



提升社會及環境可持續性 共享經濟繁榮成果  
就2010-11年施政報告的建議書

Enhancing Social and Environmental Sustainability  
Fair Sharing of Economic Prosperity

Submission on the 2010-11 Policy Address



公共專業聯盟  
The Professional Commons

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**I. Introduction**

1. Seething public grievance against government's performance is at the verge of breaking down. Lower-income class, even employees in the middle class, are suffering from life teeming with despairs arising from low wages, long working hours, difficulty in home ownership, elderly without proper care, so on and so forth. The remuneration system is so unfair that most people are suffering exploitation. Many of them even have difficulty in raising a family with chicken feed salary they get, not to mention sharing the fruits of economic prosperity.
2. Social justice has been seriously eroded under the highly market-dominated environment in Hong Kong. Economic development has been swerving into the direction opposite to social sustainability. It has been widely noted that there exists extreme disparity between the rich and the poor in our society. Mass consumers are at the mercy of big corporations due to imbalance in information. Big enterprises have insatiable appetite to boost price increase, abuse clients' personal data for profiteering purposes, and sell flats dishonestly, etc. For many people, being exploited in one way or others are the general feelings frequently encountered in their daily lives. With their ever growing power, big corporations and conglomerates are always at a vantage point to put public interests out the window in a quest for profit maximization through constructing "walled buildings", monopolizing the benefits of urban renewal projects, colonizing rural land, and so on. When looking deeply, it should be highlighted that their advantageous position stems from the existing unfair political system and seemingly, more people start to realize their intricate relationship, therefore more supportive to the development of a more democratic political system.
3. Despite government's acknowledgement on the importance of knowledge-based economy, only bragging slogans has been put in place and the inadequate support offered to information and communication industry is a

typical example. As far as the direction of development is concerned, knowledge-based economy is what the Government should pursue, but all these are down to tissue of empty promises if no specific policy is being implemented.

4. It is expected that there would be big fortune for the public coffer in the foreseeable future which provides the Government with abundant fiscal resources to address livelihood issues and invest on long-term projects in social and economic aspects. Up to September 15 this year, land premium generated from both public auction and tender amounted to HK\$35 billion, compared to only HK\$14.5 billion for last fiscal year. As regards lease modification, the accumulated revenues reached HK\$11.7 billion until now in this fiscal year, far exceeding the less-than-HK\$200 million over the previous year.
5. The incumbent Chief Executive (hereafter CE) proposed the idea of “progressive development” in his 2007-08 Policy Address, but the implementation of the three guiding principles was far from satisfactory. The Government has been under attack regarding its urban renewal policy, incompetence in safeguarding rural environment from intended damage, etc, which is indeed against the principle laid out in paragraph 7 of said policy address, saying our development should be “sustainable, balanced and diversified”. Disillusion from a tug-of-war situation concerning minimum wages legislation, nil implementation of universal old age pension (hereafter OAP) and reluctance in subsidizing home ownership are all indicative of the hollow nature of CE’s remark “development (should) bring about social harmony with different strata of people sharing the fruits” (para. 8).
6. If the CE is determined to put his visionary statement into practice, his governance principles should undergo a paradigm shift by admitting the imbalance in socio-economic development. As a way to advance environmental and social sustainability, The Professional Commons (hereafter The ProCommons) is of the view that the Government should reestablish the strategy for sustainable development, which include:
  - To dispense social justice, the Government should respond positively to issues concerning statutory minimum wage, OAP, resumption of Home Ownership Scheme (hereafter HOS), as well as urban regeneration strategy;

- To improve quality of our physical environment, the combat strategies against climate change should be more comprehensive. Specific suggested measures include promoting an extensive use of bicycles as a mode of transport, and putting in place some forceful measures to strengthen the protection of rural area;
- From perspective of economic development, the coverage of knowledge-based economy should be further extended to most of the economic aspects, if appropriate, in which information and communication technology is supposed to play a more active role in the local economy;
- From political point of view, there is an imminent need in expediting the pace of democratization.

## II. Boosting Social Sustainability

### A. Labourers Get Decent Reward – Minimum Wage System

7. The exact level of statutory minimum wage is not yet decided by the Provisional Minimum Wage Commission, while the discussion across the community is getting into a white-heat. If not dealt properly, this would result in restless social turbulence, not to mention social harmony. The ProCommons is of the view that the suggested range of minimum wage should be between HK\$30 and HK\$33. Relevant analyses suggested that the impact on most sectors would be slight, if not nominal, in the amount of extra derived cost. Specific impacts in empirical terms are as follows:
- Most industries (70% of the total employed workforce) will have a less than 1% reduction of profits;
  - Some industry sectors (employing 8% of the workforce) will have their profits reduced by 1-3%;
  - Only elderly care, security and cleaning service may face a loss situation. If adopting a simple static analysis, there would certainly be a loss for sectors including security and cleaning service. But in fact, these two sectors are the service industries that are derived from domestic demand, therefore no out-of-territory relocation and replacement is possible. In addition, elements of production will undergo a dynamic adjustment accordingly when the cost structure has to be changed. Cost adjustment will follow by corresponding rise in price, as far as provided service is concerned. To this end, not only can these businesses still operate, they also expect reasonable profit after the necessary adjustment of the above-mentioned price mechanism.<sup>1</sup>
8. It should be highlighted that the minimum wage must be considered in conjunction with the overall cost structure. Minimum wage will kill off the security and cleaning service industries is largely based on an assumption that the increase in cost will be borne entirely by employers. This is obviously not true. Elements of production comprise land, capital, labour and entrepreneurship. Theoretically speaking, when labour cost increases, returns on employers and landlords will be affected directly or indirectly. All

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<sup>1</sup> Hong Kong Democratic Foundation, A fair minimum wage should be no less than \$30 per hour – A Proposal for Hong Kong's Initial Statutory Minimum Wage Rate, 1 May 2010, < <http://www.hkdf.org/download/HKDF%20Minimum%20Wage%20Submission%20on%203%20May%202010.pdf>>.

members of the community, including owners of production resources will also have to bear part of the increase in labour costs. In recent years, retail rent in Hong Kong may have caused damage to the business environment. However, because of the shortage of land, tenants and owners of businesses have been at a disadvantageous position when negotiating the rent level. On the other hand, supply in low-skilled workers with no qualification obviously supersedes the demand, which further exaggerates vulnerability of their bargaining power. This results in a relatively low salary level of a lot of types of jobs that involve low skill level. Against this background, collective power is necessary for these forgotten groups of workers to safeguard justice, in return for a decent reward to raise a family. In the past, it was difficult for every individual tenant to negotiate with the landlords who are always the spinoff of some property conglomerates. After the implementation of statutory minimum wage, all sectors are facing the same problem concerning pay rise, landlords can no longer use fierce competition amongst tenants in their attempt to evict the one who cannot afford the rent. It should be highlighted that this would somewhat bring the advantages of collective bargaining into play, so that part of the increased cost arising from pay rise would be shifted to these landlords.<sup>2</sup>

9. It is inappropriate for the Government to uphold neutrality on the issue concerning statutory minimum wage. People in the lower-income class are always at a disadvantage and need government's assistance in order to sustain their life at the minimum level. In fact, if the salary earned by grassroots is adequate for their basic needs, most of them will not be willing to accept "social welfare". To this end, a proper remuneration system is of utmost importance to deal with the source of this problem.

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<sup>2</sup> 龍家麟：〈法定最低工資談判的政治大環境〉，《信報財經新聞》，2010年7月22日；Alan Lung Ka-lun, "The political background behind statutory minimum wage negotiation" (English version), <<http://www.hkdf.org/newsarticles.asp?show=newsarticles&newsarticle=275>>

**B. Care for the Elderly: Establishment of Universal Old Age Pension Scheme<sup>3</sup>**

10. 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. Details of the proposed OAP Scheme are as follows:

**a. Eligibility**

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

**b. Pension Rate**

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

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

**c. Financial Implication**

13. 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.

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<sup>3</sup> The Professional Commons, *Ensure the Financial Security of the Elderly - Research Report on Universal Old Age Pension Scheme*, February 2010,  
<[http://www.procommons.org.hk/wp-content/uploads/2010/02/Ensure\\_the\\_Financial\\_Security\\_of\\_the\\_Elderly\\_full.pdf](http://www.procommons.org.hk/wp-content/uploads/2010/02/Ensure_the_Financial_Security_of_the_Elderly_full.pdf)>

**d. Shares in Contribution**

14. There exists 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:

i. 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;

ii. 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.<sup>4</sup>

**e. Date of Commencement**

15. The earliest the merrier 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 is expected to 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.

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<sup>4</sup> 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/>>.



16. 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 immediately. 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. Furthermore, such an arrangement can help the Government capitalize on the existing abundant fiscal reserve.

## C. Back to Basics: Starting with HOS Resumption

### a. In Favor of HOS Resumption<sup>5</sup>

17. The Government has launched a public consultation to revisit the policy on subsidizing home ownership (hereafter “the consultation”), which is considered a retrogression in respective policy area. As a matter of fact, subsidized housing policy has made significant contributions to social stability and economic development in the past decades. With respect to the housing policy as a whole, the Home Ownership Scheme (hereafter HOS) fulfilled extra functions of improving people’s livelihood, as well as boosting social mobility. However, the Government has downplayed the contribution of housing policy, as well as HOS policy accordingly. Selected examples are as follows:
- The policy goal of subsidized housing has been narrowed to the provision of rental housing to people in need only;
  - Subsidized housing benefit is confined to people in need, therefore ignoring the needs of low income groups;
  - HOS policy has been emphasized unilaterally by Tsang’s administration on its effect of facilitating turnover of public housing, whereas ignoring its significance in boosting upward social mobility and reducing social conflict;
  - Despite the fact that the Housing Authority (hereafter HA) has lost the revenue from producing HOS flats, the Government failed to provide an alternative to safeguard HA’s financial sustainability in the future;
  - Overall home ownership rate is treated as a taboo, therefore sidelining its contribution to community development and the long-term vision of Hong Kong.
18. The ProCommons is of the view that the resumption of HOS is an effective means to tackle the problems mentioned above. Moreover, it should be highlighted that HOS policy has been an integral part of the housing, social and economic policies at large. In the light of this, resumption of HOS policy is by no means an individual move but will involve fundamental changes

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<sup>5</sup> The Professional Commons, *Back to the Era of “Having a Shelter over Our Heads” – Policy Recommendations for HOS Resumption*, September 2010,  
< [http://www.procommons.org.hk/wp-content/uploads/2010/09/HOS\\_final\\_english.pdf](http://www.procommons.org.hk/wp-content/uploads/2010/09/HOS_final_english.pdf)>.

regarding the overall policy ideas and principles. Principles below should be ascertained by the Government when formulating policy concerning resumption of HOS, which include:

- Home ownership is able to cultivate sense of citizenship and facilitate upward social mobility, which are the most important ingredient of social stability. The Government should be supportive and inject financial resources where appropriate;
- Public housing, as a social policy, should not only take care of the underprivileged, but also the needs of the lower-income class;
- Provision of HOS flats and public rental housing can run in parallel;
- Public housing tenants who bought subsidized HOS flats can reduce their dependency on government's assistance on housing. Effective public housing turnover is expected to reduce the amount of rental flat production. On the other hand, sales of HOS flats can provide future public housing production with a stable financial source, which is conducive to the sustainability of government's public housing policy.

**b. Detailed Proposals**

19. In the light of the lingering nature of “85,000 policy”, the Government should be cautious with the scope and quantity in relation to the production of new HOS flats. Initially, the level should be set at 8,000 per year.
20. In this regard, we suggest these new 8,000 HOS flats would be distributed to green form and white form applicants in the ratio 7:3. By doing so, 5,600 units would be allocated to public housing tenants and those in the queue for public housing. According to the Government's statistics, rental units surrendered via purchase of first and second hand HOS and Private Sector Participation Scheme flats reached 3,500 and 4,200 in 2007 and 2008 respectively. In the light of this, it would be realistic to let public housing tenants absorb 5,000 HOS flats per annum, as far as their affordability is concerned.
21. Given that the remaining 30% is to be allocated to white form applicants, about 2,400 units will be available annually, which is rather close to the gap between the volume of take-up and completion in the past 5 years (about 2,550 units). This quantity of new supply is unlikely to endanger the stability of the property market.

**c. Major Issues related to Subsidizing Home Ownership**

22. In view of the controversy over subsidizing home ownership, it is like seeking a needle in bundle of hay for the whole society to reach a consensus during such a short consultation period of a few months. As a soft option, the Government is advised to move step by step, narrow down the scope of review into the issue related to new HOS flat supply, and then determine what to do next subject to changing needs on housing in the future. In fact, the existing HOS policy has a strong proven record and therefore well-received across the community. This well-established policy can provide clear answers to the three “key questions” raised by the Government including why to sponsor, whom to sponsor and how to sponsor.
23. In addition, The ProCommons opposes any form of home assistance loan schemes, as it may incur serious moral hazard problems. The Government is advised not to subsidize ordinary citizens to buy property in the turbulent and volatile property market. Furthermore, it is highly likely that home assistance loan will push up the demand for private residential units, therefore adding fuel to the already soaring property prices and then imposing excessive burden on ordinary buyers. The policy impact of the loan-related proposal would be far from satisfactory in view of nil adjustment on housing demand and supply, as well as on people’s burden of housing. More importantly, there would be adverse effects on the property market if the Government gave up producing HOS flats while subsidizing people to buy private property. The market would be given a wrong message which the Government is not going to intervene with the market at all times. In so doing, the developers would subsequently take a complete control over property supply, then comes a public perception of alleged collusion between government and businessmen.

**D. For the People, by the People: Urban Regeneration Strategy<sup>6</sup>**

24. The consultation in relation to the Urban Renewal Strategy (hereafter URS) Review has entered the final stage. The ProCommons is of the view that the blueprint outlined in respective consultation paper has had many shortcomings,

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<sup>6</sup> The Professional Commons, *Supplementary Proposal on the Proposed Urban Renewal Strategy*, July 2010.

< <http://www.procommons.org.hk/supplementary-proposal-on-the-proposed-urban-renewal-strategy>>.

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including no coverage in several major policy areas; incompliance with the principle of social sustainability; incompetence in settling the conflicts in relation to the distribution of benefits of regeneration, as well as no intention to adopt “participatory planning” to realize the "people-first" principle. Below show our detailed comments to the consultation paper.

**a. Vision**

25. The scope of URS should be extended beyond the “4R” strategies the Urban Renewal Authority (hereafter URA), which should include the following:
- The Government should formulate a holistic preservation policy, under which a dedicated mechanism should be in place to narrow the conflicts between development and conservation;
  - Improvement of the urban built environment: The Government should capitalize on the relevant review on the built environment undertaken by the Council for Sustainable Development, so as to tackle the outright abuse by property developers in building design in private property developments. It would be important to address the manipulation of the grey areas in planning guidelines by rectifying the abuses on plot ratios, the “building wall effect”, as well as other issues;
  - The Government should empower local authorities to play a more proactive role in local matters.
26. The proposed URS should cover the various aspects in the urban regeneration process, including improving the overall environmental quality in the urban areas; delineating the roles and responsibilities of the private sectors, and safeguarding social equalities, such as balancing the interests of the society in general and those of the original landlords and tenants, safeguarding the interests of the minorities, and preventing the business conglomerates from taking advantage of the regeneration in full, etc. Most importantly, specific policy measures should be listed out to help achieve sustainable development.
27. Future goal of urban regeneration should provide a proper answer for the question “regeneration for whom”. The proposed URS is advised to strike a balance between the interests of the community at large and individual property owners and tenants. It would also be important to safeguard the rights of minorities and avoid the benefits arising from urban regeneration from

being exploited by big corporations. Greater importance should also be given to improving the overall urban environment.

**b. Rehabilitation-first Strategy - Not Thorough Enough**

28. Although the Development Bureau has triggered the legislative procedure for both the “Mandatory Buildings Inspection Scheme” and the “Mandatory Windows Inspection Scheme”, and continued to provide funding and loan schemes for buildings rehabilitation, there is no thorough solution for dilapidated buildings in the urban areas. According to the statistics of the Home Affairs Department, there are now about 7000 “three no properties” across the territory<sup>7</sup>. For the realization of the “rehabilitation-first” principle, The ProCommons recommends the following:

- The new funding for the “Operation Building Bright” Scheme should be used mainly to subsidize the buildings lacking management capacities in handling works projects.
- In the light of the close relationship between building dilapidation and weak property management, greater effort should be put to help establish owners’ corporations or other property management mechanisms, in order to improve property maintenance and to undertake rehabilitation on a regular basis.
- Provision of assistance for building rehabilitation should be one of the two major tasks of the URA.

**c. A Democratic Regional Planning Platform**

29. To ensure a more democratically-abiding local planning, the proposed planning platform should make the following fundamental changes:

- The geographic coverage of each consultative platform should be equivalently on two District Councils;
- There should be 10 elected members thereon, together with additional members being appointed by the elected representatives. Amongst them are at least three representatives for the residents, and other three for the professionals (planners, social workers, etc.);

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<sup>7</sup> The “Three Nos” buildings refers to those buildings without the employment of a property management company, without setting up an owners’ incorporation and without the establishment of other residential organization. See “Speech from the Secretary of Home Affairs in the Second District Forum of the Summit on District Administration 2010,” Press Release of the HKSAR Government. 15 June 2010.

- The platform's main functions include: overseeing local engagement activities for the collection of public opinion; organising and supervising social impact assessments; consolidating and incorporating public comments into the proposed amendments of the Outline Zoning Plan;
- The platform should have an independent secretariat, social service teams and financial sources.

**d. Role and Market Positioning of the URA**

30. The URA should focus on rehabilitation and redevelopment (the 2R) and clearly indicate its future scope of business and market positioning in urban renewal, indicative of its formal departure of the “business-led” redevelopment mode and future shift toward “social redevelopment”. Meanwhile, as an organization in the public sector, the URA should put top priority on safeguarding public interests.
31. It would be advisable for the quality standard of the redeveloped units to be in line with its counterparts of the HOS or the Sandwich Class Housing Scheme SCHS. It should be noted that most of the URA's future redevelopment projects are mostly “social redevelopment”, which helps reduce possible conflicts in terms of compensation. The socio-economic environment of new units would be similar to those before the redevelopment. By doing so, it would be easier for the original residential and business owners to move back and help preserve the community network, as well as the local economy.

**e. Compensation Package and Owners' Participation in Redevelopment**

32. There are a number of key elements an ideal “flat for flat” arrangement should possess in a bid to enhance its feasibility as well as its level of acceptance by both property owners and tenants. This includes more compliance with the “seven years old replacement flat value” compensation principle; improving residents' livelihood through a better rehousing arrangement, and abiding by the principle of social sustainability. Specific suggestions for improvements include:
- The “flat for flat” and “shop for shop” compensation should be implemented for the sake of maintaining local economy and social network;
  - In order to fulfill the pledge of “no one would be left homeless as a result of

- the redevelopment”, the owners should obtain rental allowance during the construction period;
- Compensation must be given to the tenants registered during the freezing period.
33. It would also be a viable measure for the URA to adopt the mode of “owners’ participation” in future redevelopment projects in a bid to get rid of possible conflict in compensation. One of the feasible means is to facilitate property owners to form a “redevelopment cooperative” as a means of direct participation in redevelopment work. In addition, a mechanism should be in place to enable free transfer of shares so that any owners could quit freely.
34. To ensure a success of the mode of redevelopment through “owners’ participation”, URA should play a new role of “facilitator” in redevelopment projects through exercising the “Lands Resumption Ordinance”, as well providing transitional loans or financial subsidy of certain degree.
35. There exist prerequisites for the owners to obtain URA’s assistances. The most important criteria are whether the redevelopment projects could bring about greater public interest, and whether they are conducted in accordance with the principles of “resident-led, government facilitates”; “environmental and public need as the foremost” and “comprehensive care, community support”.
36. The ProCommons objects the proposition that the URA would play the role of consultant in redevelopment projects and receive gratuities in return. In doing so, the service terms of such are of no difference from being a private enterprise, in which the URA as such performs no social function at all. In addition, the URA, as a public body with public subsidies, should not directly compete with private enterprises, which totally violates the principles of market-led and fair competition.

**f. Financial Model of the URA**

37. Given that the URA is meant to be mainly engaging in social redevelopment in the future, it must be more in line with a public organization in nature. In view of the fact that there would be a growing amount of compensation, it will result in a lower level of return in most of the redevelopment projects. In the



light of this, the financial burden of the URA is expected to soar in the long run. Hence, the financial model of the URA should have the following modifications:

- The URA should maintain the self-financing principle under which redevelopment projects are only required to achieve a balanced budget rather than to generate profit to cover the expenditures on revitalization and preservation projects;
- The URA should reduce its participation in the revitalization and preservation projects outside the redevelopment areas or should recoup all the costs involved;
- As the accumulated profits of extraordinary level in recent years, the URA is still expected to sustain in accordance with the self-financing principles for quite a period of time. In the long run, its financial situation is advised to be reviewed every five years. Where necessary, the Government should provide additional funding to maintain its financial stability. The injection is justified provided that part of the land or floor area is designated for public use in future redevelopment projects, or plot ratio has not been fully used for lowering the development density or building height in the redeveloped areas. To this end, the Government should bear the responsibilities for paying “compensation” to these low density developments;
- The financial situation of the URA should also be under the scrutiny of “value for money” audit from the Audit Commission to ensure its expenditure to be allocated wisely, therefore upgrading its level of cost effectiveness.

#### **E. Streamlining Market Mechanism: Road to a Fairer Property Market**

38. Since the introduction of government’s “nine new measures and 12 requirements”, alongside the high-sounding investigation on the “39 Conduit Road” saga involving unfinished deals for alleged market manipulation, there has been significant improvement in the discipline in property transactions. Despite this, these stopgap measures are unlikely to bring fundamental change to the ingrained problem in property market. To stabilize surging property price, the Government has put in place a package of measures ranging from resuming land sales to encouraging the construction of small-sized flat but the results, as far as the effect is concerned, are far from satisfactory.

39. The crux of the problem is that local private residential property market is by no means a free and competitive one as most of the private property development projects are in the hand of a few property developers, making them the major suppliers of private housing. Against this background, it is not uncommon that big developers have frequently abused their market power. Their latest marketing tactic is packaging properties at ordinary locations into “luxury flats” that cost much higher, therefore sold at a “bubble price”<sup>8</sup>. As far as the role of the Government is concerned, it should have an important role to play due to its dual role of being the sole land supplier and the regulator of property development. Unfortunately, it is so obvious that the Government failed to get its jobs in these two policy areas fully accomplished, resulting in imbalance between land and housing supply, as well as ineffective regulation on private residential property market. Subsequently ordinary people are suffering from such a situation teeming with developers’ insatiable appetite.
40. In the light of this, the Government is advised to put specific multi-faceted measures in place to address various kinds of market manipulation derived from high degree of market concentration. These measures include:
- i. Resumption of regular land sales
    - Only resumption of land sales is not enough to tackle the problem concerning market manipulation fundamentally. Instead, the Government should resume land sales on a regular basis. Such a move can increase land supply on one hand and greater number of land transactions can also better reflect their market price on the other hand. We are of the view that the co-existence of regular land sales and Application List System can help develop a dual-track land sales with the merit of regularity and flexibility.
  - ii. Enhancing transparency of land reserve
    - The Government is advised to revisit the recommendations of the Consumer Council in its report entitled “How Competitive is the Private Residential Property Market?” published in 1996. The report called for the establishment of a land inventory system with a land bank equivalent to one-year land reserve, and a routine notification system as well.<sup>9</sup>
  - iii. Prohibiting market manipulation
    - The Government should introduce legislative measures to combat market manipulation through combining laws currently used, or to be used, to regulate

<sup>8</sup> Victor WAI: <新「穩定地產」措施 治標不治本>，Mingpao，August 21, 2010.

<sup>9</sup> The Consumer Council, *How Competitive is the Private Residential Property Market?*, July 1996.

stock and property markets. Specific references are the rules and regulations used in stock market targeting at insiders trading, as well as intended disclosure of false and misleading information. Details please refer to section 275, 277 and 278 of Securities and Futures Ordinance (Cap. 571).

- iv. Opening more opportunities in the residential property market
  - The URA should be allowed to facilitate owners of residential property in old districts to redevelop their properties. It could have a more active role to play in the establishment of “self-help” cooperatives/limited companies in the course of redevelopment<sup>10</sup>. Of course, individual property owners can hire their own project managers either. (Details please see paragraphs 33)
- v. Disengagement of real estate investments from immigration policy
  - It is recommended that real estate investments should be excluded from the "Permissible Investment Asset Classes" of the "Capital Investment Entrant Scheme".

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<sup>10</sup> The Professional Commons, *For the People, By the People – Research Report on the Urban Regeneration Strategy Review*, December 2009, Chapter IV, para. 12-15.

### III. Maintaining Environmental Sustainability

#### A. Small Amount of Return not a Negative Factor — Promoting Cycling as a Mode of Transport

41. In the newly published consultation document on Hong Kong's Climate Change Strategy and Action Agenda, greening land transport is proposed as one of the directions to reduce carbon emission with specific measures including further extension of mass transit system, further improvement of public transport system, and promotion of a more extensive use of low carbon vehicles. However, the policy measures suggested are far from comprehensive and, for instance, do not discuss the feasibility of promoting a wider use of bicycles which involves nil carbon emission. It should be highlighted that considerable emphasis has been put upon cycling and its incorporation into the transport system in numerous international cities. Moreover, there are well-established cycle track networks across the territories and many people use bicycles as a major mode of transport. In the light of this, cycling should not be confined to the existing role as merely recreational and the Government is strongly advised to examine the feasibility of expanding the role of bicycles to a mode of transport. In the course of policy formulation, the Government is advised to take a reference to the following points:

- There should be some fundamental changes in mindset with cycling being formally treated as a mode of transport under a comprehensive policy;
- The limitation of bicycle as well as the road and topographical conditions should be taken into consideration and restriction should be imposed for limited bicycle use in certain road systems.

42. The Government should put in place a holistic cycling policy in a bid to improve traffic management and incorporate cycling into the transport system of the territory. Specific measures include:

##### a. Establishment of Responsible Institution

43. Cross bureau/departmental committee should be established to deal with issues including possible integration between cycle tracks and road network, effective law enforcement in reference to Road Traffic Ordinance, as well as relevant public education and campaign. Bureaux and departments involved

comprise Transport and Housing Bureau, Development Bureau, Education Bureau, Transport Department, Planning Department, Highways Department, Police Force, Housing Department, etc.

**b. Territory-wide Planning, Phased Implementation**

44. The Government is advised to develop definite standards, in accordance with traffic flow, road capacity and gradient, to identify areas that are “highly feasible” and “highly not feasible”. The former represents the regions where cycling is highly feasible to be incorporated into the road network thereupon, while the latter is indicative of a forbiddance of all on-road cycling traffic. As regards the remaining districts, they are all subject to further study in due course. Once a decision regarding the distribution of “highly feasible areas” has been made, the Government should embark on pilot project in these areas as soon as possible. Specific measures include improvement in road sign, arrangement of road crossing, provision of parking spaces for cyclists, etc. Meanwhile, cycle track should be considered the integral part of territory-wide transport system as a whole, with special emphases on new development areas and promenades.

**c. Imposition of Formal Management on Bicycles**

45. Rules and regulations in relation to traffic management are mainly laid down in the Road Traffic Ordinance. Given that cycling has been being treated as a mode of recreational activity, the existing laws on cycling are not under serious enforcement. In the light of this, it would be important to strengthen law enforcement when cycling becomes a mode of a widely-used transport. Before putting full enforcement into practice, the Government should be well-prepared in the following aspects:
- Stepping up overall skill of cyclists through provision of skills upgrading courses, as well as proficiency tests;
  - Through community-wide campaign and education, aiming at boosting cyclists’ knowledge about Road Traffic Ordinance, as well as pedestrians’ knowledge on cycling-related traffic issues;
  - In collaboration with schools, interest groups and relevant bicycle associations, both Transport and Housing Bureau and Education Bureau are advised to take the lead to get the above-mentioned work accomplished.

**d. Promotion of Public Bicycle**

46. The Government might consider going further to promote region-wide use of public bicycles linking major residential areas and transportation hubs. The proposed project can bring not only extra business and job opportunities, but also alleviate demand for bike parking spaces. Specific measures concerning development of “public bicycle” network include:

- Public bicycles should be available at designated bike rental points located in major housing estates and transport interchanges, where public bicycles can be rented and returned;
- The Government might consider establishing a seed fund to launch the project;
- Social enterprises and individual business operators should be invited to run the businesses and engage in bike maintenance and delivery between bike rental points.

**B. Zero Tolerance to Minor Offences – Damage and Abuse in Rural Areas<sup>11</sup>**

47. Recently there has been a relapse of heated social debate concerning conflict between development and conservation in rural areas, suggesting that the Government can no longer duck this issue. Both short- and long-term measures should be in place to remedy the ever-worse situation. These include:

- Regarding short-term measures, relevant government departments should step up law enforcement to tackle illegal dumping of construction waste, so as to get rid of some irresponsible “destroy first, build later” behaviour. In view of the recent sagas concerning inadequate protection on specific rural areas of high ecological value, the Government, to pacify public outcry, only responded by a subsequent publication of a draft Development Area (hereafter DPA) for Tai Long Sai Wan. The ProCommons is of the view that the Government should expedite the publication of DPA for the remaining 53 high-risk country park “enclaves”, in order to gain time to finally put them into the regulation of the existing Town Planning Ordinance;
- In the long run, the CE should establish a high-level “Rural Conservation Planning Task Force”. Its level of operations would be similar to the “Task Force on Tree Management”. The Chief Secretary for Administration shall be assigned to coordinate the Development Bureau, Environment Bureau and

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<sup>11</sup> Lai Kwong-tak <誰是鄉郊淪陷的罪魁禍首> , Mingpao , August 6, 2010, A30.

other relevant departments. It shall be designated to formulate a comprehensive rural development and planning, to review the policies regarding natural conservation, country parks, town and countryside planning, New Territories small house and the columbarium, etc. The Task Force shall also address the issues of “no legislation in areas which shall be regulated”, “no exercising of powers in areas which shall be enforced”, and “no plugging of loophole” proactively.

#### IV. Developing Knowledge-based Economy

##### a. Knowledge-Based Economy<sup>12</sup>

48. In the Policy Address last year, the Chief Executive highlighted that Hong Kong should move towards a high value-added knowledge-based economy. He also pointed out that "innovation" and "knowledge-based industries" are not limited to the six economic areas (education services, medical services, testing and certification, innovation and technology, environmental industry, and culture and creative industries), the four traditional pillar industries (financial services, trade & logistics, tourism, producer and professional services) are also included. The problem is, vertical industry-based development model tends to be fragmented; only horizontal industry support structure that captures the synergistic effect between the industry is a true knowledge-based economy development strategy.
49. Excellent business environment has always been one of the sustainable development strategies for economic development of Hong Kong. Our excellent "first-level business conditions" alone (e.g. a sound legal system, open social environment, comprehensive and developed administrative system) cannot overcome the limitations of its traditional role as a "middleman". As the Mainland gains more frequent and direct contacts with international companies and the outside world, Hong Kong must create new competitive edges for itself or it will risk the fate of being marginalized.
50. To this end, Hong Kong needs to further improve the "second-level business conditions", including boosting the development of quality human resources, enhancing the diversity of producer services, creating a favorable environment for innovation through supportive public policies and so on. By doing so, the cumulative research capability and high value-added, high knowledge content and other intangible inputs could create added values. Public policies could then further encourage businesses to use these "soft technology support" to create economic value and gradually expand the scales and depth of local knowledge-based economy. On the other hand, the lack of a mature legal

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<sup>12</sup> Alan Lung 〈知識型經濟非空談〉, Hong Kong Economic Journal · Sept 3, 2010 (Chinese version) ; Alan Lung Ka-lun, "Knowledge-based economy cannot be empty talk" (English version), < <http://www.hkdf.org/newsarticles.asp?show=newsarticles&newsarticle=277> >



environment in the Mainland, a short tradition of the rule of law, as well as mainland enterprises finding it difficult to establish international brands and “self-initiated intellectual property” on their own ought to be seen as an opportunity for Hong Kong. Hong Kong has a free and open environment conducive to the development of knowledge-based economy. Hong Kong will also be able to find an important role to play in the development of the knowledge-based economy of the Mainland.

51. A sound intellectual property system is important for knowledge-based economy development. The Intellectual Property Department (IPD) ought to play an important supporting role in the development of local knowledge-based economy. The problem facing IPD is its restricted mission that required the department to focus on “intellectual property protection”. At the most IPD could help Hong Kong companies to do an audit to “... identify knowledge capital and use these sources in formulating marketing plans.” The Government could have gone a few steps further. Singapore, Scotland and Finland are good sources of reference. The high-level coordinating unit within the Singapore Government is the Economic Development Board (hereafter EDB), an agency that charted Singapore's economic development since the 1960s. Specific support measures include establishing the research council called A-Star (Agency for Science, Technology and Research) that coordinates cross disciplined researches in universities and overseas investments.
52. The Government also needs to adjust the definition of knowledge-based economy. The Census and Statistics Department has published the “Hong Kong as a Knowledge-based Economy — A Statistical Perspective”. However, the report has focused on narrowly defined indicators from the information and communication technology industries but ignored human resource development and introduction of innovative systems. These generic indicators have completely forgotten Hong Kong’s characteristics as a service-based economy, as well as the relations between the four pillar industries, the six new priority industries and the knowledge-based economy. To develop the knowledge-based economy, additional resources should be allocated not only to training talents, but also to monitor the knowledge content, human resources, data collection and statistics compilation in the industries.

53. Development of knowledge-based economy also needs to be upgraded to a strategic level, for example, the Financial Secretary should consider establishing a “Knowledge-based Economy Coordination Unit” to co-ordinate the policy input of the Commerce and Economic Development Bureau and other government departments, and manage other related knowledge-based economy policy and issues in a timely manner.

## **B. Information and Communication Technology**

54. There is a general view that information and communication technology (hereafter ICT) industry not only play an important supplementary role of supporting local economic and social development but also has extensive development potential. In view of the forthcoming landing of more submarine cable in Hong Kong, there would be a considerable potential for developing Hong Kong as a major data centre and telecommunications hub in the region. In addition, the 12<sup>th</sup> Five-Year Plan of the Mainland is also expected to bring about huge business opportunities for the development ICT industry. The crux is whether the Government is determined to engage itself into creating a favorable environment, coupled with resource input, for ICT development.

55. The Government is advised to formulate a holistic policy to create an environment favourable to the development of ICT through the following measures:

- Provision of policy environment that is favorable to the development of the trade;
- Stepping up the security of information and protection of personal data;
- Good governing structure should be in place to effectively regulate the Internet, telecommunications and broadcasting.

### **a. Facilitating the Development of ICT Industry**

#### **i. Fostering the Development of Telecommunications Hub**

56. The Government should try to understand the difficulties in revamping the existing industrial buildings and using lands designated by the Government to build advanced data centres. Also, in a bid to trigger the development of Hong Kong as a regional data centre and relevant value-added services, the

Government should capitalize on the growing demand in domestic market as well as grasp the opportunity arising from the landing of more submarine cable in the foreseeable future. In fact, Hong Kong will have the edge to develop into a major telecommunications hub in the region, if the Government could offer necessary assistances. These include:

- To streamline the application process for the conversion of industrial buildings for better efficiency, one-stop service should be provided by Development Opportunities Office under the Development Bureau;
- Co-location is one of the main characters of advanced data centre. The land use terms has been relaxed by Hong Kong Science and Technology Parks accordingly. It would be advisable to maintain the existing flexible land grant provision in a bid to facilitate further development of advanced data centres.

## ii. Giving the Go-ahead for Release of Government-possessed Information

57. It is suggested that the Government should open numerous databases under its control to facilitate the ICT industry in developing value-added services. There will not be any alleged accusation of collusion between government and businessmen because chance will be open to all members of the relevant trades. Also, the community as a whole will be benefited. Below shows some measures that the Government may consider:

- Expediting release of government-possessed data of non-sensitive category. This would be of utmost importance to help ICT and related sectors, by virtue of these databases, to explore the potential of numerous value-added services. It should be noted that these data are of huge commercial value but always out of the reach of ordinary people to collect, not to mention data compilation. Selected examples include land and company registry, drug registration, bilingual legal system, so on and so forth.
- Publishing the Application Programming Interface (“API”) of government services to non-sensitive data so as to enhance efficiency on programming writing, which would be more cost-effective.

## iii. Paving the Way to Promotion of E-learning

58. Since the handover, IT education has represented a constituent of education policy as a whole. Given that the project on e-learning resources development introduced last year was still under pilot, the Government should not review

progress simply for the sake of formality, but try to tackle major hurdles at the early stage. Here are some specific measures:

- Facilitating the sharing of copyright via promotion of “Creative Commons”, so as to encourage individual teachers and schools to share their teaching materials;
- Facilitating the collaboration of schools, teachers and IT companies who are capable of creating their own teaching materials via the existing Quality Education Fund to jointly prepare teaching materials, so as to support the application and development of multifaceted teaching and learning mode;
- Actualizing the spilt price-setting mechanism amongst textbooks, learning and teaching materials, in order to reduce burdens on parents.

#### **iv. Promotion of Diversified E-payment Mechanism**

59. Hong Kong has been the world’s freest economy for over ten years, but development of payment methods is going in the opposite direction. In view of Octopus’s domination of business, choices available for e-payment are so limited. It is detrimental not only to fair market competition, but also the introduction of new payment method application embracing advanced technology. Against this background, the Hong Kong Monetary Authority should initiate concrete measures to facilitate the development of a more diversified e-payment mechanism. Here are some specific measures:

- Creating an environment favourable to the development of other payment methods, like the use of mobile transaction, radio frequency identification (“RFID”) developed by VISA and MasterCard; or
- Revisiting the report on “Complaints against the Easy Pay System” by the Consumer Council in 2000 and its recommendations. The aim is to introduce a competitive charging mechanism across banks, under which individual banking institutions would have to provide varying payment and charging methods, even under the same debit network.

#### **v. Grasping the Opportunity of 12<sup>th</sup> Five-Year Plan**

60. The Government should strive for participating in the formulation of 12<sup>th</sup> Five-Year Plan, so as to explore chances for the industry to engage in the development of information and communication technology in Mainland China. But the four long-term strategic recommendations established in the

previous Five-Year Plan are yet to be implemented. In the light of this, while considering new suggestions, it is also of utmost importance to expedite the implementation of recommendations as follows:

- The Government should actively involve itself in the development and establishment of product specifications. It should also strive for endorsement from relevant central government department so that it would also be joined by relevant local businesses;
- There should be a further strengthening of cooperation between Hong Kong and Shenzhen, therefore further study on feasibility of Shenzhen/Hong Kong Innovation Circle would be possible;
- The Government should also actively embark on overseas campaign of a more extensive scale to promote favorable conditions attained by Hong Kong to be one of the most important regional data hub; and
- Consider launching a pilot project in Shenzhen to examine the feasibility of establishing e-commerce transactions and digital transmission services for cross-boundary business operators.

**vi. Re-establishment of Technology Bureau and Applied Research Fund**

61. In order to let the burgeoning of ICT industry become the reality, some fundamental institutional changes have to be involved. The Government is advised to consider the following two directions:

- Technology Bureau should be re-established so that a more comprehensive and holistic policy to facilitate the long-term development of science and technology would be possible;
- To reinstate the Applied Research Fund. Its targets should be instead on research concerning service development and application, while handing over items concerning approval of research fund to ICT trade experts;
- Problems concerning the Innovation and Technology Fund should be reviewed and the current university-and-research-institute-dominated situation should also be rectified.

**b. Problems Concerning Information Security and Privacy Protection**

62. In view of the changing public sentiment, the Government is strongly advised to strengthen the consultation in particular on collection of personal data by private business operators before submitting its legislative proposal during

autumn this year, so as to grasp the surging public appeal concerning privacy of an individual and its protection. Specific measures include:

- Serious attention should be paid to public concerns about collecting personal data by authorized organizations/business operators and their responsibilities accordingly. Public views on penalties concerning disclosure of personal data should also be addressed. In the meantime, relevant legislation should be launched as soon as possible;
- Section 33 of Personal Data (Privacy) Ordinance (Cap. 486), “prohibition against transfer of personal data to place outside Hong Kong except in specific circumstances”, should be put into effect as soon as possible;
- The Government should legislate to require mandatory notification of breaches concerning personal data to strengthen the protection of consumers.

63. It is advisable for the Government to conduct a thorough strategic review on issues concerning information security and cyber crime. In year 2000, the Inter-departmental Working Group on Computer related Crime had provided a systematic review on problems arising from development of information and communications technology, as well as obsolete legal condition of governance. Its report provided the guiding strategy to the Digital21 Strategy development of Hong Kong. However, new technologies (such as social networking, cloud computing, mobile network) and new security threats (such as organized hackers community, cross border cybercrime and sophisticated attacks towards critical information infrastructure) have emerged in the past 10 years. It is appropriate in timing to revisit the topic in light of sustaining the development of Hong Kong in the new Internet era.

64. We are of the view that excessively stringent regulation would be detrimental to development and application of information and communication technology. A more balanced strategy would be to strengthen the community-wide education concerning IT security and privacy protection, in a bid to ensure members of the public would be more knowledgeable, therefore well-informed of their right to be protected. To this end, in view of the current asymmetry of information between organizations and individuals, improvement is expected to happen.

**c. Establishment of a More Valid Structure of Governance on the Internet, Telecommunications and Broadcasting**

65. A holistic approach should be in place to look into how collection and use of personal data can be better managed through the existing Personal Data (Privacy) Ordinance and Unsolicited Electronic Messages Ordinance, so that the so-called “upstream” and “downstream problems” can be tackled. As regards collection of personal data, specific measures include:

- Enterprises are not allowed to collect any personal data of exceeding scope that is not directly relevant to their businesses.
- There should be terms of references to make sure that enterprises concerned are fully responsible for the safety of personal data of their clients, in which measures should be in place to minimize the risk of disclosure, as well as to acquire their client’s consent when transferring clients’ personal data.

66. Strict regulation is not supposed to be a panacea, which would otherwise have negative influences on application of new technology and development of industry if overdone. In the light of this, self-discipline would be of utmost importance. Also, the Government is expected to play the role as a constructive reminder and regulator where necessary and appropriate. Specific examples include:

- It is necessary for the Government to properly regulate the use of cookie. In order to ensure a more effective protection of individual right of privacy, enterprises should not have data collection and monitoring functions added when designing their cookies. Meanwhile, cookie should be programmed to be cleaned up after being logged out by users. More importantly, there should be terms of references to make sure that users are all well-informed of the functions of the cookie to be installed including how to delete.
- If business operators and enterprises prefer an “opt-out” mode, it would be indispensable of them to explain to their clients the relevant arrangements in details. More importantly, quick and convenient way for their clients to opt out or quit should be provided.

## V. Speeding Up the Pace of Democratization

67. According to the decision of the Standing Committee of the National People's Congress (hereafter the "NPCSC") in 2007, the Election Committee (hereafter the "EC") will be transformed to Nomination Committee (hereafter the "NC") for the Chief Executive (hereafter the "CE") Election when CE is elected could be by universal suffrage in 2017. As for the Legislative Council (hereafter the "LegCo"), the 30 "traditional" functional constituencies (hereafter the "FC") seats would still exist in the LegCo election in 2012. The constitutional reform package endorsed by the NPCSC in August 2010 provided that all registered voters who are not voters of "traditional" FCs can participate in the election of the five newly-created FC legislators under the "District Council" FC banner.

### A. Basic Principles

68. To prepare for the full implementation of universal suffrage, it would be important to minimize the unfairness and undemocratic arrangement in the election systems in the following years. In the light of this, The Professional Commons recommends the following:

- i. Remove appointed District Council (hereafter the "DC") members in one go from the next term of the DC (starting from 1 January, 2012);
- ii. A clear goal for abolition of all FCs in 2020 must be set;
- iii. A maximum threshold in nomination of the candidate for the Chief Executive must be set at the level of 200 for the EC in 2012 and for the NC in 2017. The screening mechanism for all the candidates standing in the CE elections must be kept to be the minimum;
- iv. For the election of the EC in 2012, 98 of the 100 additional seats in the Fourth Sector [Members of the LegCo, representatives of district-based organizations, Hong Kong deputies to the National People's Congress, and representatives of Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference (hereafter the CPPCC )] should go to elected DC members. We propose to add only ONE additional CPCCC seat, and only ONE additional seat for the Heung Yee Kuk in the next EC election.

69. Although we do not agree that the seats to be allocated to the CPCCC and the Heung Yee Kuk shall be further increased, nonetheless, the method of



selection of the CE approved by the NPCSC in August 2010 suggested that the additional 100 seats in the fourth sector should be given to the elected DC members IN MAJORITY.<sup>13</sup> Hence, such seats cannot be all going to the elected DC members.

70. The additional seats for CPCCC and the Heung Yee Kuk should be reduced to the minimum. We therefore make our proposal to add only ONE additional FC seat for the CPPCC and the Heung Yee Kuk respectively simply as a symbolic gesture.

2010.9.24

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<sup>13</sup> See [http://www.cmab-cd2012.gov.hk/doc/NPCSC\\_Explanatory\\_tc.pdf](http://www.cmab-cd2012.gov.hk/doc/NPCSC_Explanatory_tc.pdf), page 3, para.2

**Enhancing Social and Environmental Sustainability  
Fair Sharing of Economic Prosperity  
Submission on the 2010-11 Policy Address**

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