

# Major Achievements of the Third Term Government of the Hong Kong Special Administrative Region

## Introduction

After assuming office in 2007, the Chief Executive announced a five-year blueprint for the Third Term Government, advocating the concept of “Progressive Development” — promoting economic growth, boosting employment and improving the living environment through infrastructural development; attaching importance to environmental protection and heritage conservation in pursuing further development; and adopting a multi-pronged approach to foster social mobility and reduce cross-generational poverty by improving the livelihood of low-income people and investing heavily in education.

Over the past five years, the Third Term Government spared no effort in fulfilling our policy commitments.

On people’s livelihood, we rolled out various direct relief measures and long-term initiatives to help families in need and the underprivileged. We fully implemented the statutory minimum wage; extended free education to 12 years, started subsidising pre-school education and introduced small-class teaching; and increased substantially the funding for public healthcare services to enhance their quality.

On environmental protection, we strove to reduce the development intensity, conserve Central, beautify the harbourfront and promote the use of clean energy for electricity generation.

On economic development, we pressed ahead with large-scale infrastructure projects, made timely responses to the financial tsunami, strengthened the pillar industries, and further enhanced economic co-operation between Hong Kong and the Mainland. We also took action to develop the six industries where Hong Kong enjoys clear advantages to broaden our economic base.

On constitutional development, we set the timetable for universal suffrage and secured the passage of the 2012 constitutional reform package to pave the way for universal suffrage.

The achievements made in the past five years<sup>1</sup> are the results of the joint efforts of the people of Hong Kong.

## Caring Society

### Alleviating people's hardship and helping the underprivileged

- Fully implemented the statutory minimum wage to help low-income workers raise their standard of living.
- Launched various short-term special measures totalling over \$170 billion to provide relief to the people.

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<sup>1</sup> Unless otherwise stated, in the following sections 2006 is the base year.

- Set up the Community Care Fund with a total injection of \$6.5 billion to assist the underprivileged. The Fund will benefit 500 000 people next year.
- Allocated \$5.17 billion to provide transport subsidy for low-income workers in the coming three years.
- Established a \$300 million Child Development Fund to support the long-term development of disadvantaged children.
- Launched a wide range of measures to assist middle-aged people, young people and people with disabilities in gaining employment.
- Criminalised wilful default of awards granted by the Labour Tribunal or Minor Employment Claims Adjudication Board to protect labour rights.
- Started to provide support for 400 000 students from low-income families to undertake web-based learning at home.
- Built 67 000 public rental housing flats to meet the housing needs of low-income households, keeping the average waiting time under three years for applications by ordinary families.
- Facilitated the establishment of over 120 social enterprises by providing them with seed money under the Enhancing Self-Reliance Through District Partnership Programme.
- Relaxed the eligibility criteria for legal aid services by raising the financial eligibility limits under the Ordinary and Supplementary Schemes respectively by 50% and 170%, thus making the services more accessible.

## The elderly

- Increased the monthly rate of Old Age Allowance (OAA) to \$1,035, and substantially relaxed the residence requirement for OAA and Disability Allowance.
- Provided the elderly with healthcare vouchers as subsidy for using healthcare services, and will raise the amount to \$500 each person from next year.
- Increased recurrent funding by \$450 million to provide 3 500 additional subsidised residential care places and 2 000 additional community care places.

## People with disabilities

- Introduced a licensing scheme to regulate residential care homes for people with disabilities to ensure service quality.
- Provided 1 600 additional residential care places.
- Upgraded the barrier-free facilities in 3 700 government premises and facilities and 300 Hong Kong Housing Authority properties.

## Racial harmony

- Enacted the Race Discrimination Ordinance to render discrimination, harassment and vilification on the grounds of race unlawful.
- Sponsored the establishment of four support service centres for ethnic minorities to facilitate their integration into the community.

## Youth drug abuse

- Checked the aggravating youth drug abuse problem through regional co-operation and measures such as school drug testing. The number of young drug abusers dropped by 21% within three years.

## Investing in Our Future

### Education

- Started to subsidise pre-primary education in the form of vouchers.
- Extended free education to 12 years.
- Introduced small class teaching in primary schools in a progressive manner.
- Launched a “3+3+4” new academic structure to align with the international mainstream.
- By 2015, over one-third of the relevant cohort will have access to degree-level education, compared with 22% in 2007, and including sub-degree programmes, over two-thirds will have access to post-secondary education.
- Substantially relaxed the eligibility criteria for student financial assistance, doubling the percentage of students receiving full assistance. Following a series of improvements, the total amount of grants paid out to needy students increased by about 30% to \$3.8 billion each year.

- Launched the “Passing on the Torch” platform to promote national education in schools. Mainland exchange programmes benefited over 15 000 teachers and 130 000 students.

## Healthcare and public health

- Progressively achieved a substantial increase in our annual recurrent funding for healthcare. By 2012, the total growth will amount to over \$10 billion, representing an increase of 34%, and healthcare expenditure will account for 17% of recurrent government expenditure.
- Mapped out the future direction for healthcare reform and reserved \$50 billion for the Voluntary Health Protection Scheme.
- Implemented a new strategy for enhancing primary healthcare services, and promoted public-private partnership, resulting in a shorter waiting time for cataract removal, an increased quota for haemodialysis, etc.
- Mobilised the community to fight against pandemics and effectively dealt with the threat of novel influenza subtypes.
- Implemented a statutory ban on indoor smoking across the territory. Through a multi-pronged approach of public education, legislation and taxation, the daily cigarette smoking rate in Hong Kong decreased from 14.0% in 2005 to 11.1% in 2010, the lowest in Asia.

## Quality Life

### Housing

- Enhanced transparency in the sale of uncompleted residential properties. We will regulate the sale of all types of first-hand residential properties by legislation next year.
- Introduced a special stamp duty, which effectively curbed short-term speculative transactions on residential properties.
- Introduced the “My Home Purchase Plan” to help aspiring home buyers rent their accommodation and save up for home purchase.

### Reducing development intensity

- Reviewed 31 Outline Zoning Plans of various districts and, where justified, revised the planning parameters to lower development intensity. Reduced the development intensity of 19 sites in the land sale programme.
- Introduced standards for quality and sustainable building design and limited the granting of gross floor area concessions for new buildings.

### Urban renewal

- Formulated a new urban renewal strategy, which provides for the “flat for flat” arrangement for affected residents.
- Launched 14 redevelopment projects involving 198 buildings, thereby improving the living conditions of 9 000 residents.

- Lowered the threshold for compulsory sale application for redevelopment of three specified classes of lot from 90% ownership to 80%.

## **Revitalising industrial buildings**

- Implemented measures to encourage redevelopment or wholesale conversion of old industrial buildings, and approved 33 applications providing 380 000 m<sup>2</sup> of converted or new premises.

## **Building safety**

- Launched statutory schemes to regulate minor works and mandate periodic building and window inspections.
- Extended the coverage of unauthorised building works subject to immediate enforcement action, aiming to remove or rectify 40 000 unauthorised structures and irregularities each year. Strengthened enforcement against unauthorised building works in New Territories exempted houses.
- Allocated \$1 billion to provide financial support for elderly owner-occupiers to repair and maintain their buildings.
- Launched the \$3.5 billion Operation Building Bright Scheme which has helped owners of 2 500 old and dilapidated buildings maintain and repair their buildings.

## **Heritage conservation**

- Commenced the conservation and revitalisation of the former Police Married Quarters in Hollywood Road and the Central Police

Station Compound. We are partnering with non-government organisations to revitalise nine other historic government buildings.

- Launched “Conserving Central” which covers eight projects, including the revitalisation of Central Market, to enhance the vitality and diversity of the district.
- Subsidised the maintenance of 14 graded private buildings, and preserved seven privately-owned historic buildings through provision of economic incentives to their owners.

## **Harbourfront enhancement**

- Provided more open space and created promenades on both sides of Victoria Harbour for the enjoyment of residents and visitors.

## **Greening and tree management**

- Implemented in nine districts the greening works under the Greening Master Plans, and set up the Tree Management Office to enhance public safety.

## **Electricity supply**

- Implemented new Scheme of Control Agreements for power companies with reduced rates of return on their investment, enabling electricity consumers to save some \$12 billion in electricity bill.

## Reducing air pollution

- Increased the ratio of natural gas in electricity generation, with the target of reaching 52% in 2015.
- Enacted legislation to prohibit the idling of vehicle engines.
- Ambient levels of sulphur dioxide and respirable suspended particulates decreased by 45% and 17% respectively. At the roadside, concentrations of these two pollutants decreased by 52% and 20% respectively.
- Through joint efforts with Guangdong, the annual average concentrations of sulphur dioxide, nitrogen dioxide and respirable suspended particulates in the Pearl River Delta region decreased by 47%, 7% and 14% respectively.

## Cleaning up Hong Kong's waters

- Invested \$21 billion to construct a number of sewage facilities to improve the water quality in Victoria Harbour and in Hong Kong's marine waters and rivers.

## Waste reduction and recycling

- Disposal of municipal solid waste per capita decreased by 3%. The relevant recovery rate stood at 52% last year.
- Launched a mandatory producer responsibility scheme for plastic shopping bags, and reduced by as much as 90% the number of such bags distributed by retail outlets covered by the scheme.

## Nature conservation

- Set up the Hong Kong Geopark, which was subsequently awarded the status of National and Global Geopark.
- Enacted legislation to ban fish trawling in Hong Kong waters to enable our marine environment to rehabilitate.

## Food safety and stable food supply

- Enacted legislation to empower government authorities to deal with food safety incidents promptly, including prohibiting the import and supply of problematic food, ordering a food recall, and tracing the food source.
- Enacted legislation to mandate nutrition labelling on pre-packaged food products to enable consumers to make informed choices.
- Secured the agreement by the Central Government to maintain a stable supply of staple foods, meat, vegetables and fruits from the Mainland.

## Sports development

- Co-hosted the equestrian events of the Beijing 2008 Olympic and Paralympic Games, and hosted the 2009 East Asian Games.
- Injected \$1.5 billion into the Arts and Sport Development Fund to promote sports.
- Set up a \$7 billion fund to provide training and related support for our top athletes.

## Arts and culture

- Injected \$1.5 billion into the Arts and Sport Development Fund to promote the development of small and medium arts groups.
- Injected \$69 million into the Cantonese Opera Development Fund to support more projects on the preservation and promotion of Cantonese opera.
- Promoted audience building at school and community levels to tie in with the development of the West Kowloon Cultural District.

## Economic Growth

### Economic performance

- The economy expanded by a cumulative 21% in real terms, notwithstanding shocks from the global financial tsunami.
- Per capita GDP rose by 22% to a historic high of US\$31,800.
- Total employment rose by 225 000; unemployment was down 1.6 percentage points.
- Export of services rose by 52% in real terms, and export of goods by 22%.
- Stock of foreign direct investment (FDI) more than doubled. In 2010, Hong Kong was the third largest recipient of FDI flows in the world.

- Hong Kong remains the world's freest economy<sup>2</sup> and the most competitive Chinese city<sup>3</sup>. In 2011, Hong Kong is the world's most competitive economy<sup>4</sup>, and the second easiest place to do business<sup>5</sup>.
- Hong Kong has attained the top triple-A credit rating.<sup>6</sup>

## Infrastructure development

- Invested heavily in infrastructure to lay a solid foundation for sustained economic growth and to create employment. Expenditure on public capital works rose from \$21 billion in 2007 to \$58 billion in 2011, and will be sustained at a level of over \$60 billion in each of the coming five years.
- Progress of the ten major infrastructure projects is as follows:
  - (1) The *West Kowloon Cultural District* Authority has been established and provided with resources. Arts and cultural facilities are expected to be commissioned in phases starting from 2015.
  - (2) The *MTR West Island Line* will be completed in 2014; the *MTR South Island Line (East)* and *Kwun Tong Line Extension* will be completed in 2015.
  - (3) The *Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link* will be completed in 2015.

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2 Ranked by the Fraser Institute / Cato Institute, and the Heritage Foundation.

3 Ranked by the Chinese Academy of Social Sciences.

4 Ranked by the International Institute for Management Development.

5 Ranked by the World Bank in its annual Doing Business Report.

6 Standard & Poor's upgraded Hong Kong's long-term local and foreign-currency sovereign ratings to "AAA" from "AA+", with "Stable" outlook in December 2010.

- (4) *Kai Tak Development* is in full swing. Construction works in the first phase, including public rental housing, a cruise terminal and supporting infrastructure, will be completed in 2013.
- (5) Construction of the *Hong Kong-Zhuhai-Macao Main Bridge* in the Mainland has begun. Planning and design of local projects in Hong Kong are in progress. Target operational date is set for 2016.
- (6) Planning and design of the *Shatin to Central Link* are at the final stage, and construction works will commence in 2012-13.
- (7) Planning and design of the *Tuen Mun-Chek Lap Kok Link* and *Tuen Mun Western Bypass* are ongoing. Alignment of the Tuen Mun Western Bypass has been agreed following extensive public consultations.
- (8) The Planning and Engineering Study on Development of *Lok Ma Chau Loop* will be completed in 2013. The Loop will be used mainly for higher education purpose, to be complemented by high-tech research and development uses as well as cultural and creative industries.
- (9) The study on *North East New Territories New Development Areas* (NDAs) will be completed in 2013 and the NDAs will start supplying land from 2018. The study on *Hung Shui Kiu NDA* will be completed in 2014 and the NDA will start supplying land from 2021.
- (10) Technical feasibility of the *Hong Kong-Shenzhen Western Express Line* linking the airports of Hong Kong and Shenzhen has been confirmed. The project has entered a substantive planning

phase, and further studies on optimising alignment and functionality are ongoing.

## Pillar industries

### *Financial services*

- Hong Kong was the world's top IPO centre in the past two years. We broadened the source of companies listing in Hong Kong, such as those from Russia, Brazil, Switzerland, Kazakhstan and Italy.
- Hong Kong has become the premier offshore Renminbi (RMB) business centre. In the first eight months of this year, total settlement of trade deals in RMB conducted through Hong Kong exceeded RMB1,100 billion, which was 15 times that of the same period last year and accounted for more than 80% of the total RMB trade settlement in the country. RMB bonds issued in Hong Kong during the same period amounted to RMB70 billion, doubling last year's total. At present, RMB deposits in Hong Kong total over RMB610 billion, eight times that of early 2010.
- Hong Kong has become a major asset management hub in Asia.
- Secured additional market access rights for our financial services and products in the Mainland.

### *Commerce and trade*

- Committed \$100 billion during the financial tsunami in providing loan guarantees for enterprises, benefiting 20 000 firms and helping preserve 340 000 jobs.

- Concluded four supplements to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), securing further liberalisation and facilitation measures in 42 sectors for our businessmen and professionals.
- Signed free trade agreements with New Zealand, and with Member States of the European Free Trade Association, comprising Switzerland, Norway, Iceland, and Liechtenstein.
- Introduced a Competition Bill into the Legislative Council to promote competition among enterprises and protect consumer interests.

### *Logistics*

- The Hong Kong International Airport became the world's busiest in terms of cargo last year. A new air cargo terminal will be completed in 2013, expanding the airport's cargo handling capacity by 50%.
- Launched the airport's midfield expansion project, with the main works to be completed in 2015, to increase the airport's handling capacity to meet projected air traffic demand up to 2020.
- Launched public consultation on the construction of a third runway to plan for the airport's future development.

### *Tourism*

- Visitor arrivals increased by 54%, amounting to a record 36 million in 2010.

- The Ocean Park will soon become a world-class marine-themed park upon full completion of its redevelopment plan.
- The three new themed areas under the expansion programme of the Hong Kong Disneyland will be completed in phases by the end of 2013.
- Commenced a review on the regulatory framework of the tourism sector and will announce reform proposals shortly.

## **Broadening the economic base**

- Introduced the following major initiatives with regard to the development of the six industries where Hong Kong enjoys clear advantages:
  - (1) *Medical services*: Four sites for private hospital development will be granted in phases starting from next year. The setting of safety and quality standards for some 200 types of Chinese herbal medicine will be completed next year.
  - (2) *Environmental industries*: Invested more than \$30 billion in environmental infrastructure and projects, while formulating policies to promote the development of environmental and related professional services. Initiatives implemented include setting up the EcoPark, promoting carbon audit and electric vehicles, and helping the industry tap the business opportunities in the Mainland.
  - (3) *Testing and certification services*: Set up the Hong Kong Council for Testing and Certification. The Council is implementing a three-year industry development plan with focus on four

trades, namely Chinese medicine, construction materials, food and jewellery.

- (4) *Cultural and creative industries*: Set up Create Hong Kong to implement strategies for the development of creative industries. Also set up the \$300 million CreateSmart Initiative.
- (5) *Education services*: Launched a \$1.25 billion Government Scholarship Fund and a PhD Fellowship Scheme, doubled the quota of non-local students in public-funded institutions to 20%, and relaxed immigration restrictions for non-local students. To facilitate the development of the self-financing post-secondary education sector, made available 12 sites and set up a \$2.5 billion fund for quality enhancement and scholarships. Also made available four sites for building international schools, providing an additional 5 000 student places.
- (6) *Innovation and technology*: Commenced Phase 3 development of the Hong Kong Science Park, launched a Cash Rebate Scheme to encourage companies to invest more in research and development, and reinforced technological collaboration between the Mainland and Hong Kong through the launch of the Shenzhen-Hong Kong Innovation Circle and the provision of funding support for Partner State Key Laboratories in Hong Kong.

- Developed Hong Kong into a regional centre for dispute resolution. The International Court of Arbitration of the International Chamber of Commerce opened its Asia Office in Hong Kong. Enacted the new Arbitration Ordinance.
- With the exemption of wine duty, Hong Kong has become a regional hub for wine trading and distribution, and the world's largest wine auction centre.
- Hong Kong has become one of the most important art auction centres in the world, alongside London and New York.

## Regional co-operation

- Secured in the National 12th Five-Year Plan a dedicated chapter covering Hong Kong and Macao. This will have significant positive impact on Hong Kong's future development and on deepening economic co-operation with the Mainland.
- Signed a framework co-operation agreement with Guangdong, and actively participated in Shenzhen's planning for developing Qianhai into a Shenzhen-Hong Kong modern service industry co-operation zone.
- Stepped up exchanges and co-operation with Taiwan. The Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council was established to serve as a platform for direct communication between the two places. Will set up the Hong Kong Economic, Trade and Cultural Office in Taiwan soon.

## Democratic Development

- Secured the Decision by the Standing Committee of the National People's Congress to set a timetable for the full implementation of universal suffrage: for the Chief Executive in 2017, and for the Legislative Council in 2020.
- Moved Hong Kong's democratic development forward by securing the passage of the 2012 constitutional reform package.
- Further developed the political appointment system by adding two tiers of politically appointed officials.
- Introduced the phased abolition of appointed District Council (DC) seats and strengthened the role of DCs in the management of district facilities.