protection and living styles. There could also be political hurdles. If we want to remove the impediment of inadequate land supply for social development, we must stand united in overcoming difficulties; if we want to build more residential units, homes for the elderly and hospitals, we must work together to remove obstacles. I pledge that the Government and I will work in a pragmatic and proactive manner to deal with problems, engage the public and rise up to challenges.

IV. A Caring Society and a Home to the People

Poverty Alleviation

Guiding Principle

92. While Hong Kong is a generally affluent society, there are still many people who live a hand-to-mouth existence. We must recognise poverty as a real problem, understand the problem's nature, and formulate specific and feasible policy measures to alleviate it. Our aim is to help underprivileged people capable of working by offering them opportunities to become self-reliant and improve their livelihood. Public resources should be devoted to those who cannot provide for themselves. A welfare policy underpinned by heavy taxation is not a viable option, taking into account the economic structure and mode of social development in Hong Kong.

Commission on Poverty

93. The Government reinstated the Commission on Poverty (CoP) a few months ago to combat poverty. Poverty alleviation will be carried out at three levels. I will chair the annual Poverty Summit to set the directions and reinforce the over-arching strategies. The Chief Secretary for Administration will chair the CoP and co-ordinate specific measures. The six task forces underpinning the CoP will look into specific areas and draw up appropriate policies and measures to tackle the problems.

94. The focus of the CoP is to develop poverty alleviation policies. Its work includes reviewing the effectiveness of existing poverty alleviation policies, formulating new policies to prevent and alleviate both poverty and social exclusion, as well as promoting upward social mobility. Task forces under the CoP will work on different fronts: supporting the underprivileged who have special needs; promoting education, employment and training to encourage self-reliance and better promotion

prospects; and engaging the community and fostering cross-sectoral collaboration among the Government, businesses and other sectors.

Setting Poverty Line

95. The CoP has identified setting a poverty line in light of the actual situation in Hong Kong as one of its priorities. The poverty line serves three functions: quantifying the poverty-stricken population for a focused analysis of the situation of various groups living below the poverty line; thoroughly investigating the causes of poverty and serving as a guiding reference for policy formulation so that our poverty alleviation efforts can be more effective; and assessing the effectiveness of our poverty alleviation policies against changes in the size of the poverty-stricken population. By setting a poverty line, the current-term Government shows its will and commitment to alleviating the poverty problem.

Social Security and Retirement Protection

96. Social security and retirement protection are two recurrent themes that often appear prominently in our discussion of the poverty issue. Regarding social security, some are concerned about the development needs of children in families receiving the Comprehensive Social Security Assistance (CSSA). Others consider that the Government should review whether the existing CSSA has struck a proper balance between providing a safety net and encouraging people capable of working to join the workforce. There are also views that we should turn the Work Incentive Transport Subsidy Scheme into a subsidy for low-income families. These suggestions involve major policy considerations and may have far-reaching implications on our social security system and public finance. The Social Security and Retirement Protection Task Force under the CoP will study carefully the views from various sectors.

97. Regarding retirement protection, I suggest in my Manifesto that we should study the impact of an ageing population on our public finance, and plan ahead to deal with

the issue in a timely manner. The Government will reinforce and enhance the existing three pillars, namely, private savings and family support, the social security system, and the Mandatory Provident Fund (MPF) System. The Old Age Living Allowance (OALA), to be launched in April 2013, will be an additional tier of financial assistance between the CSSA and the Old Age Allowance (OAA). Some have proposed that the Government should review the relationship between the three types of financial assistance for the elderly, namely the CSSA, OALA and OAA. We are also aware of views in favour of the introduction of universal retirement protection. But there are concerns that universal retirement protection would impose a very heavy burden on the public coffers over time, and would be impractical without tax hikes. The other option based on tripartite contribution from employers, employees and the Government is equally controversial, involving issues such as affordability and sustainability. The Social Security and Retirement Protection Task Force will study retirement protection in depth in an open, pragmatic and prudent manner. It will consider all views objectively and work towards a consensus in the community on how we should take forward retirement protection in Hong Kong.

98. The MPF System has a history of 12 years and is in need of continual refinement. Many people have grave concerns over some arrangements of the MPF System, in particular its fee levels. We will work with the Mandatory Provident Fund Schemes Authority so that a multi-pronged approach can be adopted to bring down fees and charges.

Community Care Fund

99. Since its inception, the Community Care Fund (CCF) has launched a total of 18 assistance programmes. People outside the existing safety net or the coverage of Government's short-term relief measures have been successfully identified through these programmes and provided with appropriate assistance. To date, more than 100 000 people have benefited under these programmes. As shown in findings of reviews and evaluations,

these programmes vary in their effectiveness. The CCF will draw on experience gained on the ground and collect data for further studies to determine which programmes need to be revised or extended, or recommend the incorporation of proven effective measures into Government's regular assistance programme.

100. The CCF has rolled out an assistance programme to provide a subsidy for low-income persons who are inadequately housed and non-CSSA recipients. Successful applicants will receive a one-off subsidy of \$3,000 to \$8,000 according to their household size. Over 15 000 applications so far have been received. I believe this identification mechanism can effectively reach out to those colloquially known as the “n have-nots” and facilitate the Government in launching more comprehensive and effective relief measures in future.

101. The work of the CCF has been subsumed under the CoP. The CCF will continue to pilot different assistance programmes and trial schemes to provide necessary assistance for the disadvantaged.

Engaging the Business Sector

102. In recent years, many business people have, apart from giving donations, engaged in poverty alleviation through active involvement in community services. They help organise community activities and work in partnership with welfare organisations to promote relevant projects. The CoP will take reference from their successful experience in promoting more business participation.

Care for the Elderly

Ageing in Place

103. Ageing in place is the cherished wish of most elderly people. This is in line with the family-oriented policy advocated by the Government on the welfare front. We will strengthen our community care services, which include the launch of the first

phase of the Pilot Scheme on Community Care Service Voucher for the Elderly by the Social Welfare Department (SWD) in September this year. The Scheme adopts an innovative funding mode, namely the “money follows the user” approach. Eligible elderly may choose the services that suit their individual needs with the use of service vouchers. Moreover, we will increase day care places in the conventional funding mode and extend the service hours of new day care centres for the elderly.

Residential Care

104. We will increase the number of subsidised residential care places for the elderly through a multi-pronged approach. In the short run, we will purchase places from private residential care homes for the elderly through the Enhanced Bought Place Scheme and make better use of space in subvented homes for provision of more subsidised places. For the medium term, we will build new contract residential care homes to increase the number of subsidised places, particularly places providing a higher level of nursing care. In the long run, we will identify sites for new homes. We will explore the feasibility of incorporating residential care facilities into redevelopment projects, and convert vacant buildings into residential care homes. From now to 2014-15, the SWD will provide over 1 700 new subsidised places. We have also earmarked sites in 11 development projects for new contract residential care homes.

105. Elderly people suffering from chronic diseases require longer-term infirmary care and rehabilitation services. The Hospital Authority (HA) will provide 130 additional convalescent beds and explore other modes of co-operation with the private sector in order to strengthen the infirmary care services for public hospital patients. We will also explore the option of converting Wong Chuk Hang Hospital, which mainly provides extended care, rehabilitation and infirmary care services at present, into a care home that will provide infirmary and nursing service with more residential places.

Promoting a Sense of Worthiness among the Elderly

106. The Government will provide a convenient living environment for the elderly, and encourage them to take part in community activities and lead a fulfilled life. We have allocated about \$900 million under the Lotteries Fund to enhance the facilities and safety of all subvented elderly centres in phases over six years. We expect the first renovated elderly centre to open next month. We will also continue to promote a sense of worthiness among the elderly, promote harmony across generations and encourage lifelong learning through, among others, the Opportunities for the Elderly Project and the Elderly Academy Scheme.

Diversified Choices

107. We will offer elderly people more diversified choices through a wide range of new and flexible modes of subvention and service delivery. The Elderly Health Care Voucher Scheme is a case in point. Our next step is to review the Pilot Scheme on Community Care Service Voucher for the Elderly and explore the feasibility of adopting this voucher subsidy mode for residential care services. We will conduct a review some time after the implementation of OALA and the Guangdong Scheme. The latter Scheme is so designed that Hong Kong elderly people living in Guangdong will be eligible for the OAA. Based on the findings of the review, we will explore the feasibility of allowing elderly people who choose to retire to the Mainland to receive OALA in Guangdong.

Assistance to the Frail

Services for Persons with Disabilities

108. Our rehabilitation policy seeks to assist persons with disabilities in developing their potential and to build a barrier-free environment with a view to enabling persons with disabilities to participate in full and enjoy equal opportunities both in their social life and personal growth. These objectives

are consistent with the spirit and core values enshrined in the United Nations Convention on the Rights of Persons with Disabilities (the Convention). The Government has to take into full account the Convention provisions in formulating policies and implementing programmes. To enhance co-ordination among various policy bureaux and departments in implementing the Convention, we will review the Commissioner for Rehabilitation's duties, responsibilities and ranking, as well as the establishment and manpower of his or her team.

109. In my Manifesto, I mentioned that we would allow people with loss of one limb to apply for the Disability Allowance. The Labour and Welfare Bureau (LWB) is undertaking the preparatory work for the establishment of an inter-departmental working group to study this issue.

110. In my Manifesto, I also pledged to strengthen the support for persons with disabilities and families with members with disabilities. For day training and residential care services, we will provide more service places, and identify suitable development sites as soon as possible to increase the supply. The SWD is studying the feasibility of redeveloping the former sites of Siu Lam Hospital in Tuen Mun and Kai Nang Sheltered Workshop and Hostel in Kwun Tong into integrated rehabilitation services centres. Subject to the findings of the technical feasibility study, these two projects can provide a total of about 2 000 places of day training and residential care services for persons with disabilities. We will also increase the manpower for residential care homes and day training centres for persons with disabilities to enhance the care and support for elderly users of the service.

111. The SWD launched in March 2011 a three-year pilot scheme to provide a package of home-based care services for persons with severe disabilities who are living in the community and on the waiting list for subvented residential care services. We will regularise the service in March 2014 and extend it to persons with severe disabilities in all the districts in Hong Kong,

irrespective of whether they are on the waiting list for residential care services or not.

112. Furthermore, the CCF plans to roll out a new programme to subsidise persons with severe physical disabilities from low-income families in renting respiratory support medical equipment. Meanwhile, the SWD and the HA are studying the feasibility of introducing a case management-oriented service programme to assist non-CSSA recipients with severe physical disabilities who require constant nursing care. The programme is designed to enable them to live in the community by relieving their financial burden in terms of medical equipment, consumable items and care services.

113. To promote the employment of persons with disabilities, starting from the next financial year, we will increase job attachment allowance and wage subsidy under the On the Job Training Programme for People with Disabilities and the Sunnyway – On the Job Training Programme for Young People with Disabilities. We will also closely monitor the impact of the statutory minimum wage on the employment of persons with disabilities. When necessary, we will enhance the employment support measures.

114. Committed to building a barrier-free society, we are pressing full steam ahead with a comprehensive retrofitting programme for upgrading barrier-free facilities in about 3 500 government premises and facilities as well as about 240 public housing estates at a cost of \$1.3 billion. Ninety percent of such works were completed six months ago as scheduled, and the remaining projects are scheduled for completion by June next year.

115. In 2013-14, the Government will further enhance the point-to-point rebus service to cater for the special transport needs of persons with disabilities. We are also studying the extension of the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to eligible children with disabilities aged under 12.

Social Welfare Planning

116. Turning to social welfare, to meet the current and future needs of welfare services, the Government will adopt a multi-pronged approach to identify suitable sites and facilitate provision of necessary manpower resources in a pragmatic and flexible manner.

117. The departments concerned have been maintaining close communication to identify suitable sites for social welfare facilities. We will also explore the possibility of reserving land or premises in new development projects or redevelopment projects, where appropriate, for welfare facilities. The LWB has been discussing with social welfare organisations on how to make better use of the land owned by non-governmental organisations (NGOs) through redevelopment or expansion to provide diversified subvented and self-financing facilities. We will proactively consider using the Lotteries Fund more flexibly and work out ways to provide targeted assistance to land owners during the planning or development process.

118. There is manpower shortage for allied health workers and frontline care staff, particularly in elderly services and rehabilitation services for persons with disabilities. To cope with demand, we have allocated funding to increase the number of training places for nurses and allied health professionals for the three years starting from 2012-13. The bureaux concerned will work with the welfare sector and relevant organisations to explore feasible options for retaining existing workers in and attracting new blood to the elderly services and rehabilitation services for persons with disabilities.

119. To support youth employment during the economic downturn, the Government created 3 000 temporary work opportunities under NGOs for young people aged between 15 and 29 in 2008. Currently, about 2 600 young people are still employed in these temporary positions which are due to lapse in March this year. I have decided to extend the temporary positions for 12 months. The extension, at a cost of some \$270

million, will allow the LWB and the NGOs concerned time to help the young participants find suitable employment.

Labour Policy

120. I attach importance to strengthening support for workers at the grassroots level, including providing the relief for their work-related travelling expenses. After taking office, I asked the LWB to advance the mid-term review of the Work Incentive Transport Subsidy Scheme and implement enhancement measures. The enhanced scheme with relaxed income and asset limits will allow applicants to apply on an individual or household basis to suit their circumstances.

121. The Labour Department (LD) now provides job seekers with free employment services through its 12 job centres across Hong Kong. A new job centre will be set up in Tung Chung. In tandem, the LD plans to enhance employment support for young people, the middle-aged and persons with disabilities. More financial incentives will be provided for employers through the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme, the Employment Programme for the Middle-aged and the Work Orientation and Placement Scheme to encourage them to employ and provide on-the-job training to job-seekers and workers having difficulty in switching jobs.

122. I advocated paternity leave in my Manifesto. The Labour Advisory Board has endorsed legislation for three days of paid paternity leave. The Government hopes that legislation could be enacted as soon as possible.

Standard Working Hours

123. Employees in Hong Kong work relatively long hours in general. Following the release of the Report of the Policy Study on Standard Working Hours by the LD last November, the LWB will set up a Special Committee on Standard Working Hours in the first quarter of this year to follow up on the study. The Special Committee, as proposed in my Manifesto, will comprise

government officials, representatives of labour unions and employers' associations, academics and community leaders. The Government hopes that various sectors of the community can make use of the platform provided by the Special Committee to carry out informed and in-depth discussion on working hours, build consensus and identify the way forward.

Employees Retraining

124. Over the years, the Employees Retraining Board (ERB) has strived to improve the employability of local workers to maintain the competitiveness of our economy. I affirm the role and contributions of the ERB and consider that it should be provided with sustained and stable financial support as a long-term commitment to enhancing the productivity of local workers. I have asked the Secretary for Labour and Welfare to work out the long-term financial arrangements for the ERB and submit proposals to the Financial Secretary. Meanwhile, the Government notes that there are different views in the community on the Employees Retraining Levy imposed on employers of foreign domestic helpers (FDHs). To ease the burden on families employing FDHs, I have decided to abolish the FDH levy when the suspension of its collection expires on 31 July 2013. This will reduce the levy receipts of the Government by about \$1.5 billion a year.

Mobilising the Community

125. I would like to pay a special tribute to all volunteers. In 2011, our volunteers contributed more than 22 million hours to voluntary services. Last year, the number of registered volunteers in Hong Kong passed the one million mark, proof of Hong Kong people's zeal for helping others and our commitment to building a caring society.

126. A robust social welfare system as well as timely policies and measures will be able to offer basic protection for the livelihood of people in need. But further improvement will require more than just Government efforts. We need to mobilise

the whole community to work together to bring about social progress.

Development of Women

127. Women play an important role in the development of Hong Kong. The proportion of women in the managerial and executive positions as well as professional occupations has grown by 6.5% and 7.7% respectively in the past 10 years. In the public sector, the proportion of women in government advisory and statutory bodies has also increased from about 21% in 2002 to about 33% in 2012. The figures show the rising economic and social status of women.

128. The Women's Commission (WoC) has been working proactively to enhance women's capacities, conduct public education programmes and promote the interests and well-being of women. To encourage women to pursue lifelong learning, the Government will turn the Capacity Building Mileage Programme into a recurrent project from this year onwards. Courses conducted in English and Putonghua will be introduced for ethnic minority and new arrival women. The WoC has also launched this year the Funding Scheme for Women's Development to support projects which can promote women's physical and psychological wellness. We will also consider ways to strengthen communication and collaboration with women's groups and related bodies to promote women's interests.

Youth Development

129. Young people represent our future. Our policies should focus on creating development opportunities for them. We should foster a culture of multi-faceted excellence that will offer abundant opportunities for young people to pursue their studies or career and realise their potential. Our policies should also be inclusive and enable young people from different backgrounds, including new arrivals and ethnic minorities, to enhance their capabilities and broaden their horizons. The Commission on Youth will continue to reach out to young people and assist the

Government in formulating policies related to youth development and co-ordinating the efforts of different bureaux, so as to achieve policy synergy. In collaboration with various organisations and post-secondary institutions, we will make available additional resources to provide more internship opportunities in the Mainland for our young people. Such experience will help broaden their exposure and boost their confidence.

Ethnic Minorities

130. Many ethnic minorities in Hong Kong were born and brought up here. Some of them are less successful in integrating into the community because they are unable to read and write Chinese. To provide an opportunity for ethnic minority students to learn Chinese more effectively, we will enhance support measures in schools. We hope that it will help nurture a new generation of people who call Hong Kong their home regardless of origin, race and religion.

People of Different Sexual Orientation

131. Last November, this Council discussed whether an anti-discrimination law is needed to protect people of different sexual orientation. The society is deeply divided over this issue. Some are in support from the perspective of equal opportunity. Others are concerned that launching a consultation exercise may deal a blow to family, religion and education. The Government understands that this is a highly controversial issue which must be tackled cautiously. We will continue to listen to different views from various sectors. At present, we have no plan to conduct consultation.

Fostering Social Integration

132. The Government has invested heavily in education and training. But my conviction is that only through employment can those groups with special needs, including persons with disabilities and ethnic minorities, be truly integrated into the

community. I urge all employers to give these people more employment opportunities. The Government itself will set an example. We will work with the private sector and NGOs to provide more employment for them. In doing so, we can unleash their potential, foster social integration, and build a caring and supportive society for all.

V. Environmental Protection and Conservation

A Green, Healthy and Liveable City

133. Hong Kong has unparalleled natural endowments. With better environmental conservation, Hong Kong can be the loveliest city in the world. We boast successful co-existence of urban development and countryside and a rich diversity of fauna and flora. Both shores of Victoria Harbour present a unique cityscape. Our city has sophisticated infrastructure and convenient transportation systems: a half-hour ride will get us to beaches and country parks.

134. For the well-being of future generations, the Government and the community must commit to improving the environment. To tackle key issues such as waste management and air quality requires us to make choices. The community and the Government must both take responsibility for making the decisions. To this end, we will engage the public in our discussion and foster co-operation among policy bureaux in introducing various environmental protection initiatives step by step. We will set out clear objectives and a roadmap to achieve cleaner air, better fuel mix, energy conservation, emission reduction, resources recovery and nature conservation in a comprehensive and systematic manner. These endeavours will turn Hong Kong into a healthy, low-carbon and resource-saving metropolis that is in harmony with nature.

Improving Air Quality

135. The Government's air quality policies are premised on protection of public health. We strive to improve air quality on all fronts, through better co-ordination of relevant policies on environmental protection, energy, transport and planning, as well as co-operation with Guangdong. Our target is to broadly achieve the new air quality objectives by 2020. Over the past six months, we have made substantial progress, including setting the

emission reduction targets with Guangdong for 2015 and 2020, and enacting legislation to further tighten the emission caps for power plants for the years beyond 2017. Our next priority will be improving roadside air quality.

Phasing Out Old Diesel Commercial Vehicles

136. Diesel commercial vehicles are a major source of roadside air pollution in Hong Kong. In 2012, the World Health Organisation warned that diesel engine exhaust fumes are carcinogenic. In view of the lukewarm response to the voluntary incentive schemes introduced by the Government over the past few years, we must phase out old diesel commercial vehicles with greater financial incentives while putting in place more stringent regulatory measures. To meet the 2015 and 2020 emission reduction targets, I propose setting aside \$10 billion as subsidies to owners of over 80 000 heavily polluting pre-Euro and Euro I to III diesel commercial vehicles in order to progressively phase out these vehicles having regard to their pollution level. The scheme will significantly reduce the overall emissions of particulates and nitrogen oxides by 80% and 30% respectively. We also propose to set a service life limit for newly registered diesel commercial vehicles at 15 years.

Green Transport

137. With the successive completion of a number of railway lines, the next seven years will be bumper years for railway development in Hong Kong. This gives us a good opportunity to optimise our public transport systems and to reduce roadside air pollution.

138. We will help franchised buses, taxis and minibuses reduce their emissions through retrofitting or replacing catalytic converters for these vehicles where necessary in the coming two to three years. In addition, the Government will continue to take the lead in using more electric vehicles, which have zero emission, and solicit participation from public bodies as well as leading enterprises. For example, the Government has set aside funding for franchised bus companies to try out electric buses.

The Pilot Green Transport Fund is also subsidising the testing of electric taxis, coaches and goods vehicles. I hope that green transport can be widely used in Hong Kong.

Bus Route Rationalisation

139. In parallel with railway development, we will review other land transport services and rationalise the functions and roles of various public transport modes. At present, some bus routes overlap or are under-utilised. Our review will proceed on the basis that bus services are a complementary means of public transport; we will explore ways to rationalise bus routing, enhance feeder service and improve interchange arrangements in order to reduce roadside pollution.

Vessel Emission Reduction

140. In 2011, marine vessels were the largest source of respirable suspended particulates, nitrogen oxides and sulphur dioxide. In particular, the emissions of ocean-going vessels at berth accounted for about 40% of their total emissions within Hong Kong waters. In September 2012, the Government launched an incentive scheme to encourage ocean-going vessels at berth to switch to low-sulphur diesel. We are also considering bringing in new legislation to enforce the requirement of fuel switch at berth. We plan to submit our proposal to this Council in the next legislative session following the completion of consultation with the maritime sector. Meanwhile, we are stepping up our efforts with the Guangdong Provincial Government in exploring the feasibility of requiring ocean-going vessels to switch to low-sulphur diesel while berthing in Pearl River Delta ports. Also, the first berth of the Kai Tak Cruise Terminal will be commissioned in the middle of this year. We plan to seek funding approval from this Council to install on-shore power supply facilities for use by cruise vessels with such facilities. This will enable cruise vessels to switch to electric power while berthing and hence minimise their impact on air quality. We are also promoting the use of cleaner fuels among

local vessels. We have conducted relevant tests and consulted the relevant sector.

Waste Management

Resource Sustainability

141. In Hong Kong, the amount of solid waste per capita per day is way higher than that of other advanced cities in the region. Our existing landfills will be full within seven years. It is a looming crisis. To address the problems, the Government will vigorously pursue a multi-pronged strategy. We will focus on waste reduction at source, while progressively implementing Producer Responsibility Schemes and the polluter-pays principle to boost the recovery and recycle rates of resource materials. On the other hand, with the use of the advanced Integrated Waste Management Facilities, we can turn waste into a resource. This can also reduce waste and alleviate the pressure on landfills. Expansion of landfills is an integral part of the overall strategy of waste management. To make this basket of policies a success, all of us should play our part.

Reduction of Food Waste

142. Food waste imposes a heavy burden on our landfills as it accounts for about 40% of total waste disposed of in landfills. In addition, odour from food waste creates nuisance to nearby residents. The Government has recently launched the “Food Wise Hong Kong Campaign” to mobilise the public as well as the industrial and commercial sectors to reduce food waste. We will build modern facilities in phases for recovery of organic waste so that it can be converted into energy, compost and other products.

Support for Recycling Industry

143. In my Manifesto, I proposed to promote vigorously the development of the recycling industry. Since most of the recyclable materials are exported through the public cargo working area, the Government will consider identifying suitable berths for bidding by the recycling industry for their exclusive

use so that there will be stable provision of export facilities. We will consult the sector and stakeholders on the proposal.

Municipal Solid Waste Charging

144. According to the findings of a public consultation conducted by the Government early last year, the public generally supported the introduction of a quantity-based waste charging system. To work out the implementation details and develop complementary measures, we have invited the Council for Sustainable Development, through its public engagement efforts, to devise a viable charging system jointly with members of the public.

Green Building

145. Buildings account for as much as 90% of Hong Kong's total electricity consumption. Apart from our plan to develop Kowloon East into a low-carbon community, I have asked the Secretary for the Environment to lead an inter-departmental steering committee to promote green building. The committee will strengthen the co-ordination among departments to formulate implementation strategies and action plans, while maintaining close dialogue and co-operation with the relevant sectors and stakeholders.

Ecological Conservation

146. The Government shares public concern about ecological conservation. To take forward the Convention on Biological Diversity, we will consult the public in 2013 on the formulation of the Biodiversity Strategy and Action Plan for Hong Kong. We will also emphasise conservation of land and marine ecologies in major government policies.

147. To protect our marine ecosystem, the Government has prohibited trawling in Hong Kong waters. We will also set up a \$500 million sustainable fisheries development fund to help fishermen adopt a sustainable and high value-added operation

mode, and subsidise relevant programmes and research so as to enhance the overall competitiveness of the industry. Fishermen affected by the trawl ban will be among the beneficiaries. We will also establish a committee composed of government officials and trade representatives to advise on the use of the fund and ensure that it will meet the actual needs of the fisheries industry. The Secretary for Food and Health will announce the details in due course.

Water Quality of Victoria Harbour

148. With continuous improvement in the water quality of Victoria Harbour, we can better promote a water-friendly culture, and realise the amenity, leisure and tourism potential of the harbour and coastal areas. Upon the completion of the Harbour Area Treatment Scheme Stage 2A next year, the water quality of Victoria Harbour will see substantial improvement. The Government will study ways to further enhance the water quality of the urban coastal waters.

Environment and Conservation Fund

149. Since its establishment in 1994, the Environment and Conservation Fund (ECF) has achieved remarkable success in engaging different sectors of the community in environmental protection and organised more than 3 900 environmental protection activities. As a long-term commitment to environmental protection and conservation, I propose injecting \$5 billion into the ECF so that investment returns of the fund can provide long-term and sustained support for green actions initiated by the community.

VI. Education

Guiding Principle

150. Education accounts for about one-fifth of total government expenditure, the highest among all policy areas. Since reunification, the Government has introduced many education reform initiatives, leading to a notable enhancement of education in Hong Kong in terms of both quality and quantity. The New Senior Secondary academic structure has begun to bear fruit and gained international recognition. The Universities and Colleges Admissions Service of the United Kingdom has confirmed that the tariff points awarded for the highest level of the Hong Kong Diploma of Secondary Education Examination are higher than those awarded for the highest grade in the General Certificate of Education A Level or International Baccalaureate Diploma Programme. Also, Hong Kong Primary Four students ranked first in reading literacy in the Progress in International Reading Literacy Study 2011. Hong Kong also ranked third in a recent global study by the Pearson Group on education systems. With greater access to senior secondary and post-secondary education, we expect that in two years, over one-third of the relevant age cohort will have the opportunity to pursue degree-level education. Taking sub-degree places into account, nearly 70% of young people will have access to post-secondary education. There have also been continuous improvements to our student financial assistance schemes to ensure that no student is deprived of education for lack of financial means.

151. I believe it is time to consolidate our education policies, and avoid drastic changes to give stakeholders some respite. Our future priority will be to ensure the quality of our education by further improving relevant measures in accordance with existing policies.

Education Planning

152. We will work in collaboration with the education sector to tackle the impact of a changing student population. To address the transient decline in Secondary One student population in the coming few years, the Education Bureau (EDB) will implement a series of measures to help preserve our schools, the teaching force and the strengths of our education sector. These measures will help stabilise the teaching force and balance the needs and concerns of different stakeholders.

Enhancing Kindergarten Education

153. During my election campaign, the education sector and parents requested further improvements to our early childhood education, particularly the provision of 15-year free education. This would be on the basis of the current 9-year compulsory education and an extension to our 12-year free education. Since taking office, the Secretary for Education has met the kindergarten sector and visited kindergartens on more than 20 occasions and gained a deep understanding of the sector's flexible and diversified services. He also noted the considerable enhancement in the qualifications of kindergarten teachers over the years. The EDB is setting up a committee to examine the feasibility of free kindergarten education and recommend specific proposals to enable all children to have access to quality kindergarten education. To help kindergartens under the Pre-primary Education Voucher Scheme improve their school premises and teaching facilities, we will provide them with an additional one-off grant in the 2013-14 school year for conducting minor improvement works and procuring furniture and learning resources and so on.

Equipping Students through Education

154. We will continue to actively develop senior secondary curriculum and post-secondary programmes that feature more diversified and specialist subjects. Apart from conventional academic subjects, we will progressively develop an education

and training system for young people that will integrate academic studies and interest, as well as professional and vocational training, under an orderly framework that features diversity, provides multiple pathways and enjoys high recognition.

155. We will also continue to promote the Qualifications Framework (QF). Apart from the Specification of Competency Standards and the recently introduced Award Titles Scheme and QF Credit, we will further explore the development of a credit accumulation and transfer system, and foster collaboration with the QFs of other areas. The Government will promote co-operation between the industry-based Industry Training Advisory Committees and the education and training providers. This will ensure more relevant training opportunities to young people and in-service personnel, with a view to integrating education, training, business and employment seamlessly to enable our young people to make early career planning. We will also improve the quality assurance mechanisms for self-financed programmes.

Support for Students with Special Educational Needs

156. We will strengthen our support for students with special educational needs. In this connection, the EDB has commenced another round of professional development programmes for teachers in ordinary schools. The School-based Educational Psychology Service is being extended progressively, with the target of covering all secondary and primary schools in the public sector by the 2016-17 school year. Starting from the 2013-14 school year, the EDB will raise the ceiling of the annual Learning Support Grant from \$1 million to \$1.5 million per school to strengthen support for schools. Besides, the EDB will develop diversified teaching resources through cross-sectoral collaboration to help enhance the learning effectiveness of students with special educational needs. We will also step up publicity and information dissemination to promote inclusion in the community. For special schools, we will continue to improve

school premises and facilities. We will also provide a one-off grant for aided special schools to procure assistive technology devices to help students with severe or multiple disabilities learn more effectively.

VII. Healthcare

Guiding Principle

157. Hong Kong has a robust and reliable healthcare system, staffed by excellent healthcare workers of high professional standards. The provision of quality and affordable healthcare services to the general public is indeed a proud achievement.

158. Our rapidly ageing population has increased demand for healthcare services. The growing prevalence of certain diseases, advances in healthcare technology and public expectations for healthcare services to keep up with the latest medical practices have led to a rise in medical costs. We must tackle the root of the problem to ensure the sustainable development of our healthcare system.

Twin-track System for Public and Private Healthcare Sectors

159. We should remain committed to the twin-track system for public and private healthcare sectors. Under the system, public medical services will provide a safety net for the people, with private healthcare services giving more choice for those who can afford to pay. We should ensure the balanced and continuous development of both public and private healthcare sectors. To achieve this, we should reinforce the public healthcare system by enhancing its services and effectiveness, while facilitating the development of the private healthcare sector and improving the regulatory mechanism.

160. Public-private partnership in healthcare services can foster healthy competition and co-operation among healthcare services providers. This may also help shorten the waiting time for public healthcare services. To optimise the use of healthcare resources in both public and private sectors, the Hospital Authority (HA) will study the feasibility of further service outsourcing.

Public Healthcare System

161. The Government allocated additional funding of about \$2.5 billion to the HA last year, raising its annual recurrent subvention to \$40.4 billion. We will continue to set aside resources to strengthen our public healthcare system and enhance its service quality. The HA will add about 150 acute patient beds in the coming year. On top of this, as I mentioned earlier, we will add 130 convalescent beds and explore the option of converting Wong Chuk Hang Hospital into an institution with convalescent and infirmary services.

162. The HA will further enhance its diagnostic and treatment services for people with critical illnesses. It will expand the application of drugs listed in its Drug Formulary. The HA will also optimise its waiting list management of specialist out-patient clinics to ensure that patients will receive the necessary service and treatment at the earliest possible time.

163. The recently completed North Lantau Hospital will come into operation in phases this year. The expansion of Tseung Kwan O Hospital and the phase two redevelopment of Caritas Medical Centre will also be completed in 2013 and 2014 respectively. To ensure that our hospital facilities can meet public needs, we are actively pursuing the construction of Tin Shui Wai Hospital; the expansion and redevelopment of United Christian Hospital, Kwong Wah Hospital and Queen Mary Hospital; and the construction of the new Centre of Excellence in Paediatrics. We will revisit the demand for medical facilities in Kowloon. If necessary, we will expedite the development of the reserved hospital site at the Kai Tak Development Area. Also, we plan to redevelop Kwai Chung Hospital so as to render more targeted care and support to mental patients.

164. The HA is very concerned about the work pressure faced by its frontline healthcare workers. In view of the increasing workload and the tight manpower situation, the HA has implemented a series of improvement measures to help reduce staff wastage and retain talent. These include enhancing

promotion prospects, hiring additional part-time doctors, providing special honorarium and on-call allowance, and strengthening support for blood testing services and other clerical duties. In the past year or so, the HA has added 294 associate consultants and hired 250 part-time doctors. It will continue to maintain close communication with frontline staff to examine feasible measures with a view to further reducing the wastage of healthcare workers, improving the working environment, boosting morale and enhancing services.

165. To ensure that patients in serious condition will receive immediate treatment, the Accident and Emergency (A&E) department of public hospitals has put in place a triage system to classify patients' clinical condition into five categories. The HA has been able to meet its waiting time target for critical, emergency and urgent cases. To shorten the waiting time for semi-urgent and non-urgent cases, last year the HA increased the manpower in the A&E department and, after drawing reference from overseas healthcare models, enhanced the support for the nursing grade staff and other para-medical personnel in the A&E department. It has also enhanced support for auxiliary medical services during flu seasons. Starting from the first quarter of this year, the HA will provide healthcare personnel with a special overtime honorarium in order to add more consultation sessions during peak hours to further improve A&E services.

166. Since its establishment over 20 years ago, the HA has been providing quality healthcare services with international acclaim. In view of the ageing population and the changing public needs for healthcare services, we will set up a steering committee to conduct a comprehensive review of the operation of the HA to explore viable measures for enhancing the cost-effectiveness and quality of its services.

Regulation of Private Hospitals

167. We will introduce necessary measures to support the development of healthcare services, including the disposal of land for private hospital development. We have also established

a Steering Committee on Review of the Regulation of Private Healthcare Facilities, which is tasked to review the regulatory regime for private healthcare facilities, with a view to strengthening the regulatory role of the Department of Health, enhancing the quality and transparency of private healthcare services, and promoting patients' rights.

Review of Healthcare Manpower

168. In addition, we have set up a steering committee to conduct a strategic review of healthcare manpower planning and professional development. After assessing the manpower needs in various healthcare professions, the steering committee will put forward recommendations on how to cope with anticipated demand for healthcare manpower, strengthen professional training and facilitate professional development. We expect to complete the review in 2013 and after that, to start the follow-up work.

Chinese Medicine

169. The Preparatory Task Force on the Chinese Medicine Development Committee appointed by the current-term Government has put forward proposals on the Committee's terms of reference and composition. I will set up the Chinese Medicine Development Committee at the end of this month. The Committee will focus its studies on policies and measures to further the development of the Chinese medicine industry. Key study areas include enhancing the professional standards and status of Chinese medicine practitioners; strengthening research and development of Chinese medicine; promoting treatment with integrated Chinese and Western medicine; expanding the role of Chinese medicine practitioners and Chinese medicine in the public healthcare system; and introducing Chinese medicine in-patient services.

Healthcare Financing

170. A working group and a consultative group have been set up to make specific recommendations on the implementation of the Health Protection Scheme (HPS). They are also studying the provision of reasonable and necessary financial incentives or public subsidies to facilitate implementation of the scheme, such as tax breaks, to encourage people to purchase health insurance. We hope that, through their voluntary participation in a government-regulated HPS, people can have access to private healthcare services which offer more value-for-money. We will put forward a proposal on the HPS in 2013 for public consultation.

VIII. Transport

Guiding Principle

171. We need to have comprehensive and long-term planning for public transport, which is closely related to people's livelihood, economic development and environmental protection. Our railway network is the backbone of Hong Kong's public transport system. It carries over 4.5 million passengers per day, accounting for about 40% of all public transport passenger trips. The development of rail transport not only can significantly speed up passenger flow, but also alleviate road traffic congestion and reduce vehicle-induced air pollution. The development potential of areas along the railway lines can also be unleashed to facilitate economic development. Therefore, our long-term planning for public transport will revolve around a railway-based network complemented by bus services.

Long-term Railway Development Strategy

172. The five railway projects now underway are the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), Kwun Tong Line Extension, West Island Line, South Island Line (East) and Shatin to Central Link. These lines are expected for commissioning in succession between 2014 and 2020. With these new lines, areas inhabited by more than 70% of the population in Hong Kong will be brought into the railway catchment area.

173. A railway project typically takes 8 to 10 years to go through the process from planning to commissioning, and usually requires multi-billion dollar investment. Therefore, it is imperative for the Government to be forward-looking and make timely plans for the future. The THB started a review and update of the long-term railway development strategy in 2011. We plan to launch Stage 2 Public Engagement Exercise early this year, with the focal point on the exploration of local enhancement schemes for existing railway lines. We will work together with

the public to plan the development of our future railways which are cost-effective and able to meet our transportation demand.

Review of MTR Fare Adjustment Mechanism

174. The MTR Corporation Limited (MTRCL) is a public utility of which the Government has a shareholding of about 77%. Although a listed company, the MTRCL is not just another private enterprise. Over the years, it has been supporting the development of the Government's mass transport policy, and is granted the right to carry out property development projects above stations along railway lines. We fully understand the public expectation that, with railways as the backbone of our public transportation system, the MTRCL should run its business in a prudent and fair manner, provide fast and convenient services, and charge reasonable fares.

175. In accordance with the Operating Agreement signed in 2007, the Government is conducting a five-yearly review of the Fare Adjustment Mechanism with the MTRCL. Our objective is to incorporate service performance and profitability of the MTRCL, as well as public affordability as additional factors for consideration in the Fare Adjustment Mechanism. These are factors the Government has taken into account when considering fare adjustment proposals put forth by franchised public transport operators. We believe the MTRCL should be no exception.

176. We hope that the Government and the MTRCL will arrive at a "win-win" agreement in the early part of this year so that the community can share the fruit of MTRCL's success, whilst laying a more solid foundation for the next stage of strategic development.

Facilitating Traffic Diversion for Road Harbour Crossings

177. The public has expressed concern about traffic congestion at the road harbour crossings and related traffic problems.

Following public consultation and consultancy studies, the Government has worked out feasible proposals to alleviate congestion at the harbour crossings. The broad direction is to increase the toll fees for the Cross Harbour Tunnel and reduce those for the Eastern Harbour Crossing through government subsidy, so as to divert traffic and ease congestion. We plan to conduct public consultation on the specific proposals in the first half of this year and hope that public consensus can be reached as soon as possible.

IX. Arts and Culture and Sports Development

Arts and Culture

A Characteristic Hong Kong Culture

178. With its geographical location and historical background, Hong Kong has a unique position in Chinese cultural history. Through a sophisticated fusion of Chinese and Western influences, it has created a pluralistic culture of its own. It has also achieved great success in preserving Chinese cultural heritage, such as Cantonese Opera. We should continue to leverage our strengths and advantages to further our mission.

179. Hong Kong is an open society that enjoys a free flow of information and frequent arts exchanges. Embracing both Chinese and Western cultures and building on our vibrant creativity, we have developed a thriving cultural industry based on local popular culture. Over the past decades, Hong Kong's television drama, music, films, newspapers, magazines and books have gained immense popularity in overseas Chinese communities. Talented film and television professionals from Hong Kong are not only making their way to Hollywood, but are also engaged extensively in film and television production in both the Mainland and Taiwan. The impact of Hong Kong culture on other cities is testimony to the abundance of our creative talents. Given suitable support, Hong Kong can scale new heights in cultural and arts development.

180. Hong Kong's cultural and creative industries have run into an array of difficulties in recent years. Nevertheless, I have full confidence in Hong Kong's creativity and potential. With necessary resources and appropriate government support, these industries still have much room for development. Providing government support for creative industries is not uncommon. Examples can be found in Korea, Singapore and across the Mainland. I will explore suitable mechanisms to give full

support to Hong Kong's cultural and arts activities and promote the development of cultural and creative industries.

Supporting Arts and Culture

181. We spend more than \$3 billion a year on promoting arts and culture. Apart from the annual recurrent subvention of \$300 million for major performing arts groups, we also provide subsidies which amount to more than \$200 million a year and support to small and medium-sized arts groups, through the Hong Kong Arts Development Council (HKADC) and the Leisure and Cultural Services Department (LCSD). The Home Affairs Bureau has launched the Arts Capacity Development Funding Scheme, which includes a matching grant element, and disburses about \$30 million a year to support relatively larger cross-year arts and cultural programmes and activities.

182. To give young artists and new arts groups more room for development, the Government has allocated additional resources to the HKADC to provide young artists with creative space in an industrial building in Wong Chuk Hang at concessionary rental rates. We are also identifying suitable vacant school premises to provide more arts space. The LCSD is converting the club house of the former Royal Yacht Club in Oil Street in North Point into a visual arts exhibition and activity centre. We will continue to give strong support to the West Kowloon Cultural District (WKCD) Authority in implementing the project to set up arts and cultural facilities and enhance cultural software in tandem. Despite rising construction costs, we will adhere to our original plan. We are confident that the future WKCD will develop into a world-class hub of arts and culture.

Strengthening the Training of Arts Administrators

183. With strong support of the Government, local arts groups and organisations have flourished in recent years, leading to a growing demand for arts administrators. The phased completion of cultural facilities of the WKCD will add to the demand. Additional funding of \$150 million will be allocated to strengthen the training of arts administrators with different

levels of experience in the next five years, including internships, further studies and diversified professional training.

Cultural and Creative Industries

184. Founded in 2009, Create Hong Kong and the \$300 million CreateSmart Initiative will continue to support initiatives to facilitate the development of creative industries. To step up our efforts, we will inject an additional \$300 million into the CreateSmart Initiative.

185. We will continue to work with the Hong Kong Film Development Council and support the film industry through the Film Development Fund. To nurture a new generation of film production talents, Create Hong Kong will launch a First Feature Film Initiative to identify new talents through a competition on screenplay and production proposals. The winning film directors and their teams will receive full funding from the Film Development Fund to take forward their proposals.

186. Create Hong Kong will assist in promoting Comix Home Base and PMQ, which are scheduled for opening in mid-2013 and end-2013 respectively. The two projects will foster the development of creative clusters to spur synergy and interaction, giving impetus to our creative culture.

Sports Development

187. On sports development, the Government's strategy is to promote sports in the community, to support elite sports, and to develop Hong Kong into a prime destination for hosting major international sports events. We have been promoting wider public participation in sports and stepping up our support for elite athletes. It is against this background that Hong Kong athletes attained outstanding results in the London 2012 Olympic and Paralympic Games.

188. We will further promote sports in the community through such measures as planning and building new sports facilities and strengthening the athlete feeder system. We will

co-operate with the Hong Kong Schools Sports Federation to provide appropriate support to students from low-income families, so that they can fully realise their sporting potential. The redevelopment of the Hong Kong Sports Institute (HKSI) is underway at a cost of about \$1.8 billion. With its major facilities due for completion within this year, the HKSI will provide more modern and extensive training facilities for our elite athletes. We will continue to collaborate with various National Sports Associations to attract international sports events and competitions to Hong Kong. Starting from next year, Hong Kong will host an international tournament sanctioned by the Women's Tennis Association.

189. The Multi-purpose Sports Complex (MPSC) at Kai Tak now in the planning stage will attract major international sports events and enhance our people's quality of life. Planning of the MPSC is a priority. We will ensure that it meets the needs of the sports sector and the wider community as far as possible.

X. Administration and Constitutional System

District Administration

190. District administration has been implemented in Hong Kong for more than three decades. It has produced positive results, but also leaves much room for further development. I put forward the concept of “addressing district issues at the local level and capitalising on local opportunities”. This means that district administration, initiated by the Government, should be complemented by active district participation. It should not be the sole responsibility of the Government. The way forward is to delegate certain work and responsibilities to the District Councils (DCs) so that they can assist in delivering district services and promoting district development.

191. We will actively study how to take forward the present mode of district administration to enhance the functions of DCs, enable DC Members to play a more active role in district affairs, and facilitate the co-ordination of government departments in service delivery at district level by the District Officers. We will amend the legislation as soon as possible to abolish all DC appointed seats from 2016 onwards. Meanwhile, I hope that local communities could manage local affairs with the overall interests of the community in mind. We will organise a summit to explore ways to improve district administration.

192. We plan to provide additional resources to DCs and increase the current provisions for district minor works (DMW) projects. We will also consider enhancing DCs’ participation in resolving district issues and managing some district facilities. On top of the provisions for DMW projects and community involvement (CI) programmes, a one-off grant of \$100 million for each district, or \$1.8 billion in total for all districts, will be earmarked for DCs this year to carry out signature projects in the current term. Moreover, we plan to provide an additional \$20.8 million a year for CI programmes to enhance the work of DCs in promoting arts and cultural activities at the district level. We

will also review the allowance and expense reimbursement arrangements for DC members as appropriate, including the arrangements of renting premises for ward offices.

193. It has been 12 years since the abolition of the former municipal councils, but the levels of fees and charges for certain municipal facilities and services still vary between the urban areas and New Territories. I have decided to amend the legislation to align these fees and charges. As a first step, where the fee or charge for a facility or service differs between the urban areas and the New Territories, the lower rate will prevail. As a result, government revenue will be reduced by about \$70 million annually. As most of the fees and charges for the facilities and services of the LCSD and the Food and Environmental Hygiene Department have remained unchanged since 2000, I have asked the departments concerned to conduct a comprehensive review of their fee levels and charging policy, and to put forward recommendations to the Financial Secretary as soon as possible.

Constitutional Development

194. Regarding constitutional development, we will promote and achieve the ultimate aim of universal suffrage in accordance with the provisions of the Basic Law and the relevant decisions of the Standing Committee of the NPC.

195. The Government will launch a comprehensive consultation on the election methods of the Chief Executive in 2017 and the Legislative Council in 2016 and initiate the constitutional procedures at an appropriate juncture. We hope that the various sectors of the community and different political parties in the Legislative Council will act in the overall and long-term interests of Hong Kong, respect different views and engage in rational and pragmatic discussions in order to reach a consensus on the way forward for the democratic development of Hong Kong.

The Civil Service

196. Our civil service is an important asset to Hong Kong. Civil servants have been committed to serving the public professionally and effectively, both before and after reunification. In the past six months, the current-term Government has rolled out and implemented many new policies and initiatives. I would like to extend my heartfelt gratitude to the civil service for its support and co-ordination efforts. Civil servants are coming under greater pressure in the face of growing public demands. I will honour my pledges in the Manifesto and increase manpower in light of the actual operational needs in the next financial year to cope with the extra work. The Administration also attaches great importance to partnership with the civil service. I will ask the management and staff sides to engage in frequent dialogues and candid exchanges through relevant consultative channels to enhance mutual understanding and mutual trust. In particular, the management should listen to the valuable views and experience of frontline staff in policy execution to facilitate smooth implementation of various initiatives. We will attach greater importance to fostering the learning culture in the civil service and enrich training programmes. We will also boost the innovation and drive of civil servants so that they can better support the Government in serving the public.

Upholding the Core Values of Hong Kong

197. In my inaugural speech, I pledged to the Hong Kong people that I will safeguard the interests of the people, and uphold the core values of Hong Kong, including human rights, rule of law, clean government, freedom and democracy, tolerance of different stances and views, and respect for press freedom. Among them, judicial independence and the rule of law are not only our cherished core values but also the cornerstone of Hong Kong's success. The Government is steadfastly committed to upholding these core values.

XI. Conclusion

198. Mr President, Honourable Members and fellow citizens, I have laid out the current-term Government's and my major governance principles, policies and initiatives. The EDC, FSDC, Long Term Housing Strategy Steering Committee, CoP and Steering Committee on Population Policy, among others, will make proposals to the Government. Once adopted, we will announce and roll them out as soon as ready.

199. Allow me to emphasise two points. First, it is imperative to pursue people's livelihood and the economy in tandem. Improving people's livelihood hinges on economic development. We promote economic development for the purpose of improving people's livelihood, and that in turn will provide a more stable business environment. Second, in pursuing economic development, we must seize the opportunities that come our way. In our drive to improve people's livelihood, we must take timely actions to address the pressing needs of the community. Speedy actions are required on both these fronts.

200. Over the past six months, the current-term Government has delivered on some policies and reaped positive results. Looking forward, my team and I will continue to take on the challenges ahead in a pragmatic and proactive manner. We will work with the Legislative Council and all Hong Kong people with one heart and one vision. Together, we shall build a more prosperous Hong Kong.