

Madam President,

A. Introduction

1. Since the last Policy Address, Hong Kong has undergone significant changes. It is moving forward with new vigour, confidence and ambition to embrace the future. I have reviewed our recent work with colleagues and listened extensively to the views of the community on what I may accomplish in the remaining 20 months of my term. We fully understand the enormity of our task. We need to prioritise the needs and aspirations of various sectors and decide on the direction and focus of our work. I am honoured to deliver my Policy Address today. It builds on our past achievements and delivers on the pledges I made during the Chief Executive Election campaign. I have pledged to secure a “people-based” government which pursues excellent governance, a harmonious community and widespread economic growth. I believe this is the common wish of the people.

2. Hong Kong stands on the threshold of a new beginning. The economy is recovering. People’s lives are improving and the “feel-good” factor has returned. Mainstream public opinion is for stability, harmony and continued progress. Members of the public have placed their trust in the Government. Once again, the people of Hong Kong have proved their ability to meet any challenge. Their resilience in the face of adversity as well as their will and ability to reach new heights are as strong as ever.

3. I take to heart the people’s trust in me. The Government will diligently respond to the expectations of our community and country. To demonstrate that we are a credible, pragmatic and accountable administration, I will only include in this Policy Address those measures and policies that are capable of implementation within the current term of this Government. Public opinion underpins the strength of our leadership. Enhancing people’s well-being is the first order of business of good governance. I have extensively taken into account the views expressed during rounds of consultations. We will seriously attend to policy initiatives that may take longer to achieve results. And, we will seize every opportunity to start long-term strategic initiatives as well as taking measures to provide immediate relief or deal with crises that impact on our overall interests. We must lay a solid foundation for our long-term development. My vision is to succeed in implementing “One Country, Two Systems”, to achieve new results that make us proud, and to contribute our utmost to the modernisation of our country.

B. Pursuing Excellence in Governance

4. Pursuing excellence in governance is the most pressing public demand on the SAR Government today. We need a strong government to implement “One Country, Two Systems”, promote social harmony, and enhance economic growth. Strong government is a prerequisite for economic development. A harmonious society, itself founded on strong government and economic development, will create a favourable environment to achieve these goals. These three elements are interwoven, and of equal importance.

Vision of Strong Governance

5. When I talk of “strong governance” I mean a government that operates in strict accordance with the law. The political system established under the Basic Law envisions the Hong Kong SAR to practise “executive-led” government. The Chief Executive is the head of the SAR and leader of the SAR Government. He is responsible for implementing the Basic Law and the other laws of Hong Kong, determining government policies and issuing executive orders, nominating Principal Officials, appointing or removing judges and holders of public office in accordance with statutory procedures, and exercising other important powers and functions. The SAR Government is responsible for exercising the six major powers and functions of formulating and implementing policies, compiling and proposing the Budget and drafting and introducing legislation. The formulation and implementation of policies such as land administration and usage, financial and monetary affairs, civil aviation and shipping, education and technology, culture and sports, public order and social welfare all fall within the ambit of the Executive Authorities. My Administration will faithfully and responsibly exercise all these powers and functions vested in us under the Basic Law.

6. The SAR Government exercises its powers and functions in great transparency and under the watchful eye of the public. To me, a strong government does not work behind closed doors. Rather, it heeds public opinion, adopting the public interest as the guiding principle and accepting wide public participation in policy formulation. A government that operates this way is often characterised as having a clear direction, consistency in policy making, forceful and decisive leadership that is efficient and effective.

7. Strong government hinges on the political skills and the cohesion and co-operation of the governing team. As the Chief Executive, I have to be up to the task of political leadership. My foremost job is to fully grasp Hong Kong’s political landscape. I must adequately understand public sentiment, anticipate future opportunities and challenges, decide on the overall policy direction, enhance the good relationship between the Central Authorities and the SAR, secure the community’s trust and support for the Government, strengthen co-operation with the Legislative Council, and create a political and social environment conducive to effective governance.

8. To allow me to focus on political issues and to enhance institutional and operational efficiency, I will authorise the Chief Secretary for Administration (CS) and the Financial Secretary

(FS) to play the important role in policy co-ordination. They will be tasked to ensure government policies are properly staged, public resources are efficiently used, and duplication, inaction and ineffective action are avoided. Our aim is to better deliver on our performance pledges and to raise the community's trust in the Government.

9. To ensure that the CS and FS can effectively carry out their tasks, I will clearly define their portfolios, and work closely with them. For day-to-day operations, all Secretaries of Bureaux will report to them. The CS and FS will use the Policy Committee, comprising the Secretary for Justice and all Secretaries of Bureaux, as the main platform for policy co-ordination and initial clearance. The Committee will carefully consider all policy proposals before they are submitted to the Chief Executive in Council for deliberation and decision.

10. The Basic Law stipulates 10 powers and functions of the Legislative Council, including the enactment and amendment of laws, and specifies four areas where the SAR Government is accountable to the legislature. In full recognition of the status, powers and functions of the Legislative Council, my colleagues and I will strengthen communication with Honourable Members, let them understand our thinking on policy and legislation as early as possible, listen to their views, and foster co-operation. As long as the Executive Authorities and the Legislative Council exercise their powers and perform their functions as laid down explicitly in the Basic Law, they will complement each other and operate with due checks and balances. The issue of one bypassing the other does not arise. In addition, both the Executive Authorities and the legislature must exercise their powers and functions in a highly transparent manner in Hong Kong. If both follow mainstream public opinion, they should naturally work on a common policy agenda that would form a strong foundation to bring about effective governance, in line with people's expectations.

Strengthening the Relationship with the Central Authorities and the Mainland

11. A good relationship between the Central Authorities and the SAR is the cornerstone for the successful implementation of "One Country, Two Systems". It is also a prerequisite for our sustained economic growth and constitutional development. There is increasing recognition by the people of Hong Kong that we and our Mainland compatriots are of the same blood. We share a common interest and destiny. We ride on the same boat. In recent years, exchanges between Hong Kong and the Central Authorities, indeed exchanges with all of the Mainland, have intensified. This has led to a broadening of contacts and much closer ties. We complement each other, and we both reap substantial benefits as a result.

12. With more exchanges between Hong Kong and the Mainland, the SAR Government must engage in more dialogue with the Central Authorities and other Mainland authorities at all levels. I will actively promote contacts and exchanges between the SAR and the Central Authorities. All Principal Officials and Permanent Secretaries will visit Beijing and other places in the Mainland more frequently to enhance communication and mutual understanding and to engage in discussions

on substantive issues. Here, I would like to urge all Honourable Members of this Council, District Councillors and members of the public to be increasingly concerned about matters affecting our country, to open up more communication channels and to have more contacts with the Mainland. We will, through different measures, familiarise our officials with Mainland affairs and major national policies and encourage more Mainland visits by Legislative Councillors. We will increase promotion of the Basic Law and civic education to enhance Hong Kong people's understanding of, and concern for, our country.

13. The SAR Government has established the Office of the Government of the HKSAR in Beijing and the Hong Kong Economic and Trade Office in Guangdong. To further promote our exchanges and co-operation with eastern China and the southwestern region, and to provide additional support services to Hong Kong people visiting the Mainland, the SAR Government will discuss with the Central Authorities setting up additional offices in Shanghai and Chengdu. To better co-ordinate the promotion of closer ties with the Mainland, and to facilitate exchanges and co-operation with Guangdong, the Pan-Pearl River Delta (Pan-PRD) and many other areas in the Mainland, I have decided to expand the powers and functions of the Constitutional Affairs Bureau by establishing a Mainland Affairs Liaison Office within it. This office will oversee the work of the existing Hong Kong Guangdong Co-operation Co-ordination Unit and all our offices in the Mainland.

14. Hong Kong deputies to the National People's Congress (NPC) are elected locally in accordance with the law to participate in the work of the highest organ of state power. Hong Kong members of the Chinese People's Political Consultative Conference (CPPCC) participate in discussions on state affairs. Both play an important role and have a better understanding of the Central Authorities and the Mainland. The SAR Government will forge closer ties with NPC deputies and CPPCC members so that they may better play their role.

Expanding the Executive Council and the Commission on Strategic Development

15. To achieve strong governance, the Government needs to secure a broader and firmer support base. I will increase the membership of both the Executive Council and the Commission on Strategic Development. And, I will rejuvenate the membership of advisory boards and statutory bodies to harvest the experience of leaders in their fields and provide them with an opportunity to play a greater role in the different levels of leadership of the SAR.

16. The Executive Council assists the Chief Executive in his decision making. I have decided to increase the number of Non-official Members in the Council. To allow more time and opportunities for Non-official Members to express their views and to put forward proposals, only the top three Principal Officials and I will attend all Council meetings as Official Members. Other Official Members can opt to attend only when items on the agenda concern their portfolios. The Non-official Members will have more opportunities to participate at an earlier stage of policy making, and will be able to focus on individual policy areas through division of labour. They will

also play a more active role in assisting the Government to explain and promote policies to the public, and to enhance communication between the Government and different sectors of the community. I believe an expanded Executive Council will bring about significant improvements to our governance.

17. The Commission on Strategic Development, chaired by the Chief Executive, was established in 1998 to explore the way forward for Hong Kong's long-term development strategies. I look upon the Commission as our most important advisory body. I will substantially expand its membership to around 100 by inviting talent from different fields. It will provide a platform for all sectors of the community to explore with the Government major issues pertaining to our long-term development. The Commission will be able to gauge a wide range of community views to help forge a consensus on important issues, thereby laying the foundation for formulating specific policies. The Commission's work will help make policy formulation more scientific and transparent, backed up by enhanced public participation and acceptance. To improve operational efficiency, three panels will be set up under the Commission to study political, economic and social development. The Central Policy Unit will provide research and secretariat support to the Commission.

18. At present, the Government has a few hundred advisory boards and statutory bodies. They serve as important partners in achieving effective governance. We attach great importance to the work they do. We see them as think tanks for public policies and channels for our people to participate in public affairs. When current members' terms expire, we will actively seek to bring in more people from different sectors. They will be able to participate and give play to their talent in helping the Government take the public pulse and improve governance. I will pay particular attention to the participation of women, young people and the disadvantaged.

Enhancing Work in Districts

19. It is essential that public policies are effectively implemented at the district level. To better respond to the demands of the people, the Government will strengthen the role of District Officers (DOs). We will enhance the co-ordination function of District Management Committees to better provide cross-departmental services in districts. I will issue internal guidelines asking all government departments to better complement the work of DOs with a view to raising the capacity to resolve problems, deal with issues concerning people's livelihood, strengthen community building, and promote community and charity work at the district level.

20. The role of the District Councils will be expanded. The Government will allow each District Council to assume responsibility for the management of some district facilities, such as libraries, community halls, leisure grounds, sports venues and swimming pools. The executive departments will follow the decisions of the District Council in managing such facilities, within the limits of their existing statutory powers and resources available. I have asked the working party under the Home Affairs Bureau and the Constitutional Affairs Bureau to work out an implementation plan for this proposal in the context of the on-going review of the functions and structure of the District

Councils. The working party will seek the views of District Council members in making its recommendations. The formal public consultation on the review will commence in the first quarter of next year. We will continue to make available more channels for the public to participate in the management of district affairs.

21. The Heung Yee Kuk is an important statutory, traditional organisation on New Territories affairs. It has preserved its fine traditional values, promoted the well-being of villagers and fostered cohesion in rural communities in the face of rapid modernisation. In seeking to protect the legitimate traditional interests of indigenous villagers, the Kuk must be sensitive to the concerns of the broader population in major townships. The Government cherishes the valuable functions and contributions of the Kuk and will vigorously forge a stronger partnership with it.

Reorganising the Chief Executive's Office

22. The Chief Executive plays a pivotal role in achieving effective governance. To discharge my duties properly, I have decided to reorganise the Chief Executive's Office. The Director of the Chief Executive's Office will continue to be a political appointment, responsible for liaison with the Legislative Council, the Commission on Strategic Development, political organisations, various sectors and district personalities. An additional post of Permanent Secretary will be required for internal management, including co-ordination with the Chief Secretary for Administration's Office, the Financial Secretary's Office, bureaux and departments; liaison with the Executive Council; keeping track of the implementation of major policies; and ensuring that the directives of the Chief Executive are followed through. There will also be an Information Co-ordinator who will be responsible for the Government's overall public relations strategies, co-ordinating publicity on the introduction of major policies, strengthening communication with the media, and enhancing the dissemination of information.

Constitutional Development

23. As stipulated in the Basic Law, our constitutional development should be taken forward in a gradual and orderly manner towards the ultimate objective of universal suffrage in the light of the actual situation in Hong Kong. For more than a year, the Constitutional Development Task Force has been actively seeking the views of different sectors and maintaining communication with the relevant departments of the Central Authorities on how to amend the methods for selecting the Chief Executive in 2007 and for forming the Legislative Council in 2008. The Task Force's Fifth Report, to be published later, will contain a package of proposals on how to amend the two methods. In drawing up the package, the Task Force has been guided by a number of principles. The proposals must comply with the Basic Law and the Interpretation and Decision made by the Standing Committee of the National People's Congress in April 2004; give the public more say and more channels to participate in the Chief Executive and Legislative Council elections, in order to achieve enhanced representativeness of the two elections; and abide by the principle of gradual and orderly progress towards the ultimate goal of universal suffrage.

24. I firmly believe that the proposed methods will mark a key milestone in the development of democracy in Hong Kong. I sincerely hope they will receive support from this Council and the community at large. I also sincerely hope that in the overall and long-term interests of Hong Kong, Honourable Members of this Council will, in debating the proposed methods, strive to seek common ground while accommodating differences and reach a consensus, so that Hong Kong's constitutional development can move forward.

25. While moving forward steadily and purposefully with constitutional development, we must continue to improve on our administrative system. The Accountability System for Principal Officials has been in place for more than three years. It has proved to be more responsive to public needs and aspirations as well as a necessary reform in the path of constitutional development towards universal suffrage in Hong Kong. Generally, the community has accepted the Accountability System and looks forward to further consolidation and improvement. The most pressing need at the moment is to strengthen support for the Principal Officials to undertake growing political work related to formulation and implementation of policies, actively reach out to various social sectors and seek wider and more solid public support for the Government. Consequently, we will consider creating within our executive agencies a small number of positions dedicated to political affairs. Their main duty will be to support the Chief Executive and the Principal Officials in their political work. This will provide a new channel for people with political aspirations to join the Government to realise their ambitions. It will also allow civil servants aspiring to a political career to leave the civil service to take part in politics. I must reiterate here that the creation of this political cadre should never undermine the politically neutral civil service in any way. The civil service remains the backbone of the SAR Government, and of effective governance. It is clean, efficient and accountable with outstanding professionalism and prestige. We must safeguard the integrity and interests of the civil service system. In working out the plans for this new political cadre, we shall enhance communication and consultation with the civil service. I am well aware that some members of the public and civil service are wary of the proposed creation of these political posts. I propose to release a consultation document in the first half of 2006 to canvass views from a broad spectrum of society, including civil servants, with a view to receiving popular support for the final arrangements.

26. Improved governance requires not only the efforts of the SAR Government, but also the participation of people in community affairs as masters of the territory. We will open up opportunities for participation and encourage members of the public to become involved in politics. The increased number of Non-official Members on the Executive Council, the expansion of the membership of the Commission on Strategic Development, the revamping of advisory boards and statutory bodies, the opening of channels for participation in district affairs, improvements to the electoral systems for the Chief Executive and the Legislative Council, and the enhancement of the Accountability System embody the sincerity and solid efforts of the Government to nurture political talent. Our goal is to progressively develop a system for political participation at various levels and through different channels. In particular, we seek to provide opportunities for those with political

aspirations to hone their skills through participating in Government work and to establish a clear career path for aspiring politicians.

C. Fostering Harmony in the Community

27. The second theme of my Policy Address is to foster harmony in the community. This requires the concerted efforts of the Government and all sectors of the community. The public generally expects less confrontation and dispute and more harmony among ourselves. Many community organisations are striving to foster a harmonious society. For example, the Women's Commission has formulated its five-year objective of "Working Together for Social Harmony". On the basis of joint responsibility, the Government will strive to form partnerships with different organisations and sectors to engender a sense of friendship and mutual support.

28. Like other world cities, Hong Kong is inevitably drawn into the tides of globalisation, which have given rise to various social conflicts. That said, Hong Kong is much more peaceful than other big cities. We do not have any serious ethnic, religious or class conflicts. Our people embody the "Hong Kong spirit" with their "can-do" approach and "never-give-up" attitude. Hong Kong people are compassionate and generous. They display mutual respect and tolerance. The "Good People of Hong Kong" give me full confidence in our efforts to foster harmony in the community.

Upholding Social Justice

29. The pillars of Hong Kong's success include the rule of law upheld by an independent judiciary, the free flow of information, a clean government and a level playing field for business. They are also the foundations of a harmonious society. The SAR Government is determined to safeguard the rule of law, respect judicial independence, protect the rights and freedoms our people enjoy, and uphold social justice. We will ensure that our law enforcement agencies have sufficient powers and resources to maintain public order and protect the public interest under the law.

30. A major advantage that Hong Kong enjoys in global competition is our clean public and private sectors. This institutional feature is highly acclaimed in the international community and is the pride of our people. It is also a core value we must protect. The Independent Commission Against Corruption (ICAC) has been playing a crucial role in building a clean society in Hong Kong. Its achievements are there for all to see. Under no circumstances will the Government waver in its determination to combat corruption. We will render full support to the work of the ICAC, as we have always done. We will also support the ICAC's efforts to improve the effectiveness of its law enforcement actions in response to changes in our legal system and our society. As Chief Executive, I accept the need for my office to be subject to anti-corruption regulation. To that end, the Government will introduce legislation into the Legislative Council as soon as possible to put in place the necessary legal regulatory procedures within the framework of the Basic Law.

31. We should act together to uphold pluralism and inclusiveness in our society, and oppose any form of discrimination. We will propose legislation to prohibit racial discrimination. Before introducing new policies and measures, we will insist on consideration of the different needs and perspectives of men and women and promote equality of the sexes and their opportunities to do

their best. We will continue to promote the rights of children and sexual minorities, as well as racial harmony.

32. Hong Kong is a place that blends East and West. We are deeply rooted in Chinese culture, but have also adopted many values and customs common to many other societies and cultures. In Hong Kong, people live and work in harmony and with mutual respect, whether they come from different provinces in the Mainland or are overseas Chinese or ethnic Chinese, or nationals from all corners of the globe. We encourage the promotion of cultural diversity. Active interplay and convergence of different cultures enrich our own culture and give it a unique flavour. As a world city, Hong Kong has to be ready to embrace the world.

33. As an agent and guardian of Hong Kong's overall long-term interests, the Government is committed to upholding equity in its governance. We will adhere strictly to established systems and procedures in our dealings with the public, and impartially take care of the interests of various sectors. We will ensure that statutory bodies perform their functions effectively and collaborate with non-government organisations to secure equal opportunities for all in our society, especially in terms of receiving education, so that members of the community can upgrade themselves.

34. We will rally the efforts of all sectors to create favourable conditions for personal development, thereby creating more opportunities for upward mobility. To better equip our young people to find work and to raise the overall effectiveness of the Youth Pre-employment Training Programme, trainees will now have more skill courses, and a greater variety from which to choose. We will also increase the programme's workplace attachment training allowance from \$1,000 to \$2,000 to encourage more trainees to gain actual work experience. We have increased the number of fee-waiving places under the After School Care Programme so that more low-income family members can work. In addition, we will co-operate with schools to provide students with after-school learning and other support services. The three-year Capacity Building Mileage Programme launched by the Women's Commission has successfully encouraged women of different strata to pursue continuous learning and personal development. There have been over 6 000 enrolments in the programme in the past year and a half. We will continue to maintain close contact with different women's groups, to work together to promote women's participation in public affairs. To enhance employment services in remote areas, the Labour Department will set up job centres in Yuen Long and North District, increasing the number of job centres from 10 to 12. We will extend some temporary jobs in the public sector to meet operational needs. We will also relax the eligibility criteria of the Incentive Allowance Scheme for Local Domestic Helpers to promote the development of the local domestic helper market.

Encouraging Fair Competition

35. A level playing field that allows enterprising people to start and run their own businesses is important for sustaining the vitality and harmony of society. Hong Kong has long been recognised as the world's freest economy. The international community has commented very favourably about the upholding of fair competition in Hong Kong. However, as Hong Kong enterprises grow in

strength, with some acquiring world-class status, coupled with an increased presence of multinational enterprises, it is possible that forces capable of cornering the market may emerge in Hong Kong.

36. The Government introduced a Statement on Competitive Policy in May 1998. Since then we have gained experience from the implementation of sector-specific competition policies. The results we have achieved in promoting competition in the telecommunications market have been particularly noteworthy. To ensure that our competition policy continues to serve the public interest and provide a business-friendly environment, and in response to the views of Legislative Councillors and the public, we appointed a Competition Policy Review Committee a few months ago. The newly established independent Committee, chaired by a Non-official with members drawn from different sectors, is tasked to review the effectiveness of our existing competition policy. The Committee will consider, among other things, whether the implementation of our policy is in line with the times, and whether available investigative powers are adequate. The Committee will also draw on international experience and discuss the need to introduce in Hong Kong a comprehensive and cross-sector law on fair competition, as well as its scope and application. The Committee expects its review to be completed in mid-2006.

37. We do not seek to intervene in the market. Rather, we want to actively protect market order and fair competition by preventing manipulative practices such as price fixing, bid rigging and market sharing. Any additional measures, including legislation, will aim to facilitate new ventures by individuals and help small and medium enterprises operate and grow. We can take reference from the comprehensive competition laws enacted in scores of jurisdictions so that we can avoid as far as possible any negative impact stemming from legislation or other related measures. Hong Kong enterprises have always embraced competition and thrived in a competitive setting. I believe they will support our effort in maintaining a climate of free and fair competition.

Development of Welfare Services

38. We cannot turn a blind eye to those factors that threaten long-term harmony in society. These include: employment difficulties for workers with low academic qualifications and skills; declining real pay levels in certain jobs; the polarisation of the middle class; a widening income gap; an ageing population; adaptability problems for some new arrivals from the Mainland; and serious challenges to traditional family values. We must address these issues.

39. Any society has its own disadvantaged groups. They deserve appropriate care. Social welfare in Hong Kong needs sustainable development, and our welfare agencies and professional social workers are required to play an important role. The Government will continue its partnership with the social welfare sector and endeavour to promote the development of welfare services. More and more enterprises are willing to shoulder social responsibilities by providing various forms of assistance to disadvantaged groups. Individuals and families also have a most important role to play and cannot over-rely on Government and community support. The Government has, through the Community Investment and Inclusion Fund and the Partnership Fund for the Disadvantaged,

supported various projects, and actively promoted partnership with the business community, the social welfare sector and community organisations. These seek to build social capital, promote corporate social responsibility, encourage responsibility sharing by the family and individuals, and develop community support networks so that people can help one another as well as themselves, and create conditions for fostering social harmony.

Helping the Needy

40. To help the needy we have an established social security safety net, including the Comprehensive Social Security Assistance Scheme. Early this year, to further address the poverty problem, the Government set up the Commission on Poverty to co-ordinate relevant policies and implement district-based poverty alleviation measures. Our policy thinking is to help people to help themselves, with a focus on increasing employment and reducing inter-generational poverty. Dedicated, district-based organisations have been formed in many districts. These are chaired by the respective District Officers to oversee the co-ordination of cross-department and cross-sector poverty alleviation work. District-based work programmes have also been drawn up. We will provide additional resources to support them where appropriate.

41. The Government will emphasise helping people capable of work to move from welfare to self-reliance. We will promote co-operation with all parties to further develop social enterprise, enhance the employability of the unemployed and consider how our employment services and training programmes can supplement one another to tie in with this development.

42. The Government will continue to implement various social policies, including mobilising the strengths of the community to provide an opportunity for healthy and balanced development for our children and youth. The Government will continue to provide extra support to children and youth of poor families or with special needs, to ensure they have a proper opportunity to develop.

43. Some poor families are ethnic minorities. They have to overcome many obstacles such as language barriers and different customs. We have provided suitably designed language courses for children of ethnic minorities in schools to help their early integration into our society. We have also provided specialist vocational training for those who have left school to help them find employment. The Government will continue to study the needs of the ethnic minorities and render appropriate assistance.

44. We will strengthen community support services to people with disabilities and their families. To facilitate disabled people's early return to the community, we will provide severely disabled people, including tetraplegia patients, with transitional residence, day training, nursing and support services. At the same time, we will provide discharged patients suffering from mental, physical or neurological impairments with continuous day rehabilitation and infirmary care services. For the disabled residing in rehabilitation facilities, we will introduce a new scheme for visiting doctors to take care of their medical needs. The Government has all along strived to provide people with disabilities with a barrier-free environment. In this connection, we have completed a relevant review. We will conduct public consultation on the outcome of the review and start the

necessary legislative process as soon as possible to ensure the provision of barrier-free access to buildings for the disabled.

Cherishing Family Values

45. Cherishing the family is a core value of our community. Family harmony is the foundation of social harmony. The Government will continue to enhance family cohesion with effective policies. Our tax system provides allowances for taxpayers taking care of their children, parents and grandparents. Concessions are also given to single parents and carers of family members, especially disabled family members, who face special difficulties. Our public housing allocation policy gives special consideration to tenants looking after elderly family members.

46. Like many other places, families in Hong Kong bear the brunt of social and economic changes. Divorced and single-parent families are on the rise. Cross-border employment separates families. An ageing population means more elderly people need health care and other forms of attention. Many parents of dual income families have to juggle their jobs and family life. As a caring Government, we actively provide support, counselling and a variety of other social services to such families. At the same time, we will remind all family members of their respective responsibilities to help them build a healthy family relationship.

47. Family education is very important. We will allocate new resources to strengthen and extend family education. We will promote the values, ethics and individual responsibility needed for family harmony through various channels such as media publicity and district activities.

48. The Government does not tolerate domestic violence. We provide protection to victims of domestic violence, in particular women and children. We will also pursue the perpetrators of violence and bring them to justice. Since last year, we have taken special measures and devoted more resources to support families in need and to resolve family crises. These include more social service staff, enhancing co-operation among the Police, Social Welfare Department and non-government organisations, improving the planning and co-ordination systems in districts, and increasing publicity and education as well as staff training. In the coming year, we will launch a pilot scheme to provide counselling to domestic violence offenders. We will also help victims of domestic violence understand their rights, the protection afforded by law and the support services rendered by the Government, and encourage them to seek help as early as possible. We will allocate additional resources and utilise community capital to set up community support networks, and will reach out to families that have not sought help to address their problems at an early stage.

49. In future, the Government will allocate resources according to the different situations in each district. We will strengthen district welfare planning and co-ordination to optimise our care for families. For instance in Tin Shui Wai, we have added a Family and Child Protective Services Unit and will build an integrated children and youth services centre.

50. The Government will seek partnership with the business community and social service agencies to create a family-friendly and community environment in workplace. Relevant

government departments, in collaboration with some private sector employers and social service agencies, have established the Employee Assistance Programme to provide employees with professional personal advice and counselling services to help manage stress and emotional problems. Some companies also provide staff with child care services to meet the needs of working parents. We will continue to explore ways to help working parents achieve a better family-work balance so they can upgrade the quality of their family life.

51. Elderly people will enjoy better physical and mental health if they live in the community and maintain a normal social life. To take forward our vision of “ageing in place”, we need to provide a better interface between medical and elderly services in the development of community-based elderly care services. This will allow the elderly to receive appropriate medical and nursing care in the community and avoid their premature admission into elderly homes. The Health, Welfare and Food Bureau will work with the Elderly Commission in this regard. We will continue to improve the facilities in elderly homes in order that they may provide a continuum of care.

Protecting Labour Rights

52. Despite the economic recovery, some employees have yet to see any improvement in their livelihood. The Legislative Councillors representing the labour sector have persistently reflected the frustration of the lowest paid workers. They have put forward a number of constructive suggestions, which we highly value. We deeply appreciate the difficulties faced by the working man and woman. Protecting labour rights and promoting good labour relations are essential in building a harmonious society.

53. The Labour Advisory Board is now conducting an in-depth study on the question of a minimum wage and standard working hours. As different sectors in the community have diverse views on the subject, we should give the Board sufficient time to consider it. Concurrently, the SAR Government has taken the initiative to require its service contractors to ensure that the wages of their non-skilled workers are not lower than the average market level. We have promoted this arrangement to all public organisations, and they have responded positively. About 25 000 workers at lower levels will benefit from these arrangements. We will further promote this practice to subvented organisations and subvented schools. I appeal to the business community, in the spirit of corporate social responsibility, to follow the level of average monthly market wages announced by the Government in paying their non-skilled workers. We firmly believe that these pragmatic measures will protect more workers at lower levels.

54. On another front, the Government is determined to crack down on the employment of illegal workers. We will target employers who hire them. The number of joint operations against illegal employment by law enforcement agencies in the first eight months this year was 30% higher year-on-year. A total of 145 employers were convicted for hiring illegal workers and sentenced to immediate imprisonment. We are also determined to combat wage default offences. Employers who wilfully use improper means to evade their obligations will receive severe punishment. The number

of successful prosecutions for wage default offences in the first eight months this year increased by 13% over the same period in 2004, and some company directors were sentenced to jail. The Labour Department will strengthen enforcement action against wage defaulters, and will propose increasing the maximum penalty for wage default offences.

55. Job creation is always an important consideration in policy formulation. In the next two years, the Government will embark on a number of community facility projects, continue to expedite urban renewal and promote active building maintenance. These will improve our living environment and create more job opportunities for the construction industry.

56. Between now and the end of 2006, the Government will invest about \$190 million to carry out over 120 Rural Public Works and Urban Minor Works projects. This will create 480 jobs for the construction industry. Accelerating the building programme of the municipal works projects will create another 2 200 jobs. Advancing maintenance works to 30 community halls and centres will add around 200 jobs for the construction industry. The Hong Kong Housing Society and the Urban Renewal Authority are also expected to provide some 3 000 jobs each year by helping property owners to undertake proper building maintenance. We are considering the expansion of this effort with the Hong Kong Housing Society and the Urban Renewal Authority. Under the Tourist District Enhancement Programme, we will study the need for new tourism works projects in Aberdeen to support the redevelopment plan for Ocean Park. We will also enhance the waterfront facilities at Lei Yue Mun, and develop a piazza at Tsim Sha Tsui.

57. Projects associated with preparations for the 2008 Olympic Equestrian Events in Hong Kong will create about 450 construction industry jobs. As the Hong Kong Sports Institute has to temporarily vacate its present site to make way for the equestrian events, the Government will provide training grounds for local athletes over the transitional period, and will build new facilities.

58. In order to encourage property owners to undertake small scale construction projects including building maintenance, we will introduce legislation in the 2005-06 legislative year to put in place a minor works supervision system to streamline related procedures and assure the safety of these projects.

Environment and Health

59. Madam President, the important task of environmental protection is integral to my three main themes of pursuing excellence in governance, fostering a harmonious community, and helping the economy power ahead at full steam. Social harmony includes harmony between humankind and nature. Eliminating environmental pollution has a significant bearing not only on public health and the quality of life, but also on the long-term development of Hong Kong. As Asia's world city, Hong Kong cannot tolerate foul air and a poor environment. Creating a better environment poses a big challenge for the Government. We are determined to deal with environmental pollution. We have the strategy, measures and action plans. In future all new major government policies will be subject to environmental protection scrutiny. It is the whole community's responsibility to protect the environment. The fundamental principle is "polluter pays". We will step up our efforts to raise

public awareness of environmental protection, to make Hong Kong a green city and an ideal home loved and cared for by all.

Air

60. In recent years, the extent of air pollution in Hong Kong has aroused grave concern in the community. We must take vigorous measures to make sustained improvement to air quality. We must first tackle the problem at home. Since 1999, we have introduced measures progressively to control vehicle emissions, and they have started to produce results. Our next step is to introduce in stages Euro IV emission standards for newly registered vehicles from January 2006. The Government will take the lead to reduce power consumption. From January 2006, power consumption in all Government office buildings will be reduced by 1.5% annually, and the Government will take the lead in using ultra-low sulphur diesel in all government projects. The Government will consider using hybrid vehicles that have lower emissions on a wider scale, once more models become available on the market and are judged to be cost-effective. We will encourage the community to do the same. We will issue guidelines to all government drivers, requiring them to switch off engines while waiting. We will appeal to private car drivers to exercise the same self-discipline.

61. To fully achieve the emissions reduction targets in 2010, we have asked the power companies to accelerate the timing of emissions reduction projects, increase the use of ultra-low sulphur coal and use natural gas for power generation as much as possible. In addition, the Environmental Protection Department will progressively tighten the emissions caps during the renewal of the power companies' specified process licences, to ensure that the 2010 emissions reduction targets are achieved.

62. The Scheme of Control Agreements between the Government and the two power companies will expire in 2008. The Government is considering the views received in the first stage of public consultation to draw up an outline for the future development of the electricity market. In formulating new schemes of control, we will require the power companies to install effective emissions reduction facilities to achieve emissions reduction targets, as a precondition for licensing. In addition, we will ask for the use of renewable energy to generate electricity and the implementation of demand side management. We will explore options to avoid the costs of installing emissions reduction facilities being passed onto consumers as far as possible. We will proceed with the second stage of public consultation on the outline of future development of the electricity market by the end of the year.

63. In terms of air quality in the region, Hong Kong and Guangdong reached a consensus in 2002 on improving air quality in the PRD against targets set for 2010 and have pressed ahead with the Regional Air Quality Management Plan. We have now established a PRD Regional Air Quality Monitoring Network. With a total of 16 monitoring stations, the network can provide comprehensive and accurate information on air quality in the PRD region. The two governments have agreed to make arrangements for reporting daily to the public the PRD Regional Air Quality

Index from the fourth quarter this year. Concerted efforts within the community can provide substantial impetus to clean air initiatives. For instance, I know that our business community has taken the initiative to sign a Clean Air Charter. Details of the Pilot Emissions Trading Scheme among power plants in the PRD, jointly undertaken by Hong Kong and Guangdong, are expected to be finalised in 2006. The scheme will allow power plants to look for trading partners and enter into emissions trading contracts. The two sides are working towards the agreed emissions reduction targets in 2010, to significantly improve the air quality in the PRD.

Food Safety

64. As the Chinese saying goes, “food is people’s paramount concern”. There is now widespread public concern about food safety. The Mainland supplies Hong Kong with poultry, livestock, marine products and other non-staple food on a daily basis. We have taken the opportunity presented by recent food safety incidents to enhance our notification system with the Central Authorities and the Guangdong provincial authorities. We have agreed the systems and procedures for monitoring the safety of food imported from the Mainland. Recently we have reached a consensus on control at source. Relevant SAR Government departments will send officials to visit the facilities of Mainland suppliers to inspect the safety measures taken during the growing or rearing process. The Government will step up efforts in the sampling and testing of food being sold on the market.

65. To pool our resources for better food safety control, we have decided to reorganise the government departments and establish a new Food Safety, Inspection and Quarantine Department. The new Department will consolidate functions now performed by the Agriculture, Fisheries and Conservation Department and the Food and Environmental Hygiene Department in this regard, including the monitoring and controlling of imported and local live food and non-food animals, poultry and birds, and the safety of vegetables, meat, seafood and food products. The supervision of food safety involves many statutory functions and is a government responsibility. In carrying out this work, the new Department will liaise closely with relevant experts and academics as well as consumers. It will listen to their views on food safety standards to ensure that our people can eat with peace of mind. We will brief the Legislative Council on the specific arrangements later.

Medical and Health

66. We attach great importance to public health. We will promote health education and work with the sports sector in this regard. We remain highly vigilant about communicable disease surveillance and control. We endeavour to ensure that the Centre for Health Protection is capable of making an effective response in a crisis. We will also enhance our communicable disease surveillance and notification system with the Mainland.

67. We must develop a sustainable health care system. The Health and Medical Development Advisory Committee has embarked on a study and analysis of various health care financing options. It will put forward its initial proposals for public discussion early next year. Modern health care has

developed into an integrated multi-disciplinary system. In response, the Government continues to work with the whole spectrum of health professionals with a view to delivering quality services. We also recognise the role of Chinese medicine in our health care system. We will assure the sustained development of Chinese medicine and treatment through effective regulation. In the public sector, the Government will open in stages more Chinese medicine out-patient clinics to cover the whole of Hong Kong, and will install computers at these clinics for the collation of Chinese medicine clinical knowledge. The public Chinese medicine out-patient clinics will also provide training to selected graduates of our local full-time Chinese medicine bachelor degree programme.

Treatment of Solid Waste

68. A total of 3.4 million tonnes of refuse was disposed of at the three landfills last year. Obviously, relying solely on landfills to treat solid waste is not sustainable. In any advanced society, the treatment of municipal waste must involve waste reduction, recovery and reuse and appropriate treatment of what is left. Methods to resolve the waste problem completely include policy incentives to change people's habits of waste disposal, the encouragement of recovery and reuse and the promotion of recycling industries. For this purpose, Phase I of the EcoPark being built in Tuen Mun Area 38, designated for the development of environmental industries, will be commissioned towards the end of 2006.

Improving Water Quality in the Harbour

69. Our spectacular Victoria Harbour is an internationally renowned icon of Hong Kong. It is our common responsibility to keep its water clean. To improve the harbour's water quality, the Government is taking forward the Harbour Area Treatment Scheme Stage 2 which, coupled with the improvement to all sewer facilities in Hong Kong, will tackle pollution at source. While the Government will bear the construction costs, the public has to pay for the operating costs of sewage treatment in line with the "polluter pays" principle.

70. In planning future development, we will achieve the objective of protecting and beautifying Victoria Harbour and pay particular attention to the vista on both sides of the harbour. Government departments will step up their co-operation to implement a sustainable greening programme for the urban areas. Our country parks and marine parks, which together cover an area of 44 000 hectares will be effectively protected. For selected ecologically important areas, we will, as a priority, carry out a pilot scheme involving management agreements and public-private partnership. Under this scheme, land owners will participate voluntarily and non-governmental organisations will provide the funding for conservation work.

D. Helping the Economy to Power Ahead

71. We have a steadfast commitment to promoting economic development. Following a strong rebound last year, Hong Kong's economy continues to show very strong growth, with increases in both external trade and domestic demand. Outstanding external trade, coupled with a huge surplus in our recurrent account, underlines Hong Kong's immense competitiveness as the conduit for trade between China and the world. Increased domestic demand reflects the confidence of local consumers and investors. Employment has reached a new peak, with an increase of nearly 200 000 new jobs in the past two years. Although there will be various risks in global economic development in the coming year, the recovery of our economy on all fronts has proved once again that our abilities to adapt and adjust enable us to overcome any difficulty.

72. Hong Kong is a highly externally oriented economy. Our strategy is to "leverage the Mainland and engage ourselves globally"; to strengthen our advantages; to encourage entrepreneurship and fair competition under the principle of "Big Market, Small Government"; and to consolidate our position as Asia's world city and our role as a key international financial, trading, transportation and information hub of China. This strategy has delivered significant results and has allowed us to bring into full play our comparative advantages.

73. Helping the economy power ahead at full steam means that we must augment our efforts in all areas where Hong Kong has a comparative advantage. We will strive to consolidate the existing pillar industries. At the same time, we will closely follow changes in the market and respond promptly to the demands of the business sector in new growth areas. We will actively help open up new business opportunities by providing the necessary policy support, regulatory control and infrastructure.

Externally Oriented Economy

74. A unique feature of Hong Kong is our international outlook and global network. We have many different talents, who have helped to link Hong Kong with the rest of the world through education, work, cultural activities as well as family and social ties. We have many enterprises that have maintained stable co-operative relationships with foreign partners in trade, finance, investment and other areas. They have helped build a good reputation for Hong Kong and establish our position in the globalisation process. We also have a large expatriate community that calls Hong Kong home, a host of consulates and foreign missions, thousands of multinational companies and business people, a wide range of international organisations and schools, and a substantial concentration of overseas news and media companies. To the international community, Hong Kong is a city steeped in Chinese culture but with many institutions and practices common to other major cities worldwide. People from all around the world feel at home here. To people in the Mainland, Hong Kong is a city characterised by its "international flavour" but whose people speak their

language and share their culture. They find it extremely convenient to do business. Under “One Country, Two Systems”, Hong Kong has developed into Asia’s world city - not just “another Chinese city”.

75. We will continue to consolidate and strengthen our ties with the international community. Our high degree of autonomy enables us to enhance our profile and competitiveness in the global arena through commerce, trade, finance, culture, sports and tourism. We act as an irreplaceable bridge linking the Mainland and the world. In view of new developments in our overseas markets, we need to strengthen the coverage of our networks. We plan to add a new economic and trade office in Europe to assume responsibility for such promotion in eastern Europe. We play a prominent and constructive role in international and regional affairs. For example, we will host the Sixth Ministerial Conference of the World Trade Organisation in December this year, to participate actively in promoting global trade liberalisation and regional economic co-operation.

76. Backed by the Mainland, we are well positioned to capitalise on the tremendous momentum of China’s rapid economic growth. The huge investments made by Hong Kong business people in the Mainland have laid a solid foundation for expansion. The continued growth in demand of Mainland enterprises and people has created new business opportunities for Hong Kong. Our well-developed services sector can serve as a driving force to help the manufacturing industry and other related industries in the Mainland build brand names and expand their business. Our well-established market mechanism can facilitate the integration of Mainland enterprises into international markets. We will continue to promote and expedite the process of attracting Mainland enterprises, both state-owned and private, to Hong Kong.

77. Located in a fast-growing region, Hong Kong faces both opportunities and challenges. We will continue to take measures to improve our unique strengths, attract talent and enhance our overall competitiveness. Hong Kong is the freest economy in the world. We have a sound legal system and free flow of information. We respect private ownership and honour our contractual obligations. We have a comprehensive and sophisticated business infrastructure, good corporate governance, a clean and highly efficient public sector and a simple and low tax regime. The Economic and Employment Council, led by the Financial Secretary, works on improving our business environment by pushing for simplified procedures and the elimination of outdated or unnecessary regulation in government departments. Hong Kong’s intellectual property rights (IPR) protection regime meets international standards. We will keep abreast of technological developments and market changes to ensure that our IPR protection regime moves with the times. To implement the “Market Leads, Government Facilitates” principle, we will consider delivering more public services through Public-Private-Partnerships.

Our Position as an International Financial Centre

78. Hong Kong is a leading international financial centre in the Asia-Pacific region. We will continue to consolidate this position, which is of vital importance to our prosperity. The banking

sector is laying the groundwork for implementing the New Basel Capital Accord to meet the highest international standards. The Government upgrades the quality of financial markets by enhancing the regulatory regime and the promotion of good corporate governance. A Securities and Futures (Amendment) Bill aimed at strengthening the regulation of listed companies will be introduced into the Legislative Council in this legislative session. We will continue to promote the development of the bond market and fund management business, and further promote the asset management industry in Hong Kong. To attract more investors and offshore funds to Hong Kong, measures have been taken to abolish estate duty and exempt offshore funds from profits tax.

Expanding Renminbi Business

79. The Central Authorities attach great importance to the role of Hong Kong as an international financial centre. Four areas of renminbi (RMB) business have been opened up to Hong Kong banks under the first-phase arrangements. The operation of these services has proved very successful, as seen by a steady increase in RMB deposits, smooth transactions and a stable exchange rate. On the basis of the SAR Government's proposal, the Central Authorities have given in-principle approval to extend the scope of RMB business in Hong Kong. This includes raising the exchange limit between RMB and Hong Kong dollar per person per transaction; lifting the credit limit of RMB cards issued by banks in Hong Kong; relaxing the RMB remittance limit imposed on Hong Kong residents; extending RMB settlement to designated merchants in more sectors; and permitting designated merchants in Hong Kong to open RMB cash deposits accounts and exchange the RMB deposits one-way into Hong Kong dollars. In addition, the Central Authorities have also endorsed in principle the operation of a new RMB business in Hong Kong, which will allow Hong Kong residents to issue RMB cheques for a limited amount exclusively for consumer spending within Guangdong Province. The Central Authorities will soon finalise the arrangements and make an official announcement. I believe these new measures will definitely be an important impetus to the comprehensive development of the financial sector in Hong Kong.

Furthering CEPA

80. The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) is a manifestation of our unique advantages under "One Country, Two Systems". Following the introduction of CEPA I and II, which involves tariff-free access to the Mainland for many of our products and trade liberalisation in 26 services sectors, we have held further talks with the Central Authorities and hope to announce CEPA III arrangements as soon as possible. Under CEPA III, more Hong Kong products will enjoy tariff-free access to the Mainland, while the scope of liberalisation in the existing CEPA services sectors will be further extended. There will also be more measures to facilitate investment and trade.

81. The signing of CEPA was certainly very important, but its implementation carries even greater significance. To ensure the effective implementation of CEPA, the SAR Government continues to work closely with the Mainland authorities to adopt the necessary supporting measures to help our services suppliers gain early access to Mainland markets. We will strengthen

co-operation with the Mainland authorities to publicise extensively the specific contents of CEPA and the strengths of our professional services. We will also strive to help local professions participate in Mainland construction works and other projects.

Extending the Individual Visit Scheme

82. The Individual Visit Scheme for Mainland residents to visit Hong Kong has gone a long way towards boosting the local retail and job markets. Last year Hong Kong received a total of 4.2 million Mainland visitors under the Scheme, bringing additional tourism receipts of around \$6.5 billion. We will extend the Scheme on a step-by-step basis. After discussion with the Mainland authorities, I am pleased to announce that from November 1 this year, the Scheme will be extended to four more Mainland cities, namely Chengdu, Jinan, Shenyang and Dalian. As the next stage, we aim to extend the Scheme to those Pan-PRD provincial capitals not yet covered by the Scheme.

Regional Economic Co-operation

83. Hong Kong has developed into a services-oriented economy that relies on the vast Mainland market. The Pan-PRD regional co-operation initiative, launched last year, enables us to use the well-tested experience gained in the PRD and apply it to the huge market in southern and central China covering an area of 2 million square kilometers and with a population of 450 million. In July this year, I attended the Second Pan-PRD Regional Co-operation and Development Forum in Sichuan. A series of agreements was concluded by participating provinces and regions. We will leverage our strengths to expand the scope of services that can facilitate development in the Pan-PRD region and help the Pan-PRD provinces and regions to enter the global market.

84. Guangdong figures prominently in our regional economic co-operation. Through concerted efforts of the Hong Kong and Guangdong Governments, the scope of co-operation keeps expanding and moving up the value chain. Significant results have been achieved in areas such as investment and trade, cross-border infrastructure, environmental protection, facilitating people and cargo flows, promoting implementation of CEPA in Guangdong, attracting Guangdong enterprises to Hong Kong, as well as technological and educational exchanges and joint overseas promotion. In the eighth plenary session of the Hong Kong/Guangdong Co-operation Joint Conference held last month, the two sides agreed in a practical manner to step up co-operation in information sharing and food safety. From now on, we will strengthen our interface in planning to perfect the infrastructural system in the Greater PRD region, to achieve full connectivity of air, sea and land transport among the cities in the region. We have also enhanced our communication with the Shenzhen Municipal Government on issues such as border control point development and public order. We will work particularly closely with Shenzhen in infrastructural planning, food safety and ecological improvements.

85. The land along the border between Hong Kong and Shenzhen has long been a designated closed area. Now that Hong Kong has returned to the Motherland, “One Country, Two Systems” has been effectively implemented. Illegal cross-border activities are in check because of

co-operation between Hong Kong and Shenzhen. On the advice of the security departments and on the basis that an effective border will be maintained, we have decided to reduce the size of the closed area significantly. We will redraw the limits of the new closed area and will study how the land released should be put to use. The sizeable private land holdings and wetlands with conservation value in the area, and the substantial cost of development, make careful overall planning a must. The relevant planning work and the fencing of the new closed area will proceed in parallel. In this connection, the Government will, in the first half of 2006, commence the planning study, consult the public, and then draw up statutory plans.

Optimising Human Resources

86. To help the economy power ahead, we must upgrade the quality of the local workforce to effectively cope with competition brought by globalisation. A quality workforce is more than a deciding factor in economic development. It also helps create social harmony. We place special emphasis on education, training and retraining. The resources put into education exceed one-fifth of the Government's annual expenditure, which is higher than in many advanced societies. Here, I would like to reiterate that the Government will not cut back on total spending on education. We will insist on allocating substantial public financial resources to develop human capital and optimise our human resources. To facilitate the transition to a knowledge-based society, education reforms are being carried out steadily and have started to deliver results. We still have a long way to go, but we will stay the course and press ahead with these reforms.

87. On the new senior secondary education and higher education reform, we will take into account views collected from various sectors and devise feasible proposals covering the design, implementation details and financial arrangement of the academic structure reform. We plan to introduce the "3-3-4" academic structure in September 2009.

88. Chinese culture has a fine tradition of respect for teachers. Teachers deserve our respect and recognition for their many toils nurturing talent for the community. We rely on our fine professional teachers to implement quality education in Hong Kong. Through the Chief Executive's Award for Teaching Excellence and Teachers' Day, the Government will continue to express its regards and respect to the teaching profession.

89. The Government will allocate additional resources to public sector primary schools with at least 12 classes to improve the teacher-to-class ratio from this autumn. This will help relieve teachers' workload, implement specialised teaching, and enhance the effectiveness of teaching. The Education and Manpower Bureau has embarked on a pilot study on small class teaching (SCT), which will provide a useful reference for the Government to decide on the necessary conditions and approaches for the territory-wide implementation of SCT.

90. Hong Kong's development is geared towards the provision of quality services to the Mainland and the rest of the world. To achieve this, we must upgrade our biliterate and trilingual proficiency. We will regularly review the basic competence in Chinese and English of students from Primary One to Secondary Five, and target resources to reinforce language education. The

Hong Kong Examinations and Assessment Authority has developed the standards-referenced examinations for the Chinese Language and English Language subjects in the Hong Kong Certificate of Education Examination for implementation in 2007. A standards-referenced assessment on Putonghua listening and oral skills has also been designed for students of Secondary Three or above for implementation in 2007. Enrolment is on a voluntary basis. To ensure their professional competence, all teachers of English and Putonghua are required to reach the language benchmarks by September 2006. A Professional Development Incentive Grant Scheme for Language Teachers has been launched to encourage and assist serving teachers to acquire higher professional qualifications in language teaching.

91. While engaged in nurturing local talent, we will actively seek to enhance the value of our education. We have traditionally deployed our first-class education resources to nurture talent for the entire Asia-Pacific region and to attract high quality students to study in Hong Kong. In future, we will be more proactive in attracting talent from the Mainland and overseas to come and settle here. In this connection, we have sought the views of various sectors and taken reference from overseas experience. We are considering introducing a new admission scheme in 2006. Under this scheme, a certain number of talented people from the Mainland and overseas who meet specific eligibility criteria will be allowed to stay in Hong Kong for a certain period of time, without the requirement of securing an offer of local employment beforehand. During their stay, they can decide whether they want to develop their career in Hong Kong on a long-term basis. We strongly believe that a larger pool of talent will increase our competitiveness, make Hong Kong more prosperous, attract more capital and create more jobs. This new blood will turn Hong Kong into an even more vibrant society.

92. To ensure that the overall quality of our population can meet the future demands of a knowledge-based economy, we need a comprehensive population policy. We will regularly review the progress of implementing the policy recommendations made in the Report of the Task Force on Population Policy in 2003, and make adjustments where necessary. The Task Force on Population Policy, headed by the Chief Secretary for Administration, is studying the changes in our demographic structure and the policies needed to respond to these changes. A report will be released next year for public consultation.

Continuous Infrastructural Development

93. Continuous infrastructural development is necessary to maintain Hong Kong's vitality as Asia's world city. With the upturn in our economy, an early reactivation of the plan to re-provision the Central Government Offices and the Legislative Council Building, shelved some time ago, will help meet a practical need and create thousands of jobs badly needed by the construction industry. The Legislative Council earlier agreed in 2003 to construct the new Central Government Offices and Legislative Council Building on the Tamar site. The project will facilitate the administration's closer interface with the legislature, and therefore enhance co-operation. The choice of the site has been approved by the Town Planning Board, is consistent with the development of Central District

and accords with the long-term public interest. It is also cost-effective. We will consult the Legislative Council later and hope that Members will render us their support as before.

94. To meet the demand for public transport, we will be completing various major infrastructural projects. The construction of the KCRC Lok Ma Chau Spur Line is progressing well and is expected to be commissioned in 2007 as scheduled. Route 8, being constructed, will be completed in two phases in 2007 and 2008. The KCRC South Kowloon Line, construction of which has just started, will be completed in 2009. We are also actively planning for the Sha Tin to Central Link and the West Hong Kong Island Line, and assessing the feasibility of the KCRC Northern Link and the MTRC South Hong Kong Island Line. On the management side, the two rail companies have entered the final stage of discussion on their merger. We will make a public announcement as soon as the outcome is known.

95. The Government endeavours to provide people with more convenient cross-border transport links. The governments of Hong Kong, Guangdong and Macao are actively pursuing advance work on the Hong Kong-Zhuhai-Macao Bridge linking the west side of the PRD. The three governments are examining the draft feasibility report on the project and hope to seek approval from the Central Authorities and proceed with construction as soon as possible. Separately, the Hong Kong-Shenzhen Western Corridor will be commissioned next year when the control point at Shekou is completed. We are also studying the KCRC's feasibility report on the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and will discuss with the relevant Mainland authorities the interface between the Hong Kong and Guangdong sections.

96. In the next two years, infrastructural projects with a total value of \$6.5 billion will be completed at Hong Kong International Airport at Chek Lap Kok. These include a second passenger terminal building and the AsiaWorld-Expo complex. The Government will conduct an ecological study on the site selected for Container Terminal 10 at northwestern Lantau, and work out the optimal timing for the construction of the terminal based on the updated port cargo forecast. We also strive to construct a new cruise terminal as soon as possible and will invite expressions of interest on this item from the private sector next month.

97. We have conducted a six-month public consultation on the development of an integrated cultural district in West Kowloon. The results show that the community generally supports the development of a cultural landmark in West Kowloon. They consider that it will not only enrich our cultural and arts life, but also promote tourism and create jobs. They hope to see an early decision on its construction. In response to community demands, we plan to introduce new development parameters and conditions within the existing development framework. The Chief Secretary for Administration briefed the Legislative Council last Friday on the findings of the consultation exercise and the next steps. We will listen to the views of the Legislative Council, the Town Planning Board, the community at large and the screened-in proponents on the new parameters and conditions. We hope to decide on the specific way forward early next year.

98. Through the Commission on Strategic Development, we will explore practical measures, including creating an enabling environment for the commercialisation of creative ideas, and opening up more opportunities for exchanges and interplay among creative talent. The Government will continue to allocate resources to foster a rich variety of cultural and arts activities. Cultural and arts education will be promoted through the work of the Leisure and Cultural Services Department, the Hong Kong Arts Development Council, the Hong Kong Academy for Performing Arts, the Art School of the Hong Kong Arts Centre and the education sector. The film industry is a flagship of our creative industries. To strengthen the consultative framework for communication with the industry, we will set up a film development board to take stock of the present state, opportunities and challenges of the local film industry before charting a development course and drawing up a clear action plan. With the support of various sectors, we are developing a creative arts centre in a vacant factory building in Shek Kip Mei. In the long term, Hong Kong must conduct in-depth studies on the major issues pertaining to the development of cultural and creative industries. The Government encourages the cultural sector and community organisations to actively study the relevant issues. We are prepared to consider helping them set up a cultural and creative think tank to gather and groom more talent and experts in cultural and creative studies, who can work with the Government to promote the development of cultural and creative industries.

E. Conclusion

99. Madam President, my Policy Address, together with the Policy Agenda released concurrently, are the result of past experience, listening to views from all sectors, candid analysis and careful evaluation by my colleagues and myself. With due effort, we can achieve our goals one by one. I am determined to carry out my work in a sincere and pragmatic way, focusing on results and not making unrealistic promises, and to establish a new approach to governance.

100. I have talked about the expansion of the Executive Council and the Commission on Strategic Development, the reorganisation of the Chief Executive's Office, the enhancement of district work, the establishment of new offices in the Mainland and overseas, the setting up of a Food Safety, Inspection and Quarantine Department, and implementing CEPA III. They will require the rationalisation of Government manpower resources to meet changed needs. For this purpose we will put our proposals with full justification to create new directorate and other posts to the Finance Committee. At the same time, we will continue to control the size of the civil service establishment. We will reduce it to about 160 000 posts by end-March 2007 through savings and enhanced efficiency, and by adjusting the establishment of different grades based on actual requirements. We are determined to maintain a simple and low tax regime. Our target remains to restore fiscal balance in 2008-2009.

101. Madam President, what I have set out is built on experience. The implementation of initiatives in my Policy Address and Policy Agenda requires the support of this Council and the wider community. A precondition for the Government to deliver on its undertakings in a responsible manner is the support of the community. It is only natural for the community to have different views on different issues. But I have always believed that our people are pragmatic and rational, love Hong Kong, and will know how to safeguard our long-term overall interests.

102. During almost 40 years of public service, I have, together with the people of Hong Kong, experienced many ups and downs. We have grown up with Hong Kong and, collectively with our "Hong Kong spirit", endured many trials. With their bare hands, Hong Kong people have built a vibrant world city that is caring and just, without compromising its efficiency. Over the past eight years, these same people have, through their perseverance and wisdom, overcome the most serious economic difficulties in half a century. We have finally emerged from rainy weather to embrace sunny days. It is the greatest honour of my life that I am able to deliver this Policy Address as Chief Executive today, to plan and strive for the well-being of the people and to make contributions to Hong Kong and our country. I will not let down our community, nor fail to meet my country's expectations. I will lead the Government to unite all sectors and implement the principle of "One Country, Two Systems" and the Basic Law fully and faithfully. I will enhance our governance to prove that Hong Kong people are fully capable of running Hong Kong well.

103. We do not under-estimate the difficulties and challenges we face. Globalisation and the rapid rise of neighbouring regions have brought many pressures. Various risks and natural disasters will continue to test us in future. The recent severe earthquake in South Asia has caused heavy

tolls and losses. We are all deeply grieved and hope that all those affected will recover from their trauma and rebuild their homes as early as possible. While we bravely meet our challenges ahead, we know that Hong Kong is presented with unprecedented opportunities: our country is making spectacular progress, and the Asia-Pacific region is poised for new growth. The successful launch this morning of Shenzhou VI spacecraft, designed and built by our own country, not only marked yet another important development in our country's modernisation, but also manifested the Chinese people's grand ambition. We face excellent prospects. Being in the right place at the right time, we now have the right climate for social harmony and good governance. This is an epochal opportunity for Hong Kong and we must seize it for future generations. Our governance seeks to focus on this crucial moment and take full advantage of the favourable conditions to create an environment that allows Hong Kong people to do their best. I, together with the Principal Officials of the SAR Government and all civil servants, will redouble our efforts to strive in this direction for Hong Kong and our country. We should be tolerant and inclusive. We should have fewer arguments to avoid missing good opportunities through idleness and indecision. With all sincerity I hope and urge everyone to unite and focus on seizing every chance to build a better tomorrow for Hong Kong. And to perform new miracles for this blessed land.