

Narrowing the Rich-Poor Gap Promoting Social Mobility
Submission to the 2010-11 Budget

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Annex

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Introduction

1. Premier of the State Council Wen Jiabao urged the Chief Executive Donald Tsang to resolve the “deep-rooted problems” during the latter’s duty visit to Beijing in late 2009.¹ The Chief Executive subsequently interpreted that “the Premier was referring under the context of economic development”.² He later added that “there are many deep-rooted problems in which Hong Kong have to meet problems. It is not confined to economic transformation, but also political and social conflicts as well.”³ We do not intend to initiate debate from the sensitive political and social perspectives in this report, but hope that the Government can take advantage of the forthcoming Budget to deal with economic and livelihood issues related to the “deep-rooted problems”.

2. Hong Kong's business environment has been deteriorated in recent years. One of the most cited reasons for such deterioration is the high land prices and rental costs. As of the third quarter of 2009, the retail rental in Hong Kong ranked second highest in the world, same as the previous quarter, with an average rent of HK\$634 per square feet.⁴ From January to December 21 2009, there were 3 692 transactions in the retail market, involving capital nearly HK\$35.913 billion, accounting for a 27% increase in transaction volume and 44% increase in market value year-on-year⁵ In terms of residential property prices, the Centa-City Leading Index stood at 72.61 points by the end of 2009, representing a rise of 28.8% a year ago.⁶ High land prices and rentals have directly undermined Hong Kong's competitiveness.

¹ 〈溫家寶會見曾蔭權：中央政府將一如既往地支持香港〉, *People's Daily Website*, 29 December 2009。

² “CE's transcript in Beijing” (English and Chinese versions), *Press Release of the HKSAR Government*, 28 December 2009.

³ 〈行政長官立法會答問大會談話全文(一)〉, *Press Release of the HKSAR Government*, 14 January 2010.

⁴ 〈港鋪租全球排名第二〉, *Sing Tao Daily*, 8 December 2009, p. C06.

⁵ 〈本月商鋪暫錄 3692 宗升 27%〉, *Sing Tao Daily*, 29 December 2009, p. C09.

⁶ The Centa-City Leading Index primarily reflects the change of the residential properties prices in Hong Kong. From 28 December 2009 to 3 January 2010, the index stood at 74.07 point, and the index between 5 to 11 January 2009 was 57.51, increasing by 28.7% year-on-year. See “Centa-City Leading Index”, <<http://www.centadata.com/ci/SearchHistory.aspx>>.

3. Hong Kong's economy began to show signs of recovery in recent months, but the overall business environment is still harsh in view of the monopolistic power enjoyed by large corporations. Hence, business environment for small enterprises is very difficult, entrepreneurial opportunities are getting even worse than before. The data from the Census and Statistics Department shows that the overall level of industrial concentration has increased in 2007. In the high concentration group and low concentration group, there were growing number of industries experienced an intensification in the degree of concentration in comparison the figure of previous year. Among them, 10 industries in the high concentration group increased in the concentration ratio while 4 industries showed a decrease. For the low concentration group, the ratio was 17 and 6.⁷ This shows that our business environment, particularly the SMEs, is getting worse.

4. Urban renewal/regeneration is more than an economic issue as it will arouse serious social problems as well. It is highly related to recent concern over the usage of space in urban development too. Meanwhile, the Urban Renewal Authority is conducting the Urban Renewal Strategy Review. The SAR Government (hereafter the Government) should seize the opportunity to take into consideration community's aspiration. By doing so, it would help address the social grievances across the community and achieve a sustainable future for Hong Kong in the long run.

5. Despite the fact that the Government has realized that the six priority industries are knowledge-based in nature, but so far there is no matching policy in the areas of education and manpower training. Many people are therefore skeptical about the determination and sincerity of the Government in putting forward these policies.⁸

6. In regard to people's livelihood, ageing population is becoming a rampant issue. However, there is no elderly policy to date and the Government is evasive from the calls of the civil society concerning the establishment of a comprehensive retirement protection scheme. It would also be important to meet public aspiration on

⁷ Those industries which recorded a rising trend include those which are listed in the "slighting changed" and "increased" categories. See "Selected Industry Groups by 2007 CR₁₀ Group and Pattern of Change in CR₁₀ between 2006 and 2007," in Census and Statistics Department (hereafter: C&SD), "Statistics on Sectoral Concentration", *Hong Kong Monthly Digest of Statistics*, August 2009, p. FC16.

⁸ In fact, the Government can formulate a higher level of economic strategies by taking reference to the practice of some developed economies. For example, following the Lisbon Strategy signed by members of the European Union in 2005, and to establish the three pillars of economic, social and environment, so as to make Hong Kong to be the most dynamic, most competitive and knowledge-intensive regional economic pattern. See <http://europa.eu/scadplus/glossary/lisbon_strategy_en.htm>.

the improvement of overall living standard and upward social mobility.

7. To address the “deep-rooted problems”, The Professional Commons recommends the Government to set the “narrowing of the poverty gap” and the “promotion of social mobility” as the two overarching policy objectives and supplement with a set of measureable and quantifiable objectives, a definite timetable and a well-planned roadmap well. It would be of particular importance for the Government to designate specific benchmarks on the narrowing of the rich-poor gap. In the light of this, the Government should set a target of reaching the goal of reducing the Gini Coefficient from 0.533 in 2006 to the 1991 level of 0.476 by the year 2017.

8. The submission covers 40 policy recommendations in five policy areas, hoping that these measures will achieve the goals of narrowing the gap between the rich and the poor, and the promotion of social mobility. The five major areas of recommendations are as follows:

- Rationalize land supply for the creation of a favourable business environment;
- Urban regeneration following resident-led and rehabilitation-first principles
- Strengthen human resources training through expanding the higher education;
- Care for the elderly and establishment of universal old age pension system;
- Promoting social mobility and improvement of people’s livelihood.

II. Rationalize Land Supply, Create a Favorable Business Environment

9. There is a general view that the costs of doing business in Hong Kong are really high. In the light of this, the Government should put in place a multi-dimensional policy package to address the issue, including increasing land supply effectively so as to reduce the rental cost burden; adjusting the regional development strategy to increase land supply in areas beyond the metro core area; expediting the legislation of the “fair competition law” to facilitate the development of small and medium-sized enterprises. The Professional Commons also recommends the promotion of exports of services so that Hong Kong could head for the development of a more diversified economy.

A. Restore regular sales of land

10. The Government should resume regular land sales on a quarterly basis. Adding the fact that the land application list system has occurred side by side, it would become a regular and flexible dual-track land sales system. The new system could inject land regularly into the market for construction purposes and hopefully facilitate overall economic and social development as a whole. Most importantly, there will be more room for the Government to maneuver in land supply and to become more capable in tackling problems arising from existing land supply policies, including:

- Constrained by the land application list system, the Government is unable to increase land sales if property developers refused to trigger lands for auction. Even though some form of market failure was taking place and resulted in upsurge in property prices, negative impacts on the economic development and people’s livelihood, the Government could do nothing under the existing application list mechanism. In the light of this, the Government has failed to provide a favourable business environment, not to mention the promotion of social mobility.
- Many property developers favour private negotiations on lease modification, rather than open auction of land;

Present Situation

In 2008 and 2009 (as of 15 January 2009), there were 67 and 35 pieces of land being allowed to change their use for the construction of residential properties and

commercial/residential properties respectively through lease modifications. Out of these land plots, those which were not required to pay land premiums and those with land premiums of HK\$1,000 or below are numbered 32 and 20. The amount obtained from land premiums are amounted to HK\$1 billion and HK\$580 million respectively.⁹ (see Annex 1 and 2)

- Without a regular land sales arrangement and direct land transaction through open auction, there would not be a representative land price level. When the Government set the bottom price for land auction, or when negotiating with the property developers on lease modifications in the future, it would easily be affected by non-market factors. In view of this, the artificial setting of prices would be easily deviated from the market prices;

Present Situation

The Government only sold two land plots under the application list system in the 2008 and 2009 financial year (up to mid-December 2009). The size of the lots being sold were 191.4 square meters and 305.8 square meters and their premiums were merely HK\$16.5 million and HK\$61 million respectively.¹⁰ The real estate sector and the surveyors shared the view that these two plots of land were too small to serve as a benchmark of market prices. As for the two plots of land in Pak Shek Kok being sold for residential property development in end-2009, they would be used for the development of luxury properties. Hence, their land premiums could not reflect the latest trend in land prices of the mass market.

According to the information from the Town Planning Board, there were 13 factory buildings which had been approved for hotel development between 2006 and September 2009. However, not even a single agreement has been reached on lease modification to date and most of these lands left vacant for a long period. At least two developers had given up their hotel re-development plans already.¹¹

- The standard for premium valuation in lease modifications is unable to

⁹ The lease modifications of the plot of land in Wu Kai Sha amounted to HK\$9.6 billion has not been listed in the official records yet.

¹⁰ "Land Sale Result 2008/2009", <<http://www.landsd.gov.hk/en/landsale/records/2008-2009.pdf>> ;

"Land Sale Result 2009/2010", <<http://www.landsd.gov.hk/en/landsale/records/2009-2010.pdf>>.

¹¹ 〈改建補地價談不攞 13 酒店計劃膠〉, *Ming Pao*, 7 September 2009, p. A3.

reflect the latest changes in the real estate market, and therefore the lease premiums might be deviated from real market values.

Present Situation

In view of the plunge in property prices triggered off by the 2008 global financial crisis, the Government has adjusted the valuation mechanism for lease modifications by increasing the marginal profit for ordinary residential properties from 10% to 20% and therefore lowering the de facto land premiums accordingly.¹² Meanwhile, the prices of local residential properties have progressively rebounded since the second half of 2009 but there is no corresponding adjustment in the formula of the estimation.

- The Government could not push forward policy objectives through land supply as the power to trigger an auction under the application list system is solely in the hands of the property developers.

Present Situation

Using the hotel industry to illustrate: As a means for supporting the hotel industry, the Government has included 10 hotel-only sites in the application list since the 2008-09 financial year, but no application is received so far.

- The Government used to sell its properties when the property prices are skyrocketed. It is not fair for the Government to play a dual role as the “player” and the “coach” in property transactions.

Present Situation

The Government Property Agency sold four properties in October 2009, amounting to HK\$110 million. It sold another eight luxury residential properties a month later, worth a total of HK\$172 million.¹³

¹² <政府催谷補地價 允發展商增利潤 修訂估價基準 推動項目上馬>, *Hong Kong Economic Times*, 14 January 2009, p. A3.

¹³ <產業署售韓森四物業套 1.1 億>, *Hong Kong Economic Journal*, 22 October 2009, p. 9 ; <10 豪宅拍賣 2 未到價收回>, *Ming Pao*, 13 November 2009, p. B4.

B. Review of the territorial strategic planning

11. Urban redevelopment activities in recent years have intensified the development density and pressures of urban area. This could only be solved through careful adjustment of the overall planning setting of Hong Kong, especially through the rectification of the spatial imbalance between the metro core and “peripheries”, such as New Territories. In this connection, the Government should consider a more decentralized land use pattern. In addition, the new planning direction should not be confined to the relocation of the population from the metro core to the New Territories. It should also enhance the economic vibrancy in the New Territories through exploring business potential specifically for job creation. There are the two areas attempting to improve the urban environment:

- Lowering the objective of housing 40% of the increased population in the metro core area under the “Hong Kong 2030 Report” ;
- Improving the urbanscape of the metro core through provision of more public open space and facilities in various regenerated urban areas on one hand and lowering development density and plot ratio on the other.

The Professional Commons recommends that the adjustment of development directions would be developing new business nodes such as the “secondary city centres”, in which The Professional Commons has proposed in March 2008. The Government should also consider changing the permitted land use as stipulated in the Outline Zoning Plan in the New Territories on a limited basis, for the sake of promoting economic vibrancy and creating job opportunities, so as to foster a “win win” situation for the metro core areas and the New Territories as a whole.

Present Situation

The high density development mode along the shore of the Victoria Harbour is commonly perceived as the main cause for the high rental and high business operating costs. Meanwhile, the New Territories is underdeveloped, causing insufficient supply of job opportunities in the new towns and subsequently the vicious cycle of poverty. Not only the misplacement of residential and work locations would increase the traffic load, it would also exacerbate the transportation expenditure of the residents of the New Territories.

C. Designating the Fair Competition Law

12. 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.

Present Situation

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.¹⁴

D. Export of services

13. As it is well acknowledged that Hong Kong is a service based economy, the Professional Commons is in the view that the development of local services sector should go beyond the “four pillars” and the “six priority industries”. The Government should step its effort in the promotion of individual advantageous industries in overseas market. In fact, the overseas operations of several public corporations went smoothly in recent years, e.g. the Mass Transit Railway Corporation (hereafter MTRC), Hong Kong Airport Authority (hereafter HKAA), and so forth. They could be served as useful references for services promotion in overseas market,

Present Situation

MTRC¹⁵

The MTRC has been working together with several overseas railway operators in the provision of railway consultancy services (including railway design, operation and maintenance).¹⁶ The MTRC also won the operation rights of the Shenzhen Metro Line 4 and the underground railway system in Stockholm, Sweden.¹⁷

¹⁴ 〈公平競爭法剔出本年度立法之列〉, *Hong Kong Economic Journal*, 28 February 2009, p. A4.

¹⁵ The MTRC is a listed enterprise in which the Government is the largest shareholder.

¹⁶ <<http://www.mtr.com.hk/eng/consultancy/clientlist.html>>.

¹⁷ 〈挫 5 對手 港鐵奪瑞典地鐵營運權〉, *Ming Pao*, 21 January 2009, p. A24; 〈內地首條全外資地鐵 港與珠三角融合加強港鐵投資 60 億 深圳營建 4 號線〉, *Wen Wei Po*, 19 March, 2009, p. A2.

HKAA

In 2005, the HKAA formed a subsidiary company with the Xiaoshan Airport in Hangzhou, holding 49% of the shares of the new company and stationing three officers in the Xiaoshan Airport since then for the introduction of “Hong Kong style” management.¹⁸

In 2006, a leasing agreement has been reached between the Zhuhai Municipal Government and the HKAA for the management of the Zhuhai Airport. From then on, HKAA has become the largest shareholder of the Zhuhai Airport although it does not have the controlling rights.¹⁹

In October 2009, the Shanghai Airport (Group) Limited and the HKAA agreed to establish a joint venture, namely Shanghai-Hong Kong Airport Management Company Limited, in a bid to further strengthening the cooperation between the two airports. The two parties constitute 51% and 49% of the rights of the joint venture respectively. The investment period lasts for 20 years from 2010 onwards. It is used to introduce and taking reference of the management experiences, technology and branding of the hub airport of Hong Kong International Airport to the Shanghai Airport, so as to enhance the latter’s management capacity and management level.²⁰

14. There are many outstanding service enterprises and organizations which could capitalize on their advantages in Hong Kong to explore Mainland and overseas markets. Specific examples include:

- Ocean Park: The Professional Commons recommends the Government to amend the laws and regulations in a bid to allow the Ocean Park to develop theme parks outside Hong Kong under the name of “Ocean Park”, and allow the Ocean Park to engage in theme park-related businesses overseas, including providing consultancy services, assisting overseas theme park operator to design theme parks, and conducting ecological education.

¹⁸ 〈引入港式管理 蕭山機場年賺 2.6 億〉, *Ming Pao*, 23 December 2009, p. A20.

¹⁹ 〈機管局 2 億入股珠海機場〉, *Hong Kong Economic Times*, 3 August 2006, p. A4.

²⁰ 〈滬港機場合資成立一管理公司〉, *Ta Kung Pao*, 2009 年 10 月 12 日,

<http://www.takungpao.com/news/09/10/12/_IN-1155215.htm>.

Present Situation

According to the “Ocean Park Ordinance”, the operations of the Ocean Park are confined to be “a public recreation and education park named ‘Ocean Park’ located in Brick Hill”. Hence, the provision of educational and recreational activities locally seemed to be the main set objective of the park and therefore it is not entitled to expand its business overseas.²¹

- Non-profit making social welfare organizations: The Professional Commons recommends the Government to study the feasibilities of enabling local social service sector to get involved in the provision of services overseas, or export of services, for example, providing consultancy services, assisting social welfare organizations overseas in establishing social services to meet the needs of the community, etc.

Present Situation

The “one-touch bell” services provided by the Senior Citizen Home Safety Association (hereafter SCHSA) has developed into a well-sounded operation and enjoyed a high reputation in the Mainland. The relevant organizations in Shanghai, Macau and Shenzhen have even invited the SCHSA to be the consultant of their one-touch bell services.²² The Association had posted an advertisement to recruit a “project consultant” in November 2009 whose major responsibilities were to develop telephone support services in the areas outside Hong Kong.²³

15. The Trade Development Council (hereafter TDC), and the Hong Kong Economic and Trade Offices (hereafter HKETO) overseas should step up its efforts in the promotion of the export of services, for example the organization of public relations activities, as well as the collection of overseas market intelligence. The TDC should also adjust its operation structure accordingly, and to gradually withdraw from local exhibition market and reallocating the resources for the exploration of overseas market for the local service sectors.

²¹ 〈海洋公園研修例衝出香港〉, *Sing Tao Daily*, 12 October 2009, p. A2.

²² 〈「平安鐘」起家負債千萬變盈利千萬〉, *Ming Pao*, 30 November 2009, p. A17.

²³ Recruitment Advertisement, *Ming Pao*, 4 November 2009.

Present Situation

Comparatively speaking, the TDC and the HKETOs focus more on the promotion of merchandise trade than the export of services.

16. In accordance with the changes of the service sector in Hong Kong in view of the development of the “six priority industries”, the Government should readjust the classification structure of economic data and statistics in order to highlight the economic performances of the relevant sectors. Such a move would enable the Government and the business sectors to locate relevant data and statistics much easier in the course of research and decision making. By doing so, the market players could be able to better grasp the business opportunities.

Present Situation

The annually published “Hong Kong Service Trade Statistics Report” by the Census and Statistics Department merely covers the following categories of statistical data: transportation, tourism, insurance, finance, business services and so forth. Apparently the existing service classification system fails to reflect the latest economic activities in Hong Kong. Taking reference of the Report in 2007, the expenses of non-Hong Kong residents studying in Hong Kong is counted as “tourism” expenses, which is not in line with the development of the education sector. There is no category to cover the medical expenses of non-Hong Kong residents in Hong Kong too.²⁴

²⁴ Census and Statistics Department, *Report on the Hong Kong Trade in Services Statistics for 2007*, <http://www.censtatd.gov.hk/freedownload.jsp?file=publication/stat_report/external_trade/B10200112007AN07B0100.pdf&title=Report+on+Hong+Kong+Trade+in+Services+Statistics&issue=2007+Edition&lang=1&c=1>.

III. Urban Regeneration: Resident-led, Rehabilitation first²⁵

A. Designate an all-rounded buildings rehabilitation scheme

17. The “4Rs” strategy (Redevelopment, Rehabilitation, Revitalization, pReservation) and of the Urban Renewal Authority (hereafter the URA) should be reprioritized, whereas rehabilitation should be placed in the most important position. The Government should also designate a holistic rehabilitation programme to ensure all buildings would be subject to regular inspection. It would also be of utmost importance to ensure all residential buildings would be rehabilitated without excuse of lack of financial or managerial abilities from the owners, and have had a certain basic of management and maintenance after the rehabilitation programme. The specific measures are as follows:

- The “Mandatory Buildings Inspection Scheme” and the “Mandatory Windows Inspection Scheme”, together with their supporting measures, should be expedited as soon as possible;
- To realign the funding schemes of the Hong Kong Housing Society (hereafter the HKHS) and the URA, together with the “Operation Building Bright” programme from the Government and relevant subsidies from the proposed “Mandatory Buildings Inspection Scheme”. These funding schemes should be targeted at different groups of the general public. Subsidies from the “Operation Building Bright” should only be available to the “problematic” residential blocks of inadequate management capacity;
- The Buildings Department should raise the capabilities in the managing the rehabilitation of flats, assisting the owners who are unable to conduct the rehabilitation works of their own;
- To facilitate the establishment of owners’ corporation (hereafter OCs) or other property management mechanism, so as to improve the maintenance of the properties. This would help lower the occurrences of the heavy decay of the buildings.

²⁵ For the details on the proposals from The Professional Commons concerning the review on urban regeneration policy, please refer to the “For the People, By The People: Research Report on the Urban Regeneration Strategy” published in December 2009.

Present Situation

In recent years, the ageing of buildings has become a hazardous problem. Private buildings aged 30 years or above amount to 13 000 buildings.²⁶ There are 8 000 buildings without OCs or any forms of management bodies.²⁷ According to the estimation based upon the recent trends, the number of private residential buildings aged 30 or above would reach 22 000 blocks ten years later.²⁸ Hence, the strategy on addressing the deterioration of urbanscape through the demolition of old flats is clearly not practical.

There is a general view that the current urban renewal practices are based upon a “property-led” model.²⁹ Emphases on these projects follow the routine of property market, like demolishing old buildings for redevelopment, increasing the development potential of a site, as well as maximizing the total economic gain. Many of them are intent upon “raising the intensity of land use through replacement of low by high quality and/or density houses to increase the total revenue.”³⁰

The most common practice adopted in redevelopment projects is generally described as “bulldozing” approach under which most of the old buildings, regardless of importance in terms of their non-materialistic value, are being demolished for the sake of redevelopment. Many streets of local character were eventually erased and replaced with commercial and residential developments subsequently. At least six old streets disappeared in the past few years under URA projects. These include Yuen On Lane and Yu Lok Lane in Sheung Wan; Cornwall Avenue in Tsim Sha Tsui;

²⁶ <http://www.devb-plb.gov.hk/eng/publication/mbi_full_paper.htm>.

²⁷ The Government did not even have the official figures of how many residential buildings do not possess any management organization. Email enquiry with the Home Affairs Department, June 2009.

²⁸ 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,” (LegCo Paper No.: CB(1)570/08-09(07)), <<http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-7-e.pdf>> .

²⁹ See Mee Kam Ng, “Property-led Urban Renewal in Hong Kong: Any Place for the Community,” *Sustainable Development*, Vol. 10, No. 3(2002), pp. 140-146; Edwin H. W. Chan, Grace K. L. Lee, “Contribution of urban design to economic sustainability of urban renewal projects in Hong Kong,” *Sustainable Development*, Vol. 16, No. 6 (2008), pp. 353-364; Bo-sin Tang and Roger M. H. Tang, “Development control, planning incentive and urban redevelopment: evaluation of a two-tier plot ratio system in Hong Kong,” Vol. 16, No. 1 (1999), pp. 33-43.

³⁰ Edwin H.W. Chan and Grace K. L. Lee, “Contribution of Urban Design to Economic Sustainability of Urban Renewal Projects in Hong Kong,” *Sustainable Development*, Vol. 16, (2008), No. 353-364.

“Bird Street” in Mong Kok; Tsung Sau Lane East and Tsung Sau Lane West in Sheung Wan; Sai Lau Street in Tsuen Wan.³¹ It is also noteworthy that Yan Shun Lane, Tung Yan Street and Yue Man Square in Kwun Tong is going to disappear under the proposed “Kwun Tong Town Centre” redevelopment plan.

The Government should expedite the respective legislative procedure concerning the “Mandatory Buildings Inspection Scheme” and the “Mandatory Windows Inspection Scheme” which has already been deferred again and again.

The Government does not have any long-term strategy in tackling the problem of dilapidated buildings in the urban area. There was no corresponding measure to promote rehabilitation works when the URA first adopted the “4Rs” strategy. Not until 2004 did the URA pay greater effort to facilitating rehabilitation projects through introduction of two loan schemes, which are the “Building Rehabilitation Materials Incentive Scheme” and the “Building Rehabilitation Loan Scheme”. By virtue of the assistance via these schemes, buildings that have their rehabilitation work finished amounted to 100 in both 2006 and 2007. Up to March 2009, rehabilitation works for 490 buildings were subsidized by the scheme.

On the other hand, merely 2 000 buildings are covered under the “Operation Building Bright”. Compared to the 10 000 plus dilapidated buildings in Hong Kong, the number of buildings which could be benefited from the “Operation Building Bright” Scheme are actually quite small. Even worse, the Government failed to completely solve the issues concerning rehabilitation of buildings without OCs. When the resources of the concerned plan are being used, these buildings could be in an even worsening state of decay, and hence worsening the urbanscape of the old districts.

B. “Redevelopment cooperative” model in redevelopment

18. Urban redevelopment has to address the core issue of “who will be benefited”. Redevelopment cooperatives formed by landlords would be a viable alternative which could help realize the principle of “resident-led”. It seems that this new mode of redevelopment can address the needs of residents, tenants, as well as public goods. The characteristics of the redevelopment mode are as follows:

- Landlords decide collectively on the selection of redevelopment plan,

³¹ “Old Streets Being Wiped Off Map,” *South China Morning Post*, 18 August 2008, p. 1.

supervise the realization of the projects and own the shares of the cooperative;

- Landlords have to bear the gains and risks in redevelopment;
- A wide array of options would be available for the landlords, ranging from a premature sale of their shares for cash, dividend sharing to early choice in “flat-for-flat” and “shop-for-shop”;
- Individual residents are entitled to compensation from the cooperatives;
- Social network could be maintained via support of the Government.

19. The new redevelopment mode is supposed to strike a balance between the need of landlords, tenants and the community at large. On top of this, it should also be a sustainable business model in a sense that it is operable besides the private and public ones. The operation is summarized as follows:

- “Resident-led, Government Facilitates”: The residents shall decide collectively on whether a particular site shall be redeveloped, whether any redevelopment plan is worthy of consideration, and so on. The Government would also provide financial assistance to the redevelopment cooperatives via collaborative organizations;
- “Environmental and Public Need as the Foremost”: The redevelopment proposals should be designated in accordance with the principles of sustainable development. Plot ratio should be maintained at a low level in most cases but flexible arrangement would be accepted in order to foster a higher value for the benefit of the society as a whole. Planning and design should be optimized to improve the built environment;
- Comprehensive Care, Community Support: Negative impact on the community would be minimized through the provision of support to the underprivileged, in a way to maintaining their social network and safeguarding healthy development of local economy;
- After the redevelopment projects are completed, the collaborative organization in charge would be allowed to collect a service charge from the landlords or claim government’s subsidy in accordance with the number of completed projects.

20. The URA, the HKHS, and new collaborative organizations would have an active role to play in the execution of the redevelopment cooperative model, under the proposition of “resident-led” principle. Their specific works include:

- Conducting social impact assessment in accordance with international

standards in the designated “old areas”;

- Building trust as well as networking among the landlords pave the way for the “redevelopment cooperative”;
- Formulating “collaborative redevelopment” options for residents’ consideration according to the “environment-first” principle;
- Exercising statutory buyout to assist in “collaborative redevelopment”, and facilitating financing and financial arrangements where necessary.

Present Situation

The “seven year rule” has not taken into account the potential investment returns and never built in any profit-sharing mechanism. From historical point of view, the Land Development Corporation attempted to compensate the owners of affected properties in the redevelopment sites through promulgation of Owner’s Participation Proposal (hereafter “OPP”). Under this proposed scheme, property owners are given the opportunity to participate in the redevelopment and, in the meantime, share profits and risks correspondingly. Owners can be as either cost-sharing or non-cost sharing participants while participating in the project. However, the trial measures ended up in failure.

Nonetheless, many property owners are of the view that they not only own respective property rights but development rights. It is hoped that they could be able to share the profits as a result of the redevelopment. If the existing compensation scheme denies their share generated from the redevelopments, they would be more than willing to settle their land lease through market mechanism, or more specifically make a deal directly with private developers

C. From urban renewal to urban regeneration

21. The “Urban Renewal Authority” should be renamed as “Urban Regeneration Authority” in a way to reflect the transformation of its new missions and mode of work. Instead, the URA is advised to focus on rehabilitation work of run-down buildings, and play the role of supporter through provision of financial resources and project supervision. It should also act as an enabler in the cause of urban redevelopment with particular emphasis on “Resident-led” and “Environmental and Public Need as the Foremost” principles.

Present Situation

On the other hand, the current pace of urban redevelopment could not achieve the target as suggested in the Urban Renewal Strategy. Only 49 out of the 225 proposed projects have been actualized, in which they were either completed or just underway. It is obviously the URA would not be able to complete the rest of the projects in the next 10 years.

D. District Council-led revitalization

22. District Councils are more appropriate than the URA in promoting revitalization in urban areas. In view of this, the Government should empower District Councils with more authorities and resources, including:

- Each District Council should have an independent secretariat staffed by non-civil servants;
- The resources of all small scale projects should be consolidated to put forward revitalization programmes;
- Each of the District Councils should have their own team of town planners and relevant professionals to assist in designating development plans, so as to address needs of the community in a feasible manner.

Present Situation

In addition to the enhanced roles in areas of leisure and cultural activities as well as district minor projects, the District Councils should play a more active role in urban revitalization. In fact, some of the District Councils has attempted to formulate district development plan through strengthening their research capabilities. The Wan Chai District is a good example:

The previous term of Wan Chai District Council (2004-2007) has conducted a number of district-based research studies concerning the socio-economic conditions of the district. A set of recommendations concerning the urban renewal policies of the Wan Chai area has been formulated for the reference of the URA in October 2004. It is said specifically that the District Council should become the facilitator in the urban regeneration process.

Initiated and funded by the Wan Chai District Council, a “Wan Chai Development

Blueprint Working Group” was set up in 2005 in collaboration with the Baptist University Geography Faculty and St James' Settlement. It held numerous workshops, forums and conducted interviews with more than 2 000 Wan Chai residents in 2006.³² The findings of the Working Group were published by the District Council as a report as well. It also assisted the residents in the formulation of citizen-based alternative for the Lee Tung Street redevelopment project.³³

³² “Wan Chai plan was ‘borrowed’ think-tank says,” *The Standard*, 24 December 2007, p. 10.

³³ <http://wc.had.pbase.net/wc_d/chinese/Hopewell/S_h24_6/URA_paper_final_draft-4.doc>.

IV Strengthening Human Resources Training, Expansion of Higher Education

23. The development of “knowledge based economy” had once been put on the policy agenda during Tung Chee-hwa’s regime, but merely a conceptual framework without specific economic planning in complementing with the discussions. The notion has become a slogan without substance at the end. The incumbent Chief Executive Donald Tsang has spoken of the subject more specifically, stating that the “six priority industries” possessed shared characteristics and all belonged to the “knowledge based economy”.³⁴ As mentioned in the 2009/10 Policy Address, the Government has attached greater importance on the development of the “six priority industries”, including the development of the education “industry” in view of promoting Hong Kong as an “education hub” of the region. To this end, the Government has put in place some concrete measures, such as designating five plots of land as the future sites of private universities.³⁵ However, there is no detailed plan for the higher education sector in Hong Kong to complement the development of the knowledge-based economy. To facilitate the development of knowledge based economy, the forthcoming review on higher education should cover the following areas:

- Popularize higher education, increase subvented university undergraduate places;
- Expand the training of doctors and medical staff;
- Rectify the fallacy of overemphasis on academic performances from the evaluation mechanisms for post-secondary education institutions;
- Increase the funding for public policy research;
- Establish a dedicated fund to finance the studies on local social issues;
- Subsidies to Associate Degree students.

A. Popularize higher education, increase subvented university undergraduate places

24. It would be important to popularize tertiary education through further

³⁴ <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>>.

³⁵ The five plots of land are located in: Ho Man Tin, Wong Chuk Hang, Siu Lek Yuen in Sha Tin, land near the Tai Wai MTR Station and Tseung Kwan O. See Legislative Council Panel on Education, “Increase in Commitment for the Start-up Loan Scheme,” (LegCo Paper No.: CB(2)479/09-10(03)), December 2009.

expanding the capacity of local higher education system in a bid to boost the growth of the knowledge based economy. In this connection, the publicly-funded universities and the subsidized places for undergraduate programmes would require a higher rate of expansion. In light of this, it would be advisable for the higher education institutes to complement the development of some sectors with potential, including the establishment of new departments or even faculties related to these sectors to meet the needs on human resources in the future. Comparatively speaking, the reorganization of these institutions in the past was merely a fine-tuning exercise which could provide limited supply of manpower to fuel the emerging sectors of the economy. Generally speaking, higher education should not be slanted in favour of economic development and be alert of possible imbalance arising from excessive expansion of a few subjects.

25. The Government should increase the undergraduate places dramatically in the short run and offer all Form 7 students reaching the minimum requirement for enrollment to the universities subvented undergraduate places. Such a move could raise the quality of the workforce substantially. To this end, the Government should provide 3 000 more first-year-first-degree places. The higher education institutions should flexibly allocate the undergraduate places and set up diversified programmes to facilitate the development of the knowledge based economy.

Present Situation

The education sector has been counted as one of the “six priority industries” but its long-term objective is to attract overseas students. It is expected that new private universities would try to set up tailor-made courses to attract overseas students, rather than meet the economic needs of Hong Kong. It is also likely that these overseas students would not stay in Hong Kong for employment after graduation, and therefore would not serve as extra manpower for local job market. Moreover, these universities are likely to take ten years or more to reach international standards. In sum, the graduates of these universities could not meet the manpower needs of Hong Kong’s economic development in the short term.

From the 1994/05 academic year onwards, the number of subvented first-year-first-degree places has been maintained at the level of 14 500. In fact, there were as many as 17 144 persons fulfilling the minimum requirement for entering university in the 2009 academic year³⁶, resulting in nearly 3 000 students

³⁶ <立法會：教育局局長就「增加大學資助學位課程的學額」動議辯論的開場發言>, *Press Releases*

could not enter the universities.

The development of university education in Hong Kong is largely aligned with to the manpower planning in the past. As our economic and social developments have been under the direct and severe impact of globalization, manpower planning used to lag behind with the prevailing situation. In the light of this, it is no longer appropriate to guide future development of university education by manpower planning.

B. Expand the training of Doctors and Medical Staff

26. Future development of local universities should be to some extent complemented with the development of the six priority industries. Using the medical sector as an example, the Government should expand substantially the two existing medical schools, and to increase the numbers of undergraduate places for medical students as well as for auxiliary medical personnel.

27. As a matter of fact, local medical sector is facing tight manpower restraints. Against this background, it would be difficult to maintain the existing level of medical services, not to mention further expansion of the sector. The current number of medical staff is already very tight, and there will be a shortage of 344 doctors in the next eight years.³⁷ The nurses are also seriously understaffed and are required to work over-time frequently. According to a report carried in a local newspaper, public hospitals are short of 300 to 400 nurses at present.³⁸

28. On the other hand, the medical services in Hong Kong would have several major developments in the near future, which would impose tremendous pressures to the medical profession. The details are as follows:

- Growth in medical industries: Part of the proposed medical services is primarily targeted at Mainland and overseas patients. In the light of this, some of the private hospitals are undergoing new phases of development, while the others are expanding certain medical wards and some specific types of services. These new medical services would definitely intensify the problem of manpower shortage;

of the HKSAR Government (Chinese Version Only) , 9 April 2009.

³⁷ 〈醫局研4招確保公院人手〉, *Ming Pao*, 27 October 2009, p. A8.

³⁸ 〈醫局增加ICU 病床迎流感〉, *Ming Pao*, 9 November 2009, p. A10.

- Healthcare Reform: Its major direction is to encourage those which can afford higher medical fees to leave the public sector and use private healthcare instead. Should there is no substantial growth in the capacity of private hospitals and relevant medical services, its fees and charges would increase tremendously. In view of the growing demand for healthcare services which will possibly result in upsurge of medical charges reaching a level that those citizens cannot afford it, the blueprint is merely a castle in the air;
- Ageing population: The demands of medical services for senior citizens are apparently much higher than other age categories. As the pace for the ageing of the population would be faster in the future, there would be growing pressures on human resources of the medical sector.

29. Besides that, the growing demand on healthcare services across the community will result in a higher demand for doctors, nurses and other auxiliary medical professionals. This includes:

- Increase in elderly homes and residential care places for people with disabilities;

Present Situation

The Chief Executive committed in the 2009/10 Policy Address to:

- Increase from 50% to 90% the proportion of nursing home places in existing subsidised contract residential care homes for the elderly;
- Purchase vacant places from self-financing nursing homes and care and attention homes for the first time;
- Make full use of the space in existing subsidised elderly homes to provide more places that offer continuous care.³⁹

- Increase in residential care places for people with Alzheimer's Disease and extra manpower for the provision of home care services;

Present Situation

According to the estimation of the Hong Kong Alzheimer's Disease Association, those who are affected by the Alzheimer's Disease is expected to increase from the

³⁹ The 2009-2010 Policy Address, para. 97, <<http://www.policyaddress.gov.hk/09-10/eng/p96.html>>.

current 70 000 to 300 000 in thirty years' time.

Recently, Chairman of the Elderly Commission Leung Chi Hung stated that in view of the growing number of Alzheimer's Disease cases, he would propose two studies in relation to the care services for patients with Alzheimer's Disease. The first one is to study the allocation for additional places in elderly home targeted at the patients of Alzheimer's Disease, hoping that early intervention could help contain the upsurge in demand for elderly care services. The second one is to explore the feasibility of a pilot scheme on "ageing in the community" under which social enterprises would provide tailor-made home care services for different categories of patients. By doing so, it would be possible to reduce the demand for bed-spaces in elderly homes.⁴⁰

- Dispense medicines to residential care homes for elderly by registered pharmacists in order to reduce the incidents involving distribution of wrong medicines.

Present Situation

The Government is now meeting with the organizations representing local pharmacists to arrange direct distribution of medicine by visiting pharmacists at the elderly homes.⁴¹

The "Review Committee on Regulation of Pharmaceutical Products in Hong Kong" intends to require pharmacists to be stationed for the whole day in all the pharmacies. Given that there are 511 pharmacies in Hong Kong, such a move would require an extra manpower of about 250 pharmacists. As the Chinese University of Hong Kong and the University of Hong Kong can train up to 50 pharmacists each academic year, it would need five years to enable all pharmacies to comply with such regulations.⁴²

C. Rectify the fallacy of overemphasis on academic performances from the evaluation mechanism for higher education institutions

⁴⁰ 〈梁智鴻倡增癡呆病人安老院 研居家安老計劃減院舍需求〉, *Ming Pao*, 23 October 2009, A16.

⁴¹ 〈安老殘疾購宿位紓長龍 研派藥劑師到院減派錯藥〉, *Ming Pao*, 15 October 2009, p. A17.

⁴² 〈製藥規範倡5年達歐盟標準 小型「山寨廠」料遭淘汰〉, *Ming Pao*, 22 December 2009, p. A6.

30. It would be advisable for the University Grants Committee to review the current evaluation mechanism for university staff and put in place more diversified evaluation standards. Specifically, in terms of academic evaluation, it is inappropriate to solely consider “whether the research results of the academic studies could be published in international renowned journals”. Greater importance should be attached to those published on local journals and the local research topics. It would be of equal importance to take into consideration the performance of teaching and research staff of the universities in using their professional knowledge to serve the community, whether it is in the form of actual actions (for example professors of social work conducted its research activities as a social service) or participation in policy consultation.

Present Situation

Under the current evaluation mechanism of universities, the performance of teaching and academic staff is primarily determined by the number of articles published in internationally renowned academic journals and the number of citations. It has resulted in an undesired phenomenon of “publish or perish”. In the light of the “worship” of the international academic journals, it is most likely that only academic papers published in English would be counted in the evaluation of the academic performance, and the publication in Chinese journals would be graded a zero mark.⁴³ A local scholar suggested that “for long, many scholars in Hong Kong have criticized that the evaluation exercises on academic performance have been highly skewed towards American and British standards. Publications in English enjoy much higher status than those written in Chinese. It has developed into a vicious cycle. At present, many scholars sent their articles of a higher quality to English, American and Australian journals for publications, leaving those with a lesser quality to local and regional journals. Against this background, the Chinese journals would find it difficult to enhance their quality standard, and would continue to be of poor quality. It results in a situation in which the stronger becomes stronger, and the weak becomes weaker.”⁴⁴

Moreover, the emphasis on international journal also discourages local-based research on humanities and social sciences. As local-based topics are comparatively

⁴³ 〈學術評審的「重英輕中」〉, *Ming Pao*, 11 March 2009, p. D7.

⁴⁴ 〈打造香港高教「軟力量」〉, *Ming Pao*, 25 February 2009, p. B12.

narrower in scope, it is difficult to arouse the interests of the international academic journals for publication. Hence, merely a few scholars are willing to study locally based topics and most of the research are irrelevant in view of local issues.⁴⁵

⁴⁵ 〈大學研究應多一點關照香港所需 少一點迎合國際學刊所好〉, *Ming Pao*, 6 April 2009, p. A3.

D. Increase funding for public policy research

31. As the Research Grants Council provides merely HK\$20 million annually to promote public policy research, it is inadequate to cover a wide array of research topics. Hence, the Government should substantially increase the funding for public policy research.

Present Situation

In 2005 Policy Address, the Chief Executive put in place a new initiative in a bid to promote public policy research in higher education institutions through an additional annual amount of HK\$20 million to the Research Grants Council.⁴⁶ However, the scope of research exclude other locally-based studies concerning non-public policy related subjects, like cultural topics, language and linguistics, etc.

E. Establishment of a dedicated fund to finance social research in Hong Kong

32. It would be advisable for the Government to set up a dedicated fund to subsidize academic research on local issues (including politics, public administration, economics, languages and linguistics, folklore, etc). The Fund should be independent from the Research Grants Council. There should be a different set of evaluation mechanism under which an independent evaluation committee should be formed by a group of scholars and stakeholders to take care of the assessment procedure.

F. Subsidies to Associate Degree students⁴⁷

33. The Professional Commons recommends the Government to review the policies on the subsidies towards post-secondary education and the provision of relief measures in the short-term, aiming at relieving the pressures of the potential middle class. It is noteworthy that many middle class parents have proactively born the expenses of their school-going children and are under tremendous financial pressures, as their children are not qualified to obtain government subsidies. Moreover, associate

⁴⁶ *Public Policy Research*, <<http://www.ugc.edu.hk/eng/rgc/fund/ppr.htm>>.

⁴⁷ For details, please refer to the "City of Opportunities?! Research Report on the Shrinking Middle Class in Hong Kong," Research Report published by The Professional Commons, paras. 3,1 to 3.12 and paras. 6.3 to 6.6.

degree graduates will have to repay the loans and therefore shoulder a tremendously high level of financial burden. The Government should provide relief measures in the near term to alleviate the financial burden of associate degree students. Detailed suggestions are as follows:

- Waive the interest arising from the use of risk adjusted factor in non-means test loans, these amount accounts for HK\$50 million of interest collected;
- Exempt the interest for non-means test loans while the students are studying. The starting time for the calculation of loan interests shall only commence after the student graduates. In order to encourage an earlier repayment of loans, we do not oppose to raise the annual interest rate gradually towards the market level. This relief measure would cost the Government HK\$50 million of interest collected;⁴⁸
- Provide a tax allowance, namely the “Post-secondary Education Allowance”, which amounted to HK\$80,000 per student, to the parents having children studying in self-finance post-secondary programmes but are ineligible in receiving post-secondary education grant. Should a more extensive subsidies be provided to the students, the Government can abolish such tax allowances;
- Waive the processing fee for the application of non-means test loan.

Present Situation

Many people share the view that post-secondary education is conducive to personal growth as well as future career development. Therefore, it is “fair” to require the students of postsecondary education to pay the education costs. The unwelcoming fact is post secondary education is indeed very expensive in comparison with their salary level. On the contrary, the average monthly salary in their first job amounted to HK\$8,000-9,000 only and therefore they might face a heavy financial burden over the repayments exceeding HK\$1,000 or above per month.⁴⁹ Although these highly-educated persons are not facing the issues of hunger and absolute poverty, the issue is more on how much disposable income would have left to these graduates. To be specific, it would be important to appropriately delineate the level of personal responsibility on education investments against prospective income

⁴⁸ In accordance with the regulations on the three non-means test loan schemes, it would not be necessary for the lender to pay interests in their loans, but the calculation of the interests will be started as soon as the study period commence. See “LCQ14: Non-means tested loan schemes”, *Press Release*, 23 April 2008.

⁴⁹ 〈副學士就業環境遜去年 平均月薪減少獲兩聘書不足三成〉, *Sing Tao Daily*, 16 December 2009, p. F2.

return, and whether these “pre-middle class” is capable to live in a middle class lifestyle de jure.

In some cases, the expenses of associate degree programmes might be assumed by the parents of the students. It is more likely to happen in middle class families. A three-member family earning HK\$19,000 per month or with an annual income of HK\$200,000 is not qualified for the application of grants and low interest loans. These students might depend on their families for financial support. The learning and living expenses of associate degree students are closed to HK\$100,000 per year.⁵⁰ It would add a heavy burden to those families with a monthly income of HK\$20,000-30,000. Even though these students could obtain the non means loans, the amount might not be enough to cover the school fees and living expenses. In many cases, the parents would have to shoulder the remaining portion of the expenses.

⁵⁰ The upper limit for the allocation of grants in the Financial Assistance Scheme for Post Secondary Students is HK\$60,370. The upper limits for the learning expenses and living expenses are of HK\$36,880 and HK\$3,200 respectively. This could be considered as the basic expenses for the associate degree holders for a year. See the webpage of the Student Finance Assistance Agency, <<http://www.sfaa.gov.hk/tc/schemes/fasp.htm>>

V. Care for the Elderly: Establishment of Universal Old Age Pension Scheme

34. In view of the weaknesses of the Mandatory Provident Fund (hereafter MPF) system and social security system, our existing pension 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 in the 2010/11 fiscal year.

35. 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 via “protection against the poverty in old ages” and “smoothing consumption from one’s work life into retirement”.⁵¹ The pension proposal can be summarized as a “Five Pillar” Framework which is more flexible than mono pillar system.⁵² 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 (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.

36. For the sake of clarity, we should first highlight the difference between the “five-pillar” pension system suggested by the World Bank and the “three-pillar” pension system undertaken in Hong Kong. According to the Hong Kong model, the three pillars are indeed social security financed by the Government, the MPF system and the voluntary personal saving respectively. The major difference is on the categorization of unfunded social security. The World Bank categorizes it as “zero pillar,” whereas the Government names it as “first pillar.”

⁵¹ The World Bank, “The World Bank Pension Conceptual Framework,” 2007, <http://siteresources.worldbank.org/INTPENSIONS/Resources/395443-1121194657824/PRPNoteConcept_Sept2008.pdf>.

⁵² *ibid.*

37. Extra contribution is a must for a smooth implementation of the new pension scheme as the beneficiaries are extended to the entire elderly population. As we pursue a better standard of living for those in their senility, the existing MPF system should be maintained so that MPF pensioners can receive an additional source of income. Against this background, the community as a whole would need to contribute more in one way or another. The working adults might be required to pay one or two percents of their monthly salaries as regular contribution. Employers would need to contribute at the same level too. However, it is expected that the total business cost is expected to increase less than one percent only.⁵³

38. Government's contribution should be an integral part of the proposed OAP scheme. The new pension scheme is expected to help release the growing expenditure on elderly allowance, but it is by no means a way for the Government to cut its related expenditure. The Government should continue to contribute the current spending on old age CSSA Scheme and Old Age Allowance to the new scheme as well as take into consideration the price adjustment in the long run. It would be important to save more money for the elderly retirement system to meet future needs of the elderly in view of the fact that the Government was always criticized of allowing the annual budgetary surplus idle as fiscal reserve or giving out certain amount as sweeteners.

Details of the Proposed OAP Scheme⁵⁴

Eligibility

39. All permanent citizens aged 65 or above are eligible for the proposed pension. No means test should be imposed.

Pension rate

40. When the OPS system is first introduced in 2010, the pension rate should be as follows:

⁵³ C&SD, *Report of 2007 Annual Survey of Wholesale, Retail, and Import and Export Trades, Restaurants and Hotels*, 2008, (Hong Kong: Census and Statistics Department, 2008).

⁵⁴ The Professional Commons will publish a research report in due course on the detailed projections and statistical data of the proposed Old Age Pension Scheme, and explaining the rationale behind our proposal.

- i. \$3,000 per month, 15 per cent higher than the existing CSSA level (\$2,590 for a single able-bodied elderly person). It is about 57 per cent of low working income (i.e. half of the median income: \$5,250).
- ii. The pension rate should be adjusted every year to keep up with the trend of inflation. Only upward adjustment will be taken into consideration.

Financial implication

41. In addition to current government expenditure on CSSA Scheme and other old age social security that would be reallocated to support the proposed pension scheme, it might require extra financial resources amounting to 4.3 per cent of workers' salaries for pension payment every year. In 2010, this part of income means an extra contribution of almost HK\$31 billion.

Shares in contribution

42. There is little room for maneuver as the expenditure on the elderly population could not be disproportionately high. The contribution derived from current elderly allowance should continue to serve as the most crucial part of funding source. The working community including employees and employers should also share extra contribution for the universal old age pension scheme. The shares in contribution are as follows:

- *Employee and employers' contribution:*
 - Employee and employers shall contribute the same rate: i.e. 1.9 per cent of employees' income;
 - Workers who earn less than HK\$5,000 (2008 level) do not need to contribute, but their employers are still required to contribute. No capping on maximum contribution;
- *Government Contribution:*
 - Current elderly allowance will serve as a crucial source of income under the new pension scheme. In pecuniary terms, the total expenditure of elderly allowances is expected to be, in a rough sense, HK\$11.6 billion in 2009. The pension rates and the total expenditure should then be adjusted subject to the change of elderly population and Consumer Price Index (CPI);
 - HK\$25 billion should be injected into the account of the pension scheme

every five years.⁵⁵

Proportion of contribution

43. Employees with monthly income less than \$30,000 per month accounted for 87.3 per cent of working population. They are expected to share 58 per cent of the entire employees' contribution. The remaining 12.7 per cent of working population earning \$30,000 or above per month might offer the remaining 42 per cent of contribution.

Date of commencement

44. The earliest the better as Hong Kong is going to pass the age of low dependency ratio. It would be conducive to capital accumulation for a long-term comprehensive retirement protection scheme. If OAP Scheme could be commenced in 2010, the accrued interest can reach \$185 billion before the annual balance is in red for the first time in 2024. If the scheme could only be commenced in 2015, the accumulated surplus will only be \$86.6 billion in 2024.

45. Short-term measures should be in place as it will take a few years before the OAP system came into full implementation. The Government should spare no time to kick start the capital accumulation process by making contribution to the pension account. According to the proposed schedule, the Government has to inject the first batch of HK\$25 billion to the pension account for the period of 2010 to 2014. By doing so, it could help reduce the damage on accrued interest arising from the deferral in the legislation process.

Present Situation

There is a general view that Hong Kong is becoming an ageing city. The population aged 65 and above have increased by 20 per cent to 879 600 from 2000 to 2008,⁵⁶ much higher than the overall growth rate (i.e. 4 per cent) of the population at the same period of time. According to the estimation of the Census and Statistics

⁵⁵ From 1997/98 to 2007/08 (totally 11 years), three fiscal years have surplus over \$60 billion (1997/98: \$86.87 billion; 2006/07: \$61.15 billion; 2007/08: \$123.65 billion). Source: *The 98-99 Budget, The 09-10 Budget*, <<http://www.budget.gov.hk/>>.

⁵⁶ C&SD, *Hong Kong Annual Digest of Statistics, 2005* and *Hong Kong Monthly Digest of Statistics, July 2009*.

Department, the elderly population will increase rapidly starting from 2014, amounting to a 4 per cent per annum growth rate. It will rise to almost 2.3 million in 2036, accounting for 26.4 per cent of total population. By that time, the elderly dependency ratio will jump to 425 (per 1,000 persons aged between 15 and 64).⁵⁷ It is foreseeable that the government burdens will increase substantially in the coming 20 to 30 years simply due to the drastic and continuous increase of elderly population.

The MPF system is not equitable in the sense that it is an occupational retirement scheme and therefore discriminates against those without a job. In light of this, the largest vulnerable group appears to be home carers who are mainly women. In 2008, only 53.1 per cent of female adults (aged 15 and above) participated in labour market as compared with 69.7 per cent of male. In addition, retired middle-aged people, the unemployed and jobless disabled persons are all excluded from the MPF system. In 2006, the estimated size of the unprotected groups was up to 2.4 million people.⁵⁸

The problem of old age poverty merits greater concern in view of the substantial decrease in household income of many elders in recent years. According to the 2006 by-census thematic report on older persons, the median monthly household income of 2-person domestic household with older persons decreased from \$8,000 in 1996 to \$6,606 in 2006.⁵⁹ Also, the number of households with older members and household incomes below \$6000 had increased by 70 per cent to 181 801 in the same period of time.

Notwithstanding the low level of allowance, huge amount of public resource has been spent on elderly welfare at large. In 2006/07, the Government spent \$11.2 billion on social assistance for the elders aged 65 or above, which is equivalent to 34 per cent of total social welfare expenditure.⁶⁰ It is very likely that growing elderly population seemingly impose fierce competition over public resources of which the

⁵⁷ C&SD, *Hong Kong Population Projections 2007-2036*, 2007.

⁵⁸ 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>>.

⁵⁹ C&SD, *2006 By-census Thematic Report : Older Persons*, 2008.

⁶⁰ As there were additional payments to CSSA and OAA recipients in 07/08 and 08/09 fiscal years, we use the figures in 06/07 fiscal year. Information Service Department, "LCQ11: Elderly recipients of Comprehensive Social Security Assistance and Old Age Allowance," 8 July 2009, <<http://www.info.gov.hk/gia/general/200907/08/P200907080142.htm>>. *2008-09 Budget: Appendix B*, <<http://www.budget.gov.hk/2008/eng/pdf/e-appen-b.pdf>>.

well-being of other social groups might be undermined.

There might be a bleak future for public finance if no viable solution was in place to tackle excessive expenditure on social security in the near future. According to the report of the Task Force on Population Policy, the total expenditure of old age CSSA Scheme and OAA will be up to \$31 billion in 2031, tripling that of 2002-03 level.⁶¹ This projection was underestimated simply because the decision to increase the OAA rate to \$1,000 had not been made by that time. It is also important to bear in mind that the proportion of elders on dole amounted to 19.7 per cent of the total elderly population in 2006⁶² in comparison with 11.7 per cent in 1996.⁶³ The forecast of the Joint Alliance on Universal Retirement Protection presented a worst case scenario, estimating the rate might further soar to 24.4 per cent in 2034.⁶⁴

B. Reform on the Mandatory Provident Fund System⁶⁵

46. Given that many problems do arise over the years since the implementation of the MPF system, it would be advisable for the Government to introduce the following measures:

- Changing lump sum payments to monthly payments
- Reducing management fees
- Abolishing the clauses under which MPF scheme benefits can be used to offset long service payments or severance pay
- Stepping up the effort against default payments MPF contributions.

⁶¹ Task Force on Population Policy, *Report on Task Force on Population Policy*, 2003, <http://www.info.gov.hk/info/population/eng/pdf/report_eng.pdf>.

⁶² Joint Alliance for Universal Retirement Protection, 《有關建議設立「全民退休保障計劃」的公眾諮詢文件》(Chinese Version Only), 2005, <http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs51/papers/hs510721cb2-2297-01-c.pdf>.

⁶³ Subcommittee to study the subject of combating poverty, LegCo, *Report on elderly in poverty*, June 2007, <<http://www.legco.gov.hk/yr06-07/english/hc/papers/hc0608cb2-2048-e.pdf>>.

⁶⁴ Joint Alliance for Universal Retirement Protection, 《有關建議設立「全民退休保障計劃」的公眾諮詢文件》, 2005, <http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs51/papers/hs510721cb2-2297-01-c.pdf>.

⁶⁵ See The Professional Commons, “Unleashing Hong Kong’s Present and Future Potential: Submission on the 2009-10 Policy Address,” September 2009.

VI. Promotion of Social Mobility and Improvement of People's Livelihood

A. Narrowing of the Rich-Poor Gap

47. In addition to the lowering of the Gini Coefficient as a major parameter, there should be a bundle of indicators to realize the policy goal for narrowing the rich-poor gap. For example, the ratio of the elderly in poverty should be lowered from the current 30% of total elderly population to the 1991 level of 24.8% by 2017. Moreover, the Government shall designate well-rounded measures to lower the Gini Coefficient. In fact, should the minimum wage be set at the level close to the request of the workers through the negotiations later this year, it would help narrow the rich-poor gap and substantially reduce the value of the Gini Coefficient as well.

B. Shorten the interval for the review of Comprehensive Social Security Assistance

48. The Government should change the existing practice of reviewing the Comprehensive Social Security Assistance (hereafter the CSSA) payments only once a year. Rather, the amount of CSSA payment should be adjusted once every six months, after taking reference of the Social Security Assistance Index of Prices (SSAIP). Through incorporating the element of seasonal adjustment in the index formula, it could effectively reflect the seasonal changes in consumer prices, especially the food prices. Such a move can help bring timely adjustment to the CSSA rate and possibly relieve the negative effects as a result of severely lag behind of the fluctuations in retail prices.

Present Situation

The Government currently adjusts the CSSA payments and the disability allowance annually in accordance with the inflation,⁶⁶ and more specifically the level of CSSA standard payment is adjusted in February each year in accordance with the SSAIP. In view of the severity of inflation in 2008, the Government has conducted a review earlier and the standard CSSA rates are adjusted upward by 4.4% in August that year. However, the SSAIP was up of 8.8% between November 2007 and September

⁶⁶ 〈社援指數升逾通脹派糖措施未有效為低下階層紓困〉, *Hong Kong Economic Journal*, 4 August 2009, p. 7.

2008. Hence in February 2009, the CSSA payments increased by another 4.2% to cross out the effects caused by the inflation.⁶⁷ It is extraordinary for the SSAIP to increase by 8.8% in a single year. The sharp increase was largely attributed to the upsurge in food prices.

C. Incorporation of Internet access fee into the School Textbook Assistance Scheme

49. Since the Government has acknowledged that the Internet plays a key and positive role in enhancing student learning, it should give a helping hand to students whose families are in economic difficulties and are unable to afford the Internet access fee. The Government should consider incorporating Internet access fee into the textbook allowance, so that poor children can also have the opportunities to get access to the Internet for learning purposes at home.

Present Situation

The research findings of the Bureau of Education's "Working Group on Development of Textbooks and E-learning Resources" indicated that e-learning would be a prominent education mode in the future and play a key role in promoting self-learning initiative of the students as well as broadening their learning experience.

On the other hand, the public, especially those in the social service sector, emphasized that should the next generation of the grassroots not have equal opportunities in learning online, it would exacerbate the problems in learning difficulties, and making them even more difficult in upward mobility.

D. Extension of stay for students with intellectual disabilities

50. The Government should respond positively to the call for an extension of years of education for students with intellectual disabilities, i.e. extending for two years from the age of 18 as recommended by the Government to the age of 20. It would also be important to ensure those with special needs could apply for further extension even though they are above 20 years of age. The extra funding required should be provided by the Government.

⁶⁷ 〈食物價格大升社援指數達 8.8% 綜援開支料增逾 10 億〉, *Ming Pao*, 8 November 2008, p. A16.

Present Situation

Under the new secondary school system, the special schools for children with intellectual disabilities originally provided six years of junior secondary school programmes, have turned into three years of junior secondary and three years of senior secondary education. Moreover, there would be no arrangement for further extension on years of education. As students with intellectual disability would require more time for learning, some of them might not be able to complete the whole programme in six years. Hence, the new arrangement is being criticized as “fake senior secondary” programme.⁶⁸

E. Re-building of the Home Ownership Scheme flats

51. The Professional Commons recommends the Government to resume the Home Ownership Scheme (hereafter HOS) flats immediately, and provide 2 000 HOS flats annually. New flats would be sold to Green Form applicants (residents of public housing) and White Form applicants (non-public housing residents) according to the allocation ratio of 80:20. Such a move could maintain the turnover of public housing on one hand and satisfy the housing needs of the medium income earners as well as their aspiration of social upward mobility.

Present Situation

Former Secretary for Housing, Planning and Lands Michael Suen announced the measures for the stabilization of the housing market in November 2002. One of the measures is that the production and sales of HOS flats would cease indefinitely from 2003 onwards.⁶⁹ Since 2007, the Government has resumed the sales of surplus HOS flats. The number of HOS flats being sold amounted to 14 000 already, of which 11 000 flats were sold to Green Form applicants (see Annex 3). According to the statistical figures from the Government, the HKHA repossessed 1 394 and 2821 public housing units in 2008 and 2009 respectively due to the sales of surplus HOS flats. It is expected that the number of repossessed flats from the public housing would relatively fall and affect the turnover of the public housing flats once the

⁶⁸ 〈滿 18 歲智障生不獲資助〉, *Ming Pao*, 27 May 2009, p. A12.

⁶⁹ “Statement by Secretary for Housing, Planning and Lands”, *Press Release of the HKSAR Government* ,

< <http://www.info.gov.hk/gia/general/200211/13/1113244.htm> >.

remaining 2 700 surplus HOS flats being sold out.

In view of the recent escalation in residential property prices, medium income earners would be incapable of meeting their housing needs as well as their aspiration for better living environment if there is no HOS flat as an option. It would also adversely affect upward social mobility across the community in general.

F. Create an enabling business environment in public housing estates⁷⁰

a. Utilize vacant units on the ground floor in public housing for commercial use

52. The Housing Authority should actively study the possibilities of transforming vacant units in the ground floor of public housing blocks for commercial purposes, and to provide shops of smaller sizes. Such an arrangement would be conducive to the development of small-scaled enterprises and is likely to bring the following positive effect:

- Undermining the prominence of Link shopping centres in the public estates, which will help lower the commercial rental through competition and indirectly ease the upward pressure on retail prices and reduce the burden on the grassroots;
- Encouraging the residents to develop entrepreneurial and self-reliant spirits, and thereby accumulate wealth. It would then add momentum to upward social mobility.

⁷⁰ The Professional Commons: "A City of Opportunities?! Research Report on the Shrinking Middle Class of Hong Kong," (Hong Kong: The Professional Commons, August 2008, para. 6.12 and 6.13).

Present Situation

Most of the shopping space in the four new shopping centers in public housing estates has been allocated to a few corporate conglomerates and subsequently resulted in a monopolized position. For the details, please refer to the following table:

| Name of Shopping Centre | Area of one single store (m ²) and the proportion of the store compared with the total area of the shopping centre | | | Number of Rental Units | Total Shop Area (m ²) |
|---------------------------|--|---------------------------------|--------------------|------------------------|-----------------------------------|
| | Supermarket | Fast Food Restaurant/Restaurant | Chinese Restaurant | | |
| Choi Ying Square | 776(72.1%) | 196(18.2%) | — | 5 | 1 075 |
| Tin Ching Shopping centre | 771(54.7%) | 256(18.1%) | — | 8 | 1 407 |
| Ching Ho Shopping Centre | 845(35.4%) | 255(10.6%) | 434(18.2%) | 16 | 2 386 |
| Yau Lai Shopping Centre | 688(32.2%) | 163(7.6%) | 678(31.7%) | 16 | 2 135 |

(Source: Hong Kong Housing Authority › Choi Ying Square ›

<<http://www.housingauthority.gov.hk/b5/commercial/shoppingcentres/highlighted/0,,00.html#4>> › Tin Ching Shopping Centre ›

<<http://www.housingauthority.gov.hk/b5/commercial/shoppingcentres/highlighted/0,,00.html#18>> › Ching Ho Shopping Centre ›

<<http://www.housingauthority.gov.hk/b5/commercial/shoppingcentres/highlighted/0,,00.html#2>> › Yau Lai Shopping Centre ›

<<http://www.housingauthority.gov.hk/hdw/content/document/b5/commercial/shoppingcentres/yulai.pdf>>)

b. Cycling Parks

53. There are many cycling paths in the periphery of recently built public housing estates under the Housing Authority. Improving parking facilities not only

provides employment opportunities but also business opportunities for the residents. The specific measures include:

- Conversion of part of vacant car parking spaces as bicycle parking spaces, and appropriately increase the manpower to strengthen parking management in order to prevent the theft of mechanical parts of the bicycles. By doing so, it could resolve the problem in parking of bicycles facing the residents, but help improve the security of their bicycles and estate management as well;
- As for housing estates which do not have special parking block or vacant parking spaces, it would be advisable to find open space near the housing estates to serve as temporary bicycle parking lot. These new cycling parking spaces could be managed by social enterprises or through a contractual arrangements initiated by the residents;
- Passenger interconnection points near the housing estates should also have cycling parks stationed by management staff.

Present Situation

Recently, the Government has proactively constructed cycling paths near the public housing estates in the New Territories, but parking spaces for bicycles are insufficient. As a result, many residents cannot park in legal space in public housing estates. It also results in serious management issues, such as the reckless parking of bicycles, loss in bicycle parts, etc. It would even results in the conflict between the residents and the estate management agency, as well as the blockage of the corridors or public open spaces as a result of the reckless parking of bicycles. The Home Affairs Department has launched the campaign of “Be Considerate, Park Your Bicycles Properly” recently.⁷¹

On the other hand, many motor vehicle parking facilities in public housing estates are vacant. One of the parking lots in the Yat Tung Estate in Tung Chung had been vacated since the estate was being occupied, i.e for seven years.⁷² In a 4-storey building in Tin Chak Estate car park, which was completed about 8 years ago and with a total of 302 parking spaces, the vacancy rate is as high as nearly 50%. Some car parks that have been long vacated were approved for changes of usage. For example, in 2008, The Link was allowed to change 30 000 square feet of parking

⁷¹ See <http://www.isd.gov.hk/eng/tvapi/08_hb101.html>.

⁷² 〈逸東村停車場荒廢七年〉, *Oriental Daily*, 3 January 2009, p. F4.

space in different car parks for the purpose of community facilities managed by non-government organizations.⁷³

c. Public bicycle hiring services

54. The Government is suggested to take reference of overseas experiences in view of establishing cycling rental spots in large scale housing estates and railway stations for the convenience of the general public in renting and returning bicycles. It would be helpful in encouraging the general public to ride on a bicycle. The Government should also consider to subsidize a proportion of the bicycle rental costs in a bid to promote a healthy lifestyle.

The Paris Municipal Government has launched the “Velib” (Velo Libre, “free cycle” project in July 2007 in which people are encouraged to rent bicycles for short journeys. The whole network consists of 371 km of cycling lanes. In the city center, parking stations are just 300 metres apart from each other, and users can rent bicycle any time of the day whereas the first half-hour of rental is waived. There are in total 750 parking stations for people to hire or return bicycles.⁷⁴ The project is well received with more than 2 million journeys made within the first 40 days of the programme.⁷⁵

In the first two years after the bicycle network was launched in Lyon, France, automobile usage has dropped by 4% with the increase in bicycle use by 30%. The emission of carbon dioxide in the streets has reduced by 3 000 tons.⁷⁶

G. Promoting green roofs

55. The Government should introduce substantial measures in combating climate change. Being famed as a “concrete jungle”, it would be advisable to promote tree planting and greening of the rooftop. In addition to the reduction of pollutants, the greening move could help absorb carbon dioxide, reduce the temperature in the urban areas, and even relieve global warming. The Government should promote roof greening in government buildings and buildings managed by the public bodies. It

⁷³ 〈領匯停車場 變身社福機構 天澤 率先批 逸東 部分擬作零售〉, *Hong Kong Economic Times*, 3 August 2009, p. A21.

⁷⁴ <<http://us.franceguide.com/article.html?NodeID=1&EditoID=88863>>.

⁷⁵ <<http://www.washingtonpost.com/wp-dyn/content/article/2007/09/21/AR2007092100543.html>>.

⁷⁶ *International Herald Tribune*, 4 June 2007, p.9.

should be followed by the community-wide promotion targeting at private buildings. The Government should take reference to the authorities in the Mainland for the mass plantation of trees as a means to combat climate change.

The National Forestry Bureau publicized the “Forestry Action Plan on Combating Climate Change” in November 2009 as a major component of the Mainland strategies for combating climate change. Under the action plan, a three-stage target is in place, including an annual planting of trees of above 400 square hectares to 2010. By 2020, annual planting of trees should amount to 500 square hectares or more. By 2050, the net increase in forestry coverage should total 4 700 square hectares and the forestry coverage rate should be maintained at the level of 26% or above.⁷⁷

H. Funding for air quality improvement plan

56. The negative impact of air pollution on the grass-roots is much heavier than the rest of the population. The Government is duty-bound on this, not to mention that the cost saving effect arising from the improvement of health condition of the community in general! Therefore, the Government should directly allocate funds to implement the 19 recommendations as stipulated in the public consultation document entitled “Air Quality Objectives Review ”.

Present Situation

The studies from the Faculty of Medicine of the University of Hong Kong have shown that medical expenses and productivity loss as a result of severe air pollution is amounted to HK\$2 billion per year. More importantly, it is most damaging to the well-being of the grassroots sector, which is in the disadvantageous position in the society.⁷⁸

⁷⁷ The scheduled press conference from the Forestry Bureau on the “Forestry Action Plan on Combating Climate Change” Plan (Chinese only) ,

<http://www.gov.cn/xwfb/2009-11/06/content_1457730.htm>.

⁷⁸ 〈港大轟政府推環保政策未與健康掛鉤〉及〈低下階層聚居地污染嚴重〉, *Hong Kong Economic Journal*, 11 September 2009.



The Professional Commons

January 2010

Annex 1: Number and Amount of Lease Modifications in 2008

| Residential Land Use | | | Commercial/Residential Land Use | |
|-------------------------------|---------------------|---------------|---------------------------------|---------------|
| Amount of Lease Modifications | Land Plots (Pieces) | Amount (HK\$) | Land Plots (Pieces) | Amount (HK\$) |
| HK\$0-1 | 17 | 0 | 18 | 0 |
| HK\$1,000 | 6 | 6000 | 1 | 1000 |
| HK\$1000 or above | 22 | 627245370 | 4 | 330150000 |
| | 45 | 627251370 | 23 | 330151000 |

(Source: http://www.landsd.gov.hk/en/exc_mod/mod/mod2008c.pdf)

Annex 2: The Number and Amount of Lease Modifications in 2008

| Residential Land Use | | | Commercial/Residential Land Use | |
|-------------------------------|---------------------|---------------|---------------------------------|---------------|
| Amount of Lease Modifications | Land Plots (Pieces) | Amount (HK\$) | Land Plots (Pieces) | Amount (HK\$) |
| HK\$0-1 | 7 | 1 | 9 | 0 |
| HK\$1,000 | 4 | 4000 | 0 | 0 |
| HK\$1000 or above | 14 | 589533400 | 1 | 500000 |
| | 25 | 589537401 | 10 | 500000 |

(Source: http://www.landsd.gov.hk/en/exc_mod/mod/mod2008c.pdf)

Annex 3: Selling of the Surplus HOS Flats

| Phase of the Selling of Surplus HOS Flats | Date | Total Units Sold | Number of Units Sold to Green Form Holders | Number of Units Sold to White Form Holders |
|---|----------------|-------------------------|---|---|
| Phase I | February 2007 | 3 632 | 2 906 | 726 |
| Phase II | August 2007 | 3 255 | 2 604 | 651 |
| Phase III | March 2008 | 2 397 | 1 918 | 480 |
| Phase IV | September 2008 | 3 221 | 2 576 | 645 |
| Phase V | November 2009 | 1 392 | 1 114 | 278 |
| Total | | 13 897 | 11 118 | 2 780 |
| Remaining Units of Surplus HOS Flats | | 16 600 | | |
| Current Number of Units of Surplus HOS Flats | | 2 703 | | |

Remark: The ratio of distribution of the surplus HOS Flats for Green Form and White Form Holders is approximately 4 to 1.

Source: The press releases on the selling of surplus HOS Flats from the Housing Authority



**Narrowing the Rich-Poor Gap Promoting Social Mobility
Submission to the 2010-11 Budget**

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