

"Unleashing Hong Kong's Present and Future Potential"

Submission on the 2009-10 Policy Address

I. Introduction

1. The Professional Commons is an independent think-tank committed to enhance the quality of public governance and to improve the long-term interest of Hong Kong. With reference to our research findings in the past year, we have compiled a list of policy proposals for the Chief Executive's consideration in his preparation of the 2009-10 Policy Address.

2. As an international financial and business centre, Hong Kong has been unavoidably affected by the global economic and financial crises last year. In light of this, the Chief Executive has identified six priority industries as the new growth engines to boost the development of the local economy. In fact, the Chief Executive has suggested that diversified development should be a strategic move to achieve sustainable economic growth,¹ that is in line with the theme of "diversified development" as we have suggested in our 2008-09 Policy Address submission.²

3. Despite the fact that the six priority industries have been highly regarded as the major components of the prospective knowledge-based economy in Hong Kong,³ there is no cohesive measure to synchronize the policy directions of respective industries. In a recently published thematic report on the local knowledge-based economy, the Census and Statistics Department continues to adopt the definition of the Organization for Economic Cooperation and Development (hereafter OECD) on knowledge-based industries.⁴ Except innovation and technology industries, the other five priority industries have not been included as part of the knowledge-based economy. The Government did not put forward any estimates as to how much it expects each of them to be able to contribute to GDP as well.⁵ It is uncertain whether a thorough action plan would be provided in the upcoming policy address, particularly

¹ <行政長官曾蔭權 —— 施政報告以經濟為主軸>, <<http://www.rthk.org.hk/rthk/radio1/hkletter/20090815.html>>.

² "Beyond Conventional Wisdom: Steps to Diversified Development: Submission on the 2008-09 Policy Address," (Hong Kong: The Professional Commons, September 2009).

³ <行政長官曾蔭權 —— 施政報告以經濟為主軸>, <<http://www.rthk.org.hk/rthk/radio1/hkletter/20090815.html>>.

⁴ The definition from the Organization for Economic Cooperation and Development on the knowledge-based industries includes high-technology industries; medium-high-technology industries; communications; finance and insurance; and business services (excluding property services). See Census and Statistics Department, *Hong Kong as a Knowledge-based Economy - A Statistical Perspective*, (Hong Kong: Census and Statistics Department, August 2009, p. 75); see <http://www.censtatd.gov.hk/freedownload.jsp?file=publication/stat_report/commerce/B11100092009BE09B0100.pdf&title=HongKong+as+a+Knowledge-based+Economy++A+Statistical+Perspective&issue=2009+Edition&lang=1&c=1>.

⁵ The Government, however, has merely provided the actual GDP contributions in cultural and creative industries account for only 3.9% of Hong Kong's GDP in 2007. It has not provided the actual GDP and employment in the other five "priority industries". See <http://www.fso.gov.hk/tfec/eng/doc/New%20Economic%20Pillars%20TFEC-D03_%20Eng.pdf>, p.9.

the provision of forceful measures that could help boost the knowledge content and human capital in respective industries. It seems illogical to propose an "industry" as a pillar without first assessing how strong it might be.

4. The HKSAR Government (hereafter the Government) has been overwhelmed by the problems arising from short-term economic fluctuation in last past year. "Focusing the efforts for economic recovery" has been used as an excuse to delay handling many controversial and fundamental issues. For instance, the Government originally planned to put forward 25 pieces of legislation to the Legislative Council during the 2008-09 legislative year for the examination and processing, but the Government has postponed the legislation process of 14 legislations including eight legislations covering different areas of significance, such as the fair competition law etc. The consultation on the electoral arrangements for the Chief Executive and the Legislative Council is also put on hold until late 2009.⁶ We strongly believe that a competent government should be able to deal with a multiple array of issues in one time, and attach great importance to long-term and fundamental issues.

5. To part with the governance problems arising from short-sightedness, the Government should have a paradigm shift and adopt a two pronged approach with greater determination to handling long-term and fundamental issues. In light of this, our policy recommendations will focus on major institutional arrangements that would be crucial for a fairer and sustainable development of Hong Kong.

6. The Professional Commons regarded that greater emphasis should be paid along the following policy directions:

- strengthening institutional arrangements for long-term benefit of Hong Kong;
- creating a fairer and healthier business environment in a bid to boost economic vibrancy;
- putting in place a social system to safeguard the well-being of the elderly;
- assuming greater responsibilities in tackling climate change; and
- striving for more "fair and equal" election systems for a higher degree of representation.

7. Based on our research results, we have compiled a list of policy proposals in the following areas:

- a fairer and healthier business environment;

⁶ 〈公平競爭法剔出本年度立法之列〉, *Hong Kong Economic Journal*, 28 February 2009, p. A4; 〈政改諮詢突推遲年底 曾蔭權藉口應付金融海嘯議員炮轟有誠信再洗港人〉, *Apple Daily*, 16 January 2009, p. A1.

- a better urbanscape through rehabilitation;
- sustainable financial care for the elderly;
- a responsible global citizen in tackling climate change; and
- universal suffrage and 2012 election systems.

II. A Fairer and Healthier Business Environment

A. Financial Regulation

Present Situation

8. In the past year, Hong Kong has experienced the “Lehman Brothers products saga” and a high level of market fluctuation in view of the financial crisis. These incidents exposed the inadequacy of consumer protection relating to selling of financial products (especially the selling of non-retail financial products from banks). Despite the fact that the Hong Kong Monetary Authority (hereafter HKMA) has issued a guideline in March 2009 requiring banks and other financial institutions (“authorized institutions”) to physically segregating their premises of the retail securities businesses from their banking businesses as well as providing segregation through physical signage and warning,⁷ there is much room for further improvement. Confusion on division of responsibilities between the two prominent financial regulatory authorities, i.e. the HKMA and Securities and Futures Commission (hereafter SFC) is another major issue that merits greater attention.

9. As the current listing rules are not a statutory requirement, there is no obligation for listed companies to follow those rules. This has often caused serious management problems, which included, most notably, misallocation of funds, and investment in high risk sectors that are not in line with the core businesses of the companies and without a full scrutiny through a stringent internal monitoring mechanism. Moreover, the statutory fiduciary duties of the directors are rarely challenged.

Principles

10. In view of that governments and international agencies worldwide have called for the reform in financial regulatory regime, The Professional Commons is in the view that the selling procedure of financial products to retail bank account holders should be tightened in order to provide better consumer protection. It would also be important to clearly delineate the areas of regulatory responsibilities between the HKMA and SFC. To safeguard the interests of investors, the regulatory regime over listed companies should be strengthened as soon as possible.

⁷ Implementation of recommendations in the HKMA's Report on Issues Concerning the Distribution of Structured Products Connected to Lehman Brothers ("the HKMA's Report"), Annex 2, <http://info.gov.hk/hkma/eng/guide/circu_date/attach/20090325e1a2.pdf>.

Policy Recommendations

11. We therefore recommend the following measures to improve the selling procedure of financial products as well as to upgrade our financial regulatory mechanism.

- More drastic measures should be put in place in comparison with HKMA's recommendation. We propose further that the implementation of physical segregation of banking services should go beyond setting up different counters for retail banking and investment banking services under the same premises (which has already implemented in a number of banks). These two types of services should be housed distinctively in different physical space, like housing in different floors or having different entrances. Another simple alternative is to run these businesses by two separate legal entities.
- In terms of restructuring the financial regulatory mechanism, there should be clearer division of labor between the SFC and the HKMA. We suggest that the HKMA should focus on the prudential supervision of banks and regulation of the day-to-day selling activities of traditional banking products by banks, while the SFC should be re-organized into a more general non-bank regulator to focus on the prudential supervision and regulation of the day-to-day selling activities of non-banks and non-retail banking products, such as investment, insurance and retirement products. By doing so, the SFC would have to strengthen its role as the Non-bank Financial Services Regulator. Bank staff selling non-traditional banking products should be licensed and regulated by the Non-bank Financial Services Regulator.
- For the promotional materials of financial products provided by banks and other financial institutions targeting retail customers, they should be written in concise and layman wordings.
- Members of the sales team who are promoting the financial products in banks and other financial institutions under the "Securities and Futures Ordinance" should exercise fiduciary duties to their customers; upon exercising that particular duty, it means the sales team should be required to act at all times for the interests of the clients as their foremost priority.
- The listing rules should become a statutory requirement for all listed companies to follow suit as soon as possible.

B. Development of Islamic Finance

Present Situation

12. The Chief Executive has suggested in his 2007-08 Policy Address that Hong Kong should “focus on developing an Islamic bond market”.⁸ In February 2009, the Financial Secretary stated in his Budget speech that particular measures should be in place to “improve Hong Kong’s regime as a platform for the growing area of Islamic finance,” and “to create a level playing field for Islamic financial products vis-à-vis conventional ones. The proposal will include making changes to or clarifications of the arrangements for stamp duty, profits tax and property tax.”⁹ However, the Government has yet to map out the legislative timetable regarding the amendments on respective tax regimes.

Principle

13. For strengthening Hong Kong as an international financial centre with greater variety of financial services and products, the Government should step up its effort in the provision of favourable market environment in relations with Islamic finance.

Policy Recommendations

14. To facilitate the development of Islamic finance in Hong Kong,

- the Government should fulfill its commitment of making changes to or clarifications of the arrangements for stamp duty, profits tax and property tax for the creation of a level playing field between Islamic financial products and other financial products;
- Hong Kong could also take into reference the experience of the United Kingdom, Malaysia and Singapore, which have already preceded Hong Kong in facilitating the development of Islamic finance, particularly in amending respective tax laws.

15. More specifically, Hong Kong could serve as a market and exchange platform for the Islamic financial institutions in Asia. The Professional Commons believes that the Government should take the lead in the development of such platform through the following measures:

⁸ The 2007/08 Policy Address, para. 25, <<http://www.policyaddress.gov.hk/07-08/eng/p25.html>>.

⁹ The 2009/2010 Budget, para. 46, <<http://www.budget.gov.hk/2009/eng/budget15.html>>.

- the creation of a highly efficient, reliable and inexpensive clearing and custodian system for the Islamic finance products in the region;
- Hong Kong could be gradually developed into a secondary exchange market for the Islamic bonds (and other Islamic finance tools), taking into consideration our experiences in the creation of a district-based clearing system;
- Hong Kong could provide intermediary services of Islamic fund investing in the Mainland;
- Hong Kong could act as a coordination and arbitration centre for the interpretation of Islamic financial rules due to our sound legal system, smooth flow of information and tolerance to different religious views.

C. Fair Competition Law

Present Situation

16. Market manipulation by limited number of companies has been a prominent issue in some sectors in Hong Kong. Although the Government has admitted the needs of Competition Law in maintaining the level playing field in Hong Kong, the legislative process of the Competition Ordinance was postponed in February 2009 under the excuse of the necessity to concentrate the efforts on improving the economic situation in view of the financial crisis.¹⁰

Principle

17. Short-term economic downturn and fluctuations should not distort the formulation of long-term institutional arrangements. A fairer and vibrant business environment would be more conducive to the establishment of new businesses which could serve as new power engine for economic recovery.

Policy Recommendations

18. The Professional Commons is in the view that the Government should expedite the legislative process of the Competition Law (officially called “Competition Ordinance Bill”) and enact the new legislation as soon as possible.

¹⁰ 〈公平競爭法剔出本年度立法之列〉, *Hong Kong Economic Journal*, 28 February 2009, p. A4.

D. Review of Land Policy

Present Situation

19. The Government is the monopolized supplier of land in Hong Kong. The timing and the amount of land supplied by the Government is a prominent factor of land cost in Hong Kong, and ultimately affects the price of real estate here.

20. The real estate sector may have become too dominant in the operations of the Hong Kong economy. Although the value derived from the real estate market constitutes 9 per cent of the Gross Domestic Product (hereafter GDP), the property sector accounted for 48 per cent of the value added of the GDP in Hong Kong.¹¹ It would be dangerous if the local economy relied too much on land-based sectors.

21. We believe that the high real estate costs as a result of the monopolized market described above have been killing a lot of small and medium-sized enterprises. It is also disappointing to see that the lack of diversity in our economy is reducing the depth of support among various industries and is adversely affecting the long-term development of Hong Kong. According to the *World Competitiveness Yearbook 2008* published by the Lausanne-based Institute for Management Development, the major competitive disadvantage of Hong Kong was price, due to the high level of apartment rent (ranked 53 among 55 economies, i.e., the third highest apartment rent) and office rent (ranked 45, i.e. the eleventh highest office rent, among 55 economies).

Principles

22. As the sole supplier of land of Hong Kong, the Government shall ensure a stable supply of land. It should provide a stable stream of land supply over a long run, and as well as ensure that a competitive market would take in place, such as in the lowering of barriers of entry for small scale operators in the land market.

Policy Recommendations

23. We recommend the Government:
- to conduct land sales on a regular basis to fuel the market, so as to reduce the monopolistic position of new flat supply after the land has been rented out;

¹¹ "Big winners: Regulated markets and manipulation of Government enable major local firms to reap huge profits," *South China Morning Post*, 25 August 2009.

- to prevent the monopolistic nature of land supply from being extended to the property sector, the Government should proactively establish a highly competitive property market in which the buyers and sellers share a similar level of bargaining power. The measures include legal regulation, avoidance of anti-competition activities and the monopolistic behavior;
- to enhance competitiveness of Hong Kong as whole, the Government should also adopt measures in a bid to lower the threshold of entering the property market, including increasing the supply of land, as well as enabling a larger number of players in the property market.

III. A Better Urbanscape through Rehabilitation

A. Territory-wide “Rehabilitation First” Strategy

Present Situation

24. In recent years, the ageing of buildings has become a hazardous problem that endangers public safety and therefore requires immediate rectification. Despite the fact that private buildings aged 30 years or above accounted for 34 per cent (13 000 buildings) of the total private housing stock in 2007, about 80 per cent of statutory repair orders demanding rectification for reasons of danger or dilapidation were issued against these buildings between 2005 and 2006.¹² It is estimated that the number of buildings aged 30 years or above will further increase to 22 000 in the next 10 years.¹³ It would be unrealistic to replace these buildings with new block of buildings in order to keeping up with the pace of urban decay.

25. The deterioration in the physical structure of buildings is to a certain extent the syndrome of poor performance of housing management. Currently merely 16 211 of the buildings have an Owners’ Corporation (hereafter OC), an increase of 4 percentage points in comparison with the 2003 figure. Moreover, there are as many as 8 155 buildings without any forms of management bodies.¹⁴ The track records of government’s effort in promoting the formulation of OCs were far from satisfactory.

26. The physical condition of dilapidated buildings might further deteriorate as many owners are reluctant, or without the capability, to undertake the rehabilitation works. However, there is no legislative provision requiring property owners to conduct checkups and maintenance on their buildings on a regular basis. The legislative provisions and regulations on the quality of built environment are quite restricted too. It confines to the areas of unauthorized building structure, dangerous signage, lift safety, water pollution, and structures which are not abide by the fire safety, slope safety and electrical and gas safety legislations.¹⁵

27. Urban decay is to a certain extent a reflection of urban poverty. In many old areas, owner occupiers of considerable proportion do not have a stable source of

¹² <http://www.devb-plb.gov.hk/eng/publication/mbi_full_paper.htm>.

¹³ Eddie C.M. Hui, Joe T.Y. Wong and Janice K. M. Wan, “A Review of the Effectiveness of Urban Renewal in Hong Kong,” *Property Management*, Vol. 26, No. 1 (2008), pp. 25-42; and Legislative Council Panel on Development, “Background Brief on Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme,” (LC Paper No.” CB(1)570/08-09(07).

¹⁴ Data from the “Database of Private Buildings in Hong Kong”, <https://bmis.buildingmgmt.gov.hk/eng/buildingsearch_submit.php>. Retrieved on 23 September 2009.

¹⁵ <<http://www.bd.gov.hk/english/documents/code/bmg/ch2.pdf>>.

income or large amount of cash savings to pay for the mandatory inspection and the renovation works where necessary.

28. Although the Urban Renewal Authority has adopted the 4Rs (redevelopment, rehabilitation, revitalization and preservation) strategy in a bid to facilitate urban renewal in Hong Kong, it has been over-emphasizing in redevelopment projects, and merely a minimal number of projects has been conducted on the rest of the 3Rs. As in March 2009, the Urban Renewal Authority (hereafter URA) has merely conducted rehabilitation works for 490 buildings were completed or in progress. As there are thousands of dilapidated buildings in the old areas, such a pace of rehabilitation is indeed quite slow. It is also expected that the URA will be running short of resources to cope with the huge needs in rehabilitation of dilapidated buildings.

Principles

29. The Government should position the deterioration of built environment as a territory-wide issue and formulate a “Rehabilitation First” strategy. It is obvious that the natural deterioration of building structure is by no means the problem restricted to the urban areas, but will happen across the territory. The merits of the new strategy could be summarized as follows:

- living environment could be improved in a more cost-effective way through extending the service time of buildings, and more environmentally friendly as well;
- demand of the grassroots and underprivileged on low cost house could be met at certain extent;
- preservation of local characteristics and networks, which helps breed economic and social diversity; etc.

30. In light of this, the Government should be more proactive and therefore exert a higher degree of intervention as well as provide further assistance for rehabilitation. To this end, a holistic policy should be put in place in a bid to address the deterioration of buildings in a timely manner. It would be advisable for the Government to provide extra resources on a regular basis in a bid to push forward an extensive scale of rehabilitation.

Policy Recommendations

a. Mandatory Building Inspection Scheme+

31. Self-initiated rehabilitation of buildings should become a routine exercise as it is the responsibilities of the property owners to ensure the quality of the buildings in compliance with the building code requirements. The Professional Commons is of the view that the proposed Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme (hereafter the two schemes is abbreviated as MBIS+) should be incorporated as the integral part of the territory-wide rehabilitation scheme. The Government should expedite the respective legislative procedure which has already deferred from the beginning of the 2008-09 legislative session to late 2009.¹⁶

32. If implemented effectively, the proposed MBIS+ would be able to tackle the problem of urban decay in the long run. Under the proposed inspection mechanism, 500 private buildings (excluding those of 3 storeys or less) aged 30 or above per quarter (or 2 000 buildings per annum) will be selected by the Building Authority with the assistance of a selection panel. Owners of the selected building will be required to appoint a qualified inspector to inspect their buildings and carry out necessary rectification works.

33. By doing so, the rehabilitation works of the existing 13 000 buildings of over 30 years of age, which might be the most difficult task of the rehabilitation process, could be achieved in less than 10 years. Furthermore, a ten-year inspection cycle will be imposed under which property owners have to repeat the inspection exercise and ensure that the building is in good condition. However, it is important to note that compulsory inspection can only discover the problem and the physical condition of the buildings will not be improved automatically. Complementary measures should be in place to tackle various kinds of issues in the course of rehabilitation, such as the financial and management problems facing the property owners.

b. Establishment of the OCs or Other Forms of Management Bodies

34. It would be important to utilize the opportunity of mandatory building inspection to improve building management across the territories. More forceful measures should be in place to promote the formulation of OC or certain forms of

¹⁶ Legislative Council Panel on Development, "Background Brief on Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme," (LC Paper No. CB(1)570/08-09(07) and Development Bureau, "Operation Building Bright' – Progress and Update", Paper for Legislative Council Panel on Development, June 2009, p. 5.

management bodies, including:

- the District Building Management Liaison Teams under the Home Affairs Department and the Property Management Advisory Centre under the Hong Kong Housing Society (hereafter HKHS) should make use of the building inspection to encourage owners of private buildings to incorporate an OC or formulate certain form of management structure;
- effective “after-sale” service for newly established OCs to help the owners to overcome complex management issues and even to get rid of possible legal liability would be of equal importance. With routine management service, it will help reduce the chance of building deterioration at its earliest stage.

c. Provision of Financial Assistance

35. Various forms of financial assistance should be in place through consolidating existing incentive systems under the HKHS and URA, as well as those under the newly established Operation Building Bright and the proposed MBIS+. However, it is legitimate for the Buildings Department to recover all costs incurred from the defaulting owners/OCs after carrying out building inspection and necessary repair works. There should be a clearer delineation on responsibilities between different funding schemes including:

- the criteria of HKHS and URA incentive schemes which provide allowances to property owners in needs should be maintained and wealthier owners should only enjoy assistance in form of loans;
- Operation Building Bright should focus on helping those “problematic” buildings identified by the MBIS+. A maximum of HK\$7 billion public funding might be required to assist the remaining 7 000 something private building aged above 30 years and without OCs, in addition to latest commitment of HK\$1 billion designated for the same purpose;
- HKHS has to keep its promise of setting aside HK\$4 billion¹⁷ to complement the launch of the schemes aiming at providing financial and technical assistance to eligible building owners.¹⁸

36. To pacify the anxiety and concerns of the affected owners under the proposed MBIS+, there should be a “one-stop” service in the provision of technical advice as well as financial assistances. An information kit containing general information and

¹⁷ “Background brief on Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme,” LC Paper No. CB(1)570/08-09(07), p. 2.

¹⁸ Report on the Public Consultation on Mandatory Building Inspection - Executive Summary · <http://www.devb-plb.gov.hk/eng/publication/mbi_summary_2007.htm> ·

application forms of respective financial assistance schemes should be delivered to property owners of selected buildings together with the MBIS+ notification of the Buildings Department.

d. Capacity Building of the Buildings Department

37. The Buildings Department should strengthen its works management capacity due to its commitment towards the Operation Building Bright scheme. The Department should at least double its yearly capacity of handling 300 target buildings without OCs to 600 buildings.

B. Improvement of the Built Environment

Present Situation

38. The built environment of many old places in the metro core is still below the official standard. Lack of public open space is apparently one of the common problems. Six out of the nine districts located in the urban area fail to reach the standards of having 1 square metre of minimum per capita “Local Open Space” or per capita “Public Open Space” respectively in respective district. The situation might further deteriorate due to high density development in the old districts in the near future.

39. There is a general view that the established building regulations and guidelines have resulted in the emergence of mega residential blocks in recent years. These buildings have adversely affected the living environment of its neighbourhood, the cityscape, and even the skyline. It is estimated that the final built gross floor area (hereafter GFA) due to GFA concessions may add up 40% of originally planned gross floor area in some projects.¹⁹ Under the existing market practice, most GFA concessions have been treated as part of the saleable area. Even worse, several kinds of GFA concessions for green and amenity features appear to benefit the development of luxurious housing estates rather than all segment of the community.

40. Private property developers have been scrambling for the old buildings in the urban areas for redevelopment in recent years. Such a move further intensifies the deterioration of urbanscape.

¹⁹ Building Design to Foster a Quality and Sustainable Built Environment, Invitation for Response Document 2009, <http://www.susdev.org.hk/download/ir_eng.pdf>, p. 20.

Principles

41. Urban regeneration, especially in terms of urban redevelopment, should take into consideration the factor of sustainability. A comparatively lower plot ratio can meet public aspiration better due to value changes and the pursuit for a better living environment.

42. It would be of equal importance to regulate private development. Comparatively speaking, privately-owned property developments and redevelopment projects are more frequent and much larger in scale than public-led redevelopments in urban area. Hence, the improvement of cityscape should not be simply confined to the redeveloped projects undertaken by public bodies such as the URA.

43. The Government, through the Council for Sustainable Development, has recently promulgated a public engagement exercise concerning the fostering of a quality and sustainable built environment. The review is basically a long-overdue move to address the malpractice of the property developers in manipulating or, even worse, abusing the building regulations in the past decade. As the built environment is a crucial factor in shaping future urbanscape, it should also be incorporated as a major component of the urban renewal strategy review.

Policy Recommendations

a. Turning beneficial GFA concessions into statutory requirements

44. There should be a further clarification on the appropriate level of GFA concessions for amenity features. The Professional Commons holds the view that GFA concessions which would be abused by property developers to reap excessive benefits should be scrapped, for instance, car parks.

45. To ensure that individual buyers of residential units would genuinely benefit from the government's concessions of GFA, those amenities features which are beneficial for the general public and of good architectural design benefits may become statutory design requirements. These amenities might include green rooftops, building setback, balconies, utilities platform, wider corridor and lift lobby, sunshades, wind catchers etc., subject to community consensus and the affordability of public finance.

b. Lowering Plot Ratios across the territories

46. To remedy the loopholes in gross floor area control that led to unreasonable high development density, we recommend the Government should:

- strictly follow the relevant guidelines on maximum plot ratio in individual sites, under which GFA concessions should also be included during the calculation of the total GFA;
- have balanced land supply between the New Territories and the urban areas;
- consider a territory-wide lowering of plot ratio in the long run.

c. More Public Open Space

47. To provide a quality and sustainable built environment, greater effort should be put to enlarge public open space not only in the nine urban districts but across the territories. In short-term, both the per capita local open public space and the district public open space should reach the minimum standard of at least 1 square metre respectively.

d. Imposition of Building Height Restriction

48. Vertical intensity could be controlled through district-based and site-based measures as follows:

- review of Outline Zoning Plans (hereafter OZPs): The pace of the review should be accelerated because out of the 41 OZPs, the Government has so far completed the review on building height restrictions in 11 OZPs only. The Chief Executive should instruct the review be undertaken in an urgent manner as he had committed to lower development density through reviewing the planning parameters in his Policy Speech in October 2007²⁰;
- building height restriction for individual site: The Government should impose a maximum building height for new development site as a temporary measure.

e. Striving for Better Air Ventilation

49. It is expected that the air quality would be further worsen due to poor circulation in light of greater number of low-rise buildings are replaced by high-rise building blocks in urban areas. The air circulation assessment shall be incorporated as

²⁰ The 2007-08 Policy Address, para. 45, <<http://www.policyaddress.gov.hk/08-09/chi/p100.html>> .

one of the basic criteria for approval of building design.

f. Encouragement of Street-level Activities

50. The Government should call for property developers and public organizations such as the URA and HKHS to encourage more street-level activities in building design.

C. Review of the Territorial Development Strategy

Present Situation

51. In a bid to maintaining the economic prosperity of the territories, the Government upholds the pre-handover territorial development strategy characterized by a development model with high concentration of economic, social and political activities together with continuous population growth in the metro core along the two sides of the Victoria Harbour. More importantly, the Government maintains a high land price policy as well.

52. On the other hand, old urban areas are expected to face a high level of development density as it is nearly impossible for the Government to create extra supply of land through reclamation along the shore of the Victoria Harbour. The sentence of the Court of Final Appeal in January 2004 has restricted reclamation projects to those with an “overriding public need” only.²¹ It is very likely that developers will be enthusiastic in redeveloping old buildings occupying valuable sites in the metro core and eventually intensify the problem of development pressure.

Principle

53. For the realization of a better cityscape and for the long-term development of Hong Kong to meet the challenges in population growth and development needs, the Government should conduct a new round of review on the territorial development strategy in the immediate future.

Policy Recommendations

54. In fact the land problem can be addressed by rectifying the spatial imbalance

²¹ <<http://www.devb-plb.gov.hk/reclamation/images/jr09012004.pdf>>.

between the metro core and its periphery, particularly the New Territories. The Government should consider a more decentralized land use pattern through changing the permitted land use in the Outline Zoning Plan in the New Territories. Moreover, such a move should not be restricted to moving more population to take residence outside the metro core. Enhancing the economic vibrancy in the New Territories through exploring the business potential for job creation would be of equal importance. One of the directions would be developing new business nodes such as the “secondary city centres” in which the Professional Commons has proposed in March 2008.

55. Should more social and economic activities and the population be decentralized to the New Territories, it could facilitate a “win-win” situation for both the urban areas and the New Territories, as:

- the target of housing 40 per cent of new population in the metro core as suggested in the “Hong Kong 2030 Planning Visions and Strategy” could be lowered substantially;
- the urbanscape of the metro core could then be improved through the provision of more public open space and public facilities, and the development density and plot ratios of the regenerated areas could be reduced as a result.

IV. Sustainable Financial Care for the Elderly

Present Situation

56. In light of the emerging problems of ageing population, the financial security for growing number of senior citizens merits greater attention as there is still no comprehensive retirement protection mechanism in place. According to the survey results of the Hong Kong Council of Social Services (hereafter HKCSS) in 2007, there were as many as 260 000 elders living in poverty, amounting to 30 per cent of elderly population in Hong Kong.²²

57. The major component of the retirement financial protection, i.e. the Mandatory Provident Fund (hereafter MPF) System is not equitable in the sense that it is an occupational retirement scheme and therefore discriminates against those without jobs. Many female homemakers, retired middle-aged people, the unemployed and jobless disabled persons are all excluded from the MPF system too. In 2006, the estimated size of the unprotected groups was up to 2.4 million people.²³

58. The MPF system does not build in any mechanism to provide guarantee benefit. It is in essence a defined contribution (total amount equivalent to 10 per cent of worker's income) but not a defined benefit scheme. The level of pension will largely depend on the income level and the length of contribution period. Hence, the pension of low income earners, particularly those earning below \$5,000, will be minimal as the accumulative total will only be composed of employers' contribution which is less than \$250 per month. Many female workers are subject to this category, 81 per cent of workers with monthly salary less than \$5,000 were female in 2008.²⁴

59. It is also at risk under the negative impact of the financial crisis in 2008. According to the statistics from Mandatory Provident Fund Schemes Authority (MPFA), the annualized internal rate of return of MPF schemes in 2008/09 fiscal years plunged by 25.9 per cent.²⁵ Many people saw a heavy loss in their MPF accrued benefits due to the volatile market and subsequently deferred their retirement plan.²⁶

²² 〈 26 萬長者貧窮線度日 〉, *Hong Kong Daily News*, 24 March 2007, p. A4.

²³ Legislative Council, "Official record of proceedings," 26 April 2006, p.137, <<http://www.legco.gov.hk/yr05-06/chinese/counmtg/floor/cm0426ti-confirm-c.pdf>>.

²⁴ Census and Statistics Department, *Quarterly Report on General Household Survey*, (Hong Kong: Census and Statistics Department, 2009).

²⁵ Mandatory Provident Fund Schemes Authority (MPFA), *Mandatory Provident Fund Schemes Statistical Digest*, March 2009, <http://www.mpfa.org.hk/english/quicklinks/quicklinks_sta/files/Mar_2009_Issue.pdf>.

²⁶ 〈 公積金慘蝕 教授望延遲退休 〉, *Ming Pao*, 10 February 2009, p. F2.

60. The OECD and World Bank state that Hong Kong is characterized by a lower replacement rate (pension as percentage of working income) for low income earners as compared with that for average earners (i.e. 35 per cent and 38 per cent respectively), the situations in other OECD countries are in reverse.²⁷ A local academic even stated that the replacement rate of MPF for low income earners was only around 20 per cent.²⁸ Due to the non-redistributive nature of the MPF system, low income earners contribute less and thus have fewer pensions. Hence, most local pensioners cannot rely on the pension to meet their needs in their senility in the future.

61. Other problems of MPF System include high management fee, lump sum instead of monthly payments, offset against the long service payment or severance payment, default contribution by employers, etc.

62. Another component of the existing retirement protection system is the social security. There are two major schemes, Comprehensive Social Security Assistance (hereafter CSSA) and Old Age Allowance (hereafter OAA), for elders in need. The amount of rate of CSSA Scheme for elderly person aged 60 or over depends on their total value of assets, whether live with family members, level of disability, etc. In 2009, a single able-bodied elderly person can receive \$2,590 per month if he has assets less than \$35,000.²⁹ On top of the standard rate, CSSA Scheme provides supplements and special grants to cover rent, medical fees and transport, etc.

63. In 1999, the Government had imposed a stringent rule regarding the application of CSSA Scheme. Those elderly people who live with family members but wish to apply for CSSA Scheme on their own are required to submit a statement on non-provision of financial support by their family members. Such an arrangement would be a great humiliation to the applicants as well as the family members who make such a statement. To get rid of possible embarrassment, many children refuse to do so even though they cannot support their elderly parents.³⁰ The number of elders who are thus not entitled to CSSA are reportedly as many as 100 000 people.³¹ Social workers have already pointed out this problem since 1999.³²

²⁷ OECD and World Bank, "Pensions at a Glance Special Edition: Asia/Pacific," 2009, <<http://www.oecd.org/dataoecd/33/53/41966940.pdf>>.

²⁸ Wong Hung, 〈行公義，分風險，利全民〉，《社聯政策報》，April 2008.

²⁹ Social Welfare Department, "Social Security,"

<http://www.swd.gov.hk/en/index/site_pubsvc/page_socsecu/sub_socialsecurity/#CSSAsr>.

³⁰ Hong Kong Social Workers' General Union, 〈《長者生活保障》社工總會意見書〉，10 April 2007,

<<http://hkswgu.org.hk/web/frame.php?frameon=yes&referer=http%3A//hkswgu.org.hk/web/redirect.php%3Ftid%3D398%26got%3Dlastpost>>.

³¹ 〈生果金與長者生活補助〉，《Hong Kong Economic Journal》，15 November 2007, p.16.

³² 〈社署斷續撥長者遭唾棄 社工：遺棄老人問題將不斷增多〉，《Ming Pao》，4 June 1999, p. A3.

64. As expected, there are growing number of poor elders who have to rely on OAA as their major income source in recent years. At present, elderly person aged between 65 and 69 with income and assets below the prescribed limits (i.e. the asset limit for a single person is \$171,000) or elderly person aged 70 or above is entitled to OAA. Although OAA has been increased from \$705 to \$1,000 since early 2009, the amount is apparently not enough to cover the expenditure of a decent life at the old age.

65. A survey conducted by the HKCSS in 2007 illustrated not only the seriousness of the problem of old age poverty but also the inadequacy of the existing social security system. The survey had interviewed 96 old aged persons engaging in the collection of recyclable materials, 60 per cent of the respondents were living with family members but only half of them received family support. It is astonishing to learn that 30 per cent of the respondents had to rely on waste collection for survival.³³

Principles

66. In view of the weaknesses of the MPF system and social security system, our existing retirement protection system is unable to secure the elder persons to live on a decent way of life. Hence, we propose to revamp the pension system by introducing a universal Old Age Pension (hereafter OAP) Scheme and reforming the MPF system practices.

67. The World Bank has constructed a conceptual framework in relation to the old age income support system, which can shed light on Hong Kong pension development. The framework focuses on how to achieve the core objectives of pension systems, those are “protection against the poverty in old ages” and “smoothing consumption from one’s work life into retirement”.³⁴ The pension proposal can be summarized as a “Five Pillar” Framework which is more flexible than mono pillar system.³⁵ The five pillars are:

- A non-contributory “zero pillar”: social security typically financed by the Government.
- A mandatory “first pillar”: public pension system financed on a pay-as-you-go basis.
- A mandatory “second pillar”: a compulsory employee savings account

³³ 〈家人無力供養長者迫拾荒〉, *Hong Kong Daily News*, 6 March 2007, p. A10.

³⁴ The World Bank, “The World Bank Pension Conceptual Framework,” 2007,

<http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNoteConcept_Sept2008.pdf.pdf>.

³⁵ *Ibid.*

(defined contribution plan) which establishes a clear linkage between contributions, investment performance and benefits.

- A voluntary “third pillar”: individual savings for retirement.
- A non-financial “fourth pillar”: informal support from family and other formal social programs, such as health care and housing.

68. In preparation for the emergence of ageing population, it would be appropriate to put in place a completed five-pillar pension system in Hong Kong. To this end, great effort should be paid to “install” the “first pillar” in the form of OAP Scheme which operated on a pay-as-you-go basis.

69. Hong Kong is well advanced in economic development with per capita GDP as high as HK\$240,327 (at current price) in 2008.³⁶ All elderly people should be entitled to live on a decent way in their old age. Hence, OAP should be the basic right of all permanent citizens of Hong Kong, regardless their contribution in working times. In view of this, the home carers and disabled persons should also be entitled to OAP.

70. It is important to maintain the pension rate at a level that the elders can meet their basic needs as certain amount of elders might rely on it as the major source of income. To this end, the CSSA standard rate of a single able-bodied elderly person can be used as a benchmark. As a well-off society like Hong Kong, there should be no strong opposition for a pension rate slightly higher than the CSSA standard rate. Given that most of the elders only receive OAA right now, OAP can help enhance the living standard of all elderly people substantially.

71. Supporting the elder generation might be an ever-expanding task that needs to be shared by the community collectively. However, any proposed change on the pension scheme should not undermine the Chinese tradition of taking good care of the elder generation. It is of equal importance to recognize that the working adults have been providing financial assistance to the elderly in need, either through social assistance or family support. However, individual family members’ support is no longer reliable due to rapid social and economic changes in the past decades.

72. Only early savings can ensure the OAP scheme could be a success. As the dependency ratio is now still low, the scheme can obtain accumulated surplus to

³⁶ Census and Statistics Department, “Statistics Table of Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP,” <http://www.censtatd.gov.hk/hong_kong_statistics/statistical_tables/index.jsp?tableID=030>.

safeguarding its sustainability. If we started the scheme ten years later, all pension payment would have to rely on direct contribution. At that time, the contribution rate of OAP Scheme would be much higher.

Policy Recommendations

A. Establishing Old Age Pension Scheme

73. The Professional Commons proposes the establishment of Universal Old Age Pension Scheme for all permanent citizens aged 65 or above. It is important to maintain the pension rate at a level that the elders can meet their basic needs.

B. Reforming the MPF scheme

74. In addition to filling the gap of existing pension system by putting in place the OAP system as the “first pillar”, it would be of equal importance to improve the MPF system so as to make the “second pillar” more reliable. Detailed recommendations are as follows:

a. Monthly payment

75. Current lump sum payment arrangement should be replaced by monthly payment. The new arrangement can ensure the retirees to have a reliable and stable source of income in a way to support their long retirement life.

b. Lowering management fee

76. The Government should take drastic measures to safeguard the accrued interest from being eroded by the high management fees. Direct government intervention through the provision of low risk investment products like government bond appears to be an effective measure to put pressure on the market players. As an issuer, the Government can exercise its bargaining power on the level of management fee. The Government could take one step forward to allow individual pensioners to purchase government bonds as long-term pension savings, if the trustees insisted to collect high management charges. By doing so, the pensioners can have real choice and exercise market force to force private funds to reduce their management fees.

c. Cancellation of the MPF offset clause

77. The Government should amend the Employment Ordinance in a bid to cancel the clause that MPF accrued benefit or occupational retirement scheme benefit can be allowed to offset against the long service payment or severance payment. The amendment can safeguard the MPF benefits of grassroots workers on one hand, it would make clear the responsibility of the employers on paying employees' pension on the other.

d. Tackling default contribution

78. MPFA should strictly enforce the law to safeguard employees' rights on retirement protection through the establishment of more effective monitoring tools. As the MPF system has been in place for more than 8 years, the employers should have adjusted their cost structure and therefore have no excuse for default contribution. In view of this, MPFA should consider setting up a monitoring mechanism that required MPF trustees to report default contribution cases automatically, similar to the present practice of requiring financial institutions to report suspected money laundering cases.

V. A Responsible Global Citizen in Tackling Climate Change

A. Action Plan to Combat Climate Change

Present Situation

79. The global temperature had increased by 0.74 °C in the last century due to the human emissions of greenhouse gases (GHG) (mainly carbon dioxide, CO₂) by fossil burning, and deforestation.³⁷ To prevent dangerous and irreversible climate change, all members of international community would need to work collectively in a bid to keep the temperature rise below 2°C as compare with pre-industrial level.³⁸

80. In Hong Kong, we can also feel the adverse effect of climate change. Our temperature has increased almost by 1.5°C since 1885. Hong Kong Observatory predicts that in the decade 2030's, the average annual number of cold days in winter is expected to drop below one.³⁹ Extreme weathers are more likely to happen in Hong Kong ranging from heat wave, heavy rains, flooding, landslides to droughts.

81. Hong Kong should take up a larger share of the responsibility to fight climate change as our per capita Greenhouse Gas (GHG) emission is around 6 tons, double the world average.⁴⁰ In 2007, we emitted 46 700 kilotons of CO₂ equivalent (kt. of CO₂-e), which was 19 per cent above the 1990 level (i.e. 39 200 kt of CO₂-e). Even worse, the Government of Hong Kong Special Administrative Region (HKSAR) had manipulated the role of Hong Kong being “part of China” and argued that we are “not required under the UNFCCC (United Nations Framework Convention on Climate Change) to meet specific emission targets.”⁴¹

Principles

a. “Common but Differentiated Responsibilities” (CDR)

82. We believe that the principle of CDR could address the needs and concerns of both developed and developing countries. Under this principle, developed countries

³⁷ Intergovernmental Panel on Climate Change, *Climate Change 2007: Synthesis Report, 2007*, <http://www.ipcc.ch/publications_and_data/publications_ipcc_fourth_assessment_report_synthesis_report.htm>.

³⁸ World Wide Fund, *A New Climate Deal: A Pocket Guide*, 2009, <http://www.panda.org/about_our_earth/all_publications/?168985/The-New-Climate-Deal---A-Pocket-Guide>.

³⁹ Hong Kong Observatory, “Climate Change,” <http://www.weather.gov.hk/climate_change/climate_change_e.htm>.

⁴⁰ Oxfam Hong Kong, “Every Little Help Counts”, <http://www.oxfam.org.hk/public/contents/press?ha=&wc=0&hb=&hc=&revision_id=63629&item_id=63628>.

⁴¹ Environmental Protection Department (EPD), “Climate Change: Cooperation with International Community,” <http://www.epd.gov.hk/epd/english/climate_change/coop_int.html>.

continue to assume greater responsibilities in emissions reduction while developing ones have to make certain kinds of voluntary actions as well.

83. The principle of CDR should be extended from the national to regional level within a country. It is not unusual for different regions being under various stage of development, and therefore more economically advanced regions can do more in emission reduction.

84. Under the principle of “One Country Two Systems,” there is much room for Hong Kong to act to promote the adoption of emission reduction targets. Our economic and fiscal magnitudes also enable us to perform like a developed city different from other parts of the country. Hong Kong is in a privileged position to be able to serve as an example for the implementation of CDR within “one country.”

b. The Government must take the dominant role

85. The Government should demonstrate leadership and steer the direction for a healthy and sustainable development through setting reduction targets and establishing an effective regulatory regime. A clear commitment and corresponding measures could help mobilize the community at large, private sector and civil society organizations. All measures must be binding, measureable, reportable and verifiable, so that the community can easily monitor progress.

86. We also urge the Government to set an example for the community in emissions reduction. The Government should also put in place a comprehensive mitigation and adaptation plan for climate change in consultation with industry and the community. Being a wealthy developed city willing to share global responsibilities, the Government should provide financial assistance to the poorer regions, on behalf of the entire community. The Government should also aim at developing Hong Kong into a metropolitan equipped with advanced energy saving technology.

c. Tripartite Participation

87. The Government, the private sectors and the community at large should collaborate to ensure that the combat climate change campaign could be a success. Given that the enactment and full implementation of legislations might take a couple of years, it would be more effective if the business and domestic sectors can take immediate measures to save energy and cut emissions voluntarily. The Government

should put greater efforts to foster tripartite collaboration.

88. Based on the above principles, Hong Kong should consolidate an action plan which incorporated with all measures initiated by various sectors of the community in tackling GHG emissions.

Policy Recommendations

a. Quantified reduction targets and comprehensive plans

89. To be positioned as an Asia's world city, Hong Kong should assume the responsibilities of a developed metropolis accordingly. In short term, we should voluntarily adopt the standard being laid down at the United Nation Bali Climate Change Conference in December 2007⁴² to suggest reducing carbon emissions by 40 per cent by 2020 compared to 1990.

90. The Government should consult with all relevant sectors before filtering the hard targets to various sectors across the territories. For instance, there should be clear commitments from energy industries that have contributed to about 60 per cent of total emissions in Hong Kong.⁴³ A concrete goal of building energy saving and mandatory building energy codes should be in place, as 89 per cent of local electricity consumption is buildings-related. It would be of equal importance to tackle other sources of GHG emissions, such as methane, as they had contributed almost 15 per cent of total CO₂-e.

91. Government buildings should take the lead in compliance with energy efficient building design. Green procurement can benefit the development of local green industries and eco-friendly production. Different governmental departments must be coordinated in a bid to providing adaptation measures for climate change, such as improving drainage system and developing heat alert system.

b. Collaboration and participatory process

92. It would be important to collaborate with the business sectors as well as their genuine partnership with other parties to ensure a successful campaign. There

⁴² World Wild Fund, The New Climate Deal: A Pocket Guide, <<http://wwfchina.org/wwfpress/publication/gdl/climateguide.pdf>>.

⁴³ Environmental Protection Department, "Hong Kong Total Greenhouse Gas Emissions," <http://www.epd.gov.hk/epd/english/climate_change/files/GHG_Emission_Trend_1990_2007.pdf>.

involves in and contributes to a wide spectrum of issues, ranging from identification of problems, participation in strategic planning, formulation of innovative measures, provision of financial or technical support, knowledge-sharing, capacity building, etc. To ensure smooth implementation of the mitigation measures, it would be of utmost importance in maintaining a level playing field for the business sector.

93. Greater effort should be paid on community education in order to encourage individual citizens to change to a more eco-friendly lifestyle and help expand the green market through collective strength of consumer power.

c. Technological transfer and financial support

94. As a vibrant and wealthy world city, Hong Kong could be developed into a showcase in the adoption and application of advanced energy saving technology. Many companies in Hong Kong have the economic strength and resources to import and therefore take advantage of state-of-the-art green technology. For small and medium-sized enterprises, the Government should offer technological and financial support with business and professional organizations.

95. The Government should consider establishing a foundation to provide financial assistance to Mainland China and other developing regions in combating climate change.

d. Regional cooperation

96. The HKSAR Government should enhance cross-boundary cooperations with the Guangdong Province and cities over the Pearl River Delta in the areas of mitigation, adaptation, technology and finance.

B. Powering Hong Kong by Sustainable Lighting

Present Situation

97. Incandescent light bulbs are widely used across the territories, while Energy Efficiency Light Bulbs (hereafter EELBs) only accounted for 20% of total market share. In the 2008-09 Policy Address, the Chief Executive has committed that, “to promote the use of more energy-efficient lighting products, we will study the need to

restrict the sale of incandescent light bulbs”.⁴⁴ However, the most significant progress in the past year was a piecemeal measure restricted to government departments under which the Government would stop procurement of incandescent light bulbs since June 2009.⁴⁵ Future policy direction is still uncertain as the consultancy study concerning the restriction of sale of the incandescent light bulbs in the territory is supposed to be completed by end-2009.⁴⁶

98. Although EELBs will perform better in reduction of electricity consumption, those powered by electronic ballast are more damaging to the environment due to the existence of toxic components. At present, the Chemical Waste Treatment Centre in Tsing Yi has a capacity of processing merely 800 000 EELBs per year, but being incapable of handling every used EELBs in Hong Kong. The “Producer Eco-responsibility Ordinance” has not been applied to EELBs and there is no mandatory requirement for the recycling of light bulbs.

99. Moreover, the existing energy efficient labels can partially reflect the life cycle efficiency only, but fail to cover information regarding environmental efficiency.

Principles

100. Hong Kong should put in place a comprehensive “sustainable lighting system”, and its major policy framework is as follows:

- To systematically analyze the life cycle of light bulbs, and formulate respective measures in order to tackle problems arising from different life stages of the light bulbs in accordance with the three principles of energy efficiency, reduction of waste from the source, and recyclability;
- the sale and imports of incandescent light bulbs should be banned decisively;
- the existing legal and regulatory structure should be put into better use, and the Producer Responsibility Scheme should be promoted further, ensure that the producers, suppliers and consumers share the responsibilities on the environmentally friendly production, reduction, collection and recycling systems through the Producer Responsibility Scheme.
- the current energy saving labels should be revised with specification on the following three elements: energy efficiency, reduction of waste from the source and recyclability.

⁴⁴ 2008-09 Policy Address, para, 101, <<http://www.policyaddress.gov.hk/08-09/eng/p100.html>>.

⁴⁵ Transcript of remarks by CE at media session after meeting of Task Force on Economic Challenges, <<http://www.info.gov.hk/gia/general/200906/22/P200906220250.htm>>.

⁴⁶ <禁鎢絲膽研究 料年底前完成>, *Ming Pao*, 16 March 2009, p. A6.

Policy Recommendations

101. To promote EELBs extensively in the shortest period of time, it would be advisable for the Government to provide every adult population with a coupon amounting to HK\$200 by changing the light bulbs to EELBs. In the meantime, the sale of incandescent light bulbs (including halogen lamps) should be banned through legislative means, together with corresponding enforcement measures.

102. Greater importance should be attached to the environmental and health hazards arising from the mercury present in the EELBs. Inclusion of EELBs in the regulation of “Product Eco-responsibility Ordinance” appears to be one of the effective measures. The Government should then launch a collection scheme under which the manufacturers or importers are required to provide direct collection services. We also recommend the Government to expand the network of collection boxes over the collection of EELBs used for recycling, and call for the general public to put the EELBs in those collection boxes. The Government should gradually increase the processing and recycling capability of mercury, electronic and metal components in the Chemical Waste Treatment Centre at Tsing Yi in order to proactively prepare for the coming of the “EELB age”.

103. A Comprehensive Eco-labeling System should be in place to better reflect factors such as lifespan, raw materials used, energy efficiency, amount of toxic materials, and the level of energy consumption during production process. The new label should facilitate an easier recognition of the environmental efficiency of EELBs. As the formulation of a new label system would be time-consuming, it would be advisable to undertake some transitional measures in the nearest future. The Government should take reference of various experiences in the European Union, and therefore promote a voluntary “eco-label award scheme”. In the long run, the Government should consider the applicability of the EU directives (RoHS and WEEE) regarding the regulation of electronic waste and the disposal of used electronic goods.

104. The Government should compare the performance of electronic EELBs and electromagnetic EELBs in terms of energy efficiency, reduction of waste from the source and recyclability. For the sake of waste reduction, it is worthwhile to consider a wider application of detachable EELBs in which different components of the light bulb could be separated from each other, as its components can be used to the fullest extent. Such design should be adopted whether EELBs are driven by electronic or magnetic ballasts.

VI. Universal Suffrage and 2012 Political Reform⁴⁷

Present Situation

105. In the Report on Hong Kong's Constitutional Development by the Chief Executive to the Standing Committee of National People's Congress (hereafter NPCSC) in December 2007, the Chief Executive admitted the wishes of the citizenry for a faster progression towards democracy. However, he still proposed a comparatively slow pace towards democracy in Hong Kong, with which the first Chief Executive will be, at the earliest elected by universal suffrage in 2017, leaving the realization of universal suffrage of the Legislative Council to a later, uncertain date (despite claims by the Chief Executive that this can occur in 2020).

106. There is a general view that the existing Functional Constituencies (hereafter FCs) election in the Legislative Council suffers from three defects: being under-representative; domination of corporate votes in the majority of the FCs, and encouraging narrow interests under the present election arrangement. The FCs must be totally abolished in an ultimate sense. Supporters of FC system used to argue that the existing arrangement can help retain the experiences and expertise from businesses and professionals and, more importantly, their contributory inputs have been proved to be prominent to the long-term development of the territories.

107. In January 2009, the Government announced that it would postpone the public consultation concerning the review of the constitutional arrangements for the method of selection of the Chief Executive and the Legislative Council in 2012, which is scheduled to take place in the first half of 2009, to the fourth quarter of 2009.⁴⁸ The postponement has caused a public outcry over the repeated delays in terms of constitutional review.

108. In his comment concerning the method of selecting the Chief Executive, and the Legislative Council in July 2009, the Chief Executive reiterated that the selection of the Chief Executive as well as the Legislative Council through the means of universal suffrage could not be realized in 2012⁴⁹. The further inaction over the constitutional review sparked off controversies and criticisms. In the meantime, a significant proportion of the general public (nearly 40%) still aspires to the universal

⁴⁷ The contents of this section are primarily drawn from the previously published research reports of the Professional Commons: *Position Paper on Constitutional Reform in 2012* (Hong Kong: The Professional Commons, May 2008).

⁴⁸ 〈政改諮詢突推遲年底 曾蔭權藉口應付金融海嘯議員炮轟冇誠信再耽港人〉, Apple Daily, 16 January 2009, p. A2.

⁴⁹ <<http://www.info.gov.hk/gia/general/200907/07/P200907070265.htm>>.

suffrage in 2012 in an opinion poll published in August 2009.⁵⁰

Principle

109. Given the fact that universal suffrage is our destination in the journey of political development, the political arrangements in 2012, and afterwards, should be strategically planned as a check point concerning progressive democratic changes. The overall electoral system must be more open and democratic in comparison with the previous one and of necessity to head towards fair constituencies, fair candidate nomination procedures and fair voting. Hence, we are in the view that the Government should also consider a certain form of universal suffrage concerning the elections for the selection of the Chief Executive, as well as Legislative Council in the elections in 2012.

Policy Recommendations

a. Introduction of “Comprehensive Functional Constituencies” in Legislative Council Election

110. The Professional Commons proposes a “Comprehensive FC” system should be in place in order to revamp the existing FCs classifications into 6 larger FCs and therefore, restrict the eligible voters to individual citizens only. Within each FC, the voting is by proportional representation system. This system is supposed to avoid the monopolization of seats by large sectors and therefore encourage the formation of groups and tickets across different subsectors, favouring a political platform that can harmonize different interests. The new system will comprise the following components:

- Four large FCs are to consolidate the existing FCs that are categorized according to the nature of the business activities, namely manufacturing and trade; infrastructure, logistics and tourism; business and professional services; community, social and personal services, which account for the 3.7 million of the population.
- Two new FCs could be introduced in favour other non-business sectors, professional or unionized labour voters. One is for adult students and retired persons. Another is for homemakers and economically inactive persons previously not included in FCs. They account for about 2 million of the

⁵⁰ 〈中大民調：逾半人盼 2012 政改有共識〉, *Ming Pao*, 28 August 2008, A15.

population.

- All eligible voters in Hong Kong should be able to participate in both the elections of geographical constituencies and FCs. We call this “One-Person-Two-Votes”.
- The electorate base of FCs consequently goes up to 5.8 million of voters, which is in unison with that of geographical constituencies.
- The number of seats of each FC is allocated according to its proportion of eligible voters over the total number of eligible voters. The effect of each vote is ideally equal.

b. Comprehensive FCs as the Basis for the Election Committee for Selecting the Chief Executive

111. We propose to keep the number of Election Committee for the selection of Chief Executive to 800. The 200 members from fourth category remain unchanged.⁵¹ The 600 members from various business, industrial and professional categories (first, second and third categories) are to be elected by the same concept of Comprehensive FCs. The number of Election Committee members in each Comprehensive FC is, by proportion, of their eligible voters to the total number of eligible voters. By doing so, every vote will be rendered equal effect.

112. The nomination threshold for an eligible Chief Executive candidate should be no more stringent than the present arrangement, ranging from 50 and 100 Election Committee members.

c. Consultative Member System in the Legislative Council

113. To acknowledge as well as to tap the knowledge and expertise of the business and professional sectors, a consultative member system should be established in order to formalise the current system of expert hearings in the bills committee stages of Legislative Council. The consultative member system is more a standing arrangement than ad-hoc one that gives consultative members a clear responsibilities. The current FCs can maintain their seats in the new system when the new comprehensive FC is established in 2012. However, these members can give opinions only in the Legislative Council bills committee meetings. They are not given any voting power and cannot attend Legislative Council meetings and panel meetings.

⁵¹ Eligible voters of the fourth category include: Legislative Council members, District Council representatives, Hong Kong Deputies to National People’s Congress, representatives of Hong Kong members of National Committee of the Chinese People’s Political Consultative Conference.

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