

The Chief Executive's Question and Answer Session at the Legislative Council

The Chief Executive's Written Statement

(3 May 2018)

Mr President, Honourable Members,

It has been about half a year since I delivered my inaugural Policy Address on 11 October last year. During this period, my colleagues and I have been keeping a close watch over the implementation progress of various initiatives and have from time to time reported the progress of individual items to the Legislative Council and the public. Today, I would like to make use of this Question and Answer Session to make a more comprehensive progress report to the Legislative Council.

2. My political team and my civil service colleagues have been working industriously over the past six months to implement over 250 policy initiatives announced in the Policy Address. These policy initiatives cover a wide spectrum of areas, including good governance, diversified economy, improving people's livelihood, nurturing talent, building a liveable city and connecting with young people. Overall, of all the initiatives announced in the Policy Address, about 12% (33 initiatives) have been completed. About 85% are progressing on schedule and only eight items are slightly lagging behind because the relevant consultation and drafting of legislation takes time. Among these items, four of them are related to the planning and engineering studies for reclamation outside the Victoria Harbour. I appreciate that it would not be easy to secure the Legislative Council's approval of the funding for these studies when the Task Force on Land Supply has only just commenced a five-month public engagement exercise. However, the need for "creating land" is imminent. I have asked the Development Bureau to consider how to take forward the related tasks. All Bureaux will also redouble their effort to take forward the relevant initiatives or to catch up. I will highlight some of the major achievements of our effort.

Good Governance

3. On enhancing governance, I would like to thank the Legislative Council for approving a number of re-organisation proposals I put forward, including the re-organisation of the Central Policy Unit as the Policy Innovation and Co-ordination Office and the

transfer of the Efficiency Unit and the Business Facilitation Division to the Innovation and Technology Bureau. These two organisational changes, which do not involve additional resources, will help drive innovation, enhance collaboration and improve operational efficiency in the Government, resulting in smoother administration. After the passage of the Appropriation Bill 2018, we will implement another re-organisation proposal, that is the transfer of the policy oversight over the Legal Aid Department from the Home Affairs Bureau to the Chief Secretary for Administration's Office to further underline the independence of our legal aid system. I have announced that, in order to take forward the work on various fronts and implement new initiatives to meet the expectations of the community, and to ease the work pressure on civil servants, we will increase the manpower in the civil service. The civil service establishment will expand by about 6 700 posts in this financial year, representing a 3.7% increase, which is the highest year-on-year increase since Hong Kong's return to the Motherland.

Diversified Economy

4. Developing innovation and technology will help nurture new industries in Hong Kong and provide quality employment opportunities for our young people. We have allocated additional funds of over \$50 billion in the 2018-19 Budget to further speed up the development of innovation and technology in Hong Kong, in an unprecedented manner, through diverse means such as investment in infrastructure, collaboration on research and development, nurturing start-ups and promoting the development of industries. The Innovation and Technology Bureau will progressively roll out and enhance a variety of supporting measures, including the establishment of a Postdoctoral Hub Programme and a Re-industrialisation and Technology Training Programme, the establishment of the research clusters on healthcare technologies and artificial intelligence and robotics technologies as well as the expansion of the Internship Programme. The relevant Bureaux are also reviewing the Government's procurement arrangements to incorporate tender requirements related to innovation and technology. The review is expected to be completed in the second quarter this year. On smart city development, the Government is taking forward a number of projects, including the "eID" project, the Multi-functional Smart Lampposts pilot scheme and the Next Generation Government Cloud Infrastructure and Big Data Analytics Platform. To attract emerging and innovative enterprises (including biotechnology enterprises) to list in Hong Kong to raise capital, the Stock Exchange of Hong Kong Limited published the conclusions of the consultation on amendments to the listing regime last Tuesday.

The new Listing Rules took effect on 30 April and companies may apply to list under the new regime starting from the same date.

5. As mentioned in my Policy Address, innovation and technology is not a single industry, but a new model of development. Thus, it requires collaboration and participation across Bureaux and Departments with steer from the most senior level. Within the Government, the Steering Committee on Innovation and Technology chaired by myself has entered into full gear. I have also convened two working luncheons, with the participation of a broad spectrum of overseas, Mainland and local experts, on the development of biotechnology and artificial intelligence/robotics technology in Hong Kong. In the past few months, I met with about 20 innovation and technology companies to establish connections and canvass their views on how Hong Kong could catch up in the development of innovation and technology.

6. To further feel the pulse of innovation and technology in Hong Kong and the related future development, I convened the first meeting of the Chief Executive's Council of Advisers on Innovation and Strategic Development this March. During the meeting, members were all looking forward eagerly to the Government's leadership in rallying the community to get prepared for the opportunities arising from two important national development initiatives – the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area Development. The Government signed the “Arrangement between the National Development and Reform Commission and the Government of the HKSAR for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative” last December. This Arrangement puts forward specific collaboration measures, covering various areas such as finance and investment, infrastructure and maritime services, economic and trade facilitation, people-to-people bonds, project interfacing and dispute resolution services, as well as taking forward the Guangdong-Hong Kong-Macao Bay Area Development. A Joint Conference mechanism will be set up between the Government and relevant Mainland authorities for regular and direct communication. In addition, the Government organised a seminar entitled "Strategies and Opportunities under the Belt and Road Initiative - Leveraging Hong Kong's Advantages, Meeting the Country's Needs" in conjunction with the newly established Belt and Road General Chamber of Commerce on 3 February 2018 at the Great Hall of the People in Beijing to promote to the relevant Mainland ministries and state-owned enterprises ways to make use of Hong Kong's highly internationalised platform and professional services for forming strategic partnerships to tap into overseas markets. The Belt and Road Summit, co-organised by the HKSAR Government and the

Hong Kong Trade Development Council for the third time, will be held on 28 June in Hong Kong. It will bring together governments from various countries as well as overseas, Mainland and local enterprises to explore co-operation on all fronts. I would like to thank the Finance Committee of the Legislative Council for approving on 27 April the funding application to establish the Belt and Road Office under the Commerce and Economic Development Bureau.

7. The opportunities arising from the Guangdong-Hong Kong-Macao Bay Area are even more exciting. I believe all Members who joined the visit to the five cities in the Bay Area last month would share the same feeling. Following the successive commissioning of the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Liantang/Heung Yuen Wai boundary control point, the “One-hour Living Circle” will become a reality, providing excellent infrastructural connectivity for the development of the Guangdong-Hong Kong-Macao Bay Area. The Steering Committee on Taking Forward Bay Area Development and Mainland Co-operation chaired by the Chief Secretary for Administration will steer and co-ordinate the Hong Kong Special Administrative Region’s participation in matters relating to the development of the Bay Area, in particular facilitation measures for Hong Kong people to pursue their careers, studies and investment in the Bay Area. We look forward eagerly to the Development Plan for the Guangdong-Hong Kong-Macao Bay Area to be promulgated by the Central People’s Government soon. The Constitutional and Mainland Affairs Bureau is now making preparations for the related promotion and publicity work.

8. The financial services sector is one of the four economic pillars of Hong Kong. The Financial Leaders Forum led by the Financial Secretary had already met three times within this short period to look into a number of proposals which will help further elevate Hong Kong’s status as an international financial centre. To promote mutual market access and with the support of the Central People’s Government, the daily quota for each of the northbound trading links under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and that for each of the southbound trading links has increased fourfold starting from 1 May. On the development of the bond market, the Financial Secretary announced in the 2018-19 Budget the launch of a Pilot Bond Grant Scheme and a green bond issuance programme with a borrowing ceiling of \$100 billion as well as the introduction of a Green Bond Grant Scheme. The Government will submit the relevant resolution to the Legislative Council as soon as possible. In addition, the Hong Kong Monetary Authority will launch the Faster Payment System in September, allowing banks and stored

value facilities operators to offer their customers faster and more convenient payment and transfer services. The Legislative Council has passed an amendment bill to implement the two-tiered profits tax rates regime. The Innovation and Technology Bureau just introduced an amendment bill into the Legislative Council yesterday to provide enhanced tax deduction for research and development expenditure.

9. The Commerce and Economic Development Bureau has already obtained the support of the Legislative Council Panel on Information Technology and Broadcasting to the proposed injection of \$1 billion into the CreateSmart Initiative, which will take effect upon the passage of the Appropriation Bill 2018. Out of this \$1 billion, we have earmarked around \$300 million for Hong Kong Design Centre to implement specified priority projects. Following the inauguration of the Zetta Bridge of the Qianhai Hong Kong-Shenzhen Design Innovation Hub jointly facilitated by the Shenzhen Government and ourselves, there is a prospect of reaching agreement on the Hong Kong-Chengdu Design Innovation Hub during my visit to Sichuan Province this month. This will enable the creative industries in the two places to enhance interaction and co-operation, and develop business opportunities together. To develop Hong Kong into a world-class premier tourism destination, the Commerce and Economic Development Bureau published the “Development Blueprint for Hong Kong’s Tourism Industry” last October. An additional \$396 million will be allocated for the tourism industry in this financial year.

Improving People’s Livelihood

10. On improving people’s livelihood, identifying land for housing construction to meet the community’s housing need is a priority task of the Government. The Task Force on Land Supply just commenced a five-month public consultation last Thursday with the aim of making recommendations to the Government by the end of this year on an enhanced overall land supply strategy and the priorities of different land supply options. On housing policy, the Hong Kong Housing Authority has agreed to regularise the Green Form Subsidised Home Ownership Scheme (GSH) and the White Form Secondary Market Scheme (WSM). The next GSH project has been confirmed and applications have been invited for a new round of WSM.

11. A number of measures on poverty alleviation, elderly care and support for the disadvantaged announced in the Policy Address are being implemented one by one. These measures include the improvement measures to the Low-income Working Family Allowance Scheme, which was renamed the Working Family Allowance Scheme, implemented from 1 April; the injection of \$400 million into the

Partnership Fund for the Disadvantaged, the injection of \$300 million into the Child Development Fund and an additional allocation of \$447 million to the Short-term Food Assistance Service; implementing the Higher Old Age Living Allowance on 1 June to provide a monthly allowance of \$3,485 to eligible elderly persons; regularising the Pilot Scheme on On-site Pre-school Rehabilitation Services and the Pilot Project on Strengthening Support for Persons with Autism and their Parents/Carers in October; launching the \$1 billion Innovation and Technology Fund for Application in Elderly and Rehabilitation Care in the fourth quarter of this year to subsidise elderly and rehabilitation service units in procuring technology products; and launching the Public Transport Fare Subsidy Scheme in the first quarter of 2019.

12. On employees' rights, the Government has put forward a preliminary idea on the abolition of the offsetting arrangement of the mandatory provident fund and is exchanging views with the business and labour sectors. In addition, the proposal of extending the duration of the statutory paternity leave from three days to five days has received the support of both the Labour Advisory Board and the Legislative Council Panel on Manpower. The Labour Department is preparing the enabling legislation. The Labour Department has also commenced a review on the statutory maternity leave. The Government attaches importance to children's right and the Commission on Children is expected to be set up in mid-2018 as scheduled.

13. As regards health care, we appreciate that frontline healthcare professionals are under immense pressure and we have already implemented a number of measures in response. We will increase the total recurrent subvention to the Hospital Authority (HA) to \$61.5 billion in this financial year, representing an increase of 10.7% over the last financial year. The Government has also undertaken to increase the annual recurrent subvention for HA progressively having regard to population growth and demographic changes. From this financial year onwards, we will allocate additional resources to HA for hiring healthcare staff in various disciplines to alleviate the manpower shortage. In the long run, we will vigorously promote primary healthcare to reduce the demand for hospitalisation. In this regard, the Steering Committee on Primary Healthcare Development is formulating the related development strategies and a blueprint for primary healthcare services. Furthermore, the Government announced details of the Voluntary Health Insurance Scheme on 1 March. To provide for the relevant tax deduction, the Government plans to introduce a bill to amend the Inland Revenue Ordinance into the Legislative Council in the second quarter of this year.

Nurturing Talent

14. Education is an important social investment. The measures to be funded by the new education resources have all been implemented and will bring benefits to different parties. At present, about 20 000 students pursuing undergraduate studies in self-financing institutions in Hong Kong are receiving an annual subsidy of \$30,000 under the non-means-tested subsidy scheme. There are 2 200 additional regular teaching posts in this academic year. A recurrent Information Technology Staffing Support Grant of \$25,000 a month is provided to each public sector primary and secondary school, and coordinators to provide better support for students with special education need are gradually reporting for duty. Regarding the eight key areas of education which require further examination as mentioned in my Policy Address, the Education Bureau, the Education Commission and the University Grants Committee have set up seven Task Forces to review seven of these areas. Their work is making good progress and two to three Task Forces will soon consult stakeholders on their preliminary recommendations. I hope we can reach consensus with the education sector as we did in respect of the new education resources when I was the Chief Executive-Elect. These consultations to be carried out will help the Government determine at an early date how to make use of the additional \$3.4 billion of recurrent education expenditure already earmarked. As for the eighth area, i.e., the Territory-wide System Assessment and school-based assessment, after thorough consideration of the views of experts, schools, teachers and parents, the Education Bureau has already announced the arrangements for 2018 and subsequent years. Furthermore, the Finance Committee of the Legislative Council has approved an injection of \$3 billion into the Research Endowment Fund for the provision of studentship to local students enrolled in University Grants Committee-funded research postgraduate programmes to cover their tuition fee starting from the 2018-19 academic year. The proposal to inject an additional \$8.5 billion into the Continuing Education Fund has also received the support of the Legislative Council Panel on Manpower.

Liveable City

15. Regarding the development of a livable city, we have earmarked \$3 billion for “Operation Building Bright 2.0” to provide subsidy for property owners of higher risk buildings to carry out necessary inspection and repair works. Upon the passage of the Appropriation Bill 2018, we will invite the first round of applications in mid-2018. The Government has been working in close collaboration with the construction industry to promote the adoption of technology and innovative construction methods so as to improve productivity and

cost-effectiveness. The Government has announced the setting up of a Construction Innovation and Technology Fund, at a sum of \$1 billion, to boost the capability of enterprises and practitioners in the adoption of new technology and to support the industry, professionals and students in harnessing innovation and advanced technology. On transport infrastructure, a number of projects are in full swing. These projects include the Central-Wanchai Bypass and the Island Eastern Corridor Link, the Tseung Kwan O-Lam Tin Tunnel and the Central Kowloon Route. The Government will seek funding support from the Legislative Council later for the construction of the Cross Bay Link and the widening of Tai Po Road (Shatin Section). To alleviate traffic congestion, the Transport Department is conducting a feasibility study on the Electronic Road Pricing Pilot Scheme in Central and Its Adjacent Areas and is actively pursuing a number of measures to increase parking spaces. The Government will continue to promote “Walk in HK” with a view to fostering a pedestrian-friendly environment.

16. Environmental protection and conservation is crucial for improving the quality of life in a city. The Environment Bureau is pursuing a number of initiatives as planned, including the introduction of Feed-in Tariff to encourage the development of renewable energy in the community, preparing for the implementation of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, drafting legislation to mandate vessels in Hong Kong waters to use low sulphur fuel and reviewing the Air Quality Objectives. We expect that the Countryside Conservation Office will be set up in 2018-19 and the Government has earmarked \$1 billion for taking forward related conservation and revitalisation effort as well as minor improvement works.

17. On the promotion of sports and arts, the Pilot Scheme for Elite Vote Support System for Disability Sports was launched last December. The Five-Year Development Programme for Team Sports was launched in January to provide additional funding to the relevant national sports associations of 8 team sports. Upon the passage of the Appropriation Bill 2018, the Government will increase the funding for arts groups of various scales from 2018-19 onwards and inject an additional \$500 million into the Art Development Matching Grants Pilot Scheme. We will progressively increase recurrent funding to support arts groups and artists in Hong Kong to perform and stage exhibitions outside Hong Kong and to support their cultural exchanges in the Bay Area.

Connecting with Young People

18. Youth development work is multi-layered and multi-dimensional, cutting across different policy areas. I mentioned in the Policy Address that the Government needs to do its best in youth development work. In the past six months, all Bureaux and Departments have put this thinking into practice in various aspects of their work. In particular, I would like to highlight that the Youth Development Commission chaired by the Chief Secretary for Administration was established this April. The Commission will provide steer to relevant Bureaux in implementing the policy initiatives it has recommended and making good use of the \$1 billion earmarked in the Budget to promote youth development. In the light of the overwhelming response to the Pilot Member Self-recommendation Scheme for Youth since its launch last October, the Government has decided to regularise the Scheme and will extend it to another ten committees in the next round of applications to be launched in June. The Policy Innovation and Co-ordination Office has largely completed the recruitment of about 20 Policy and Project Co-ordination Officers and is making offers of appointment. Furthermore, the Government launched the Space Sharing Scheme for Youth in late 2017. We expect that recruitment of young end-users for the first batch of properties, with a total floor area of about 90 000 square feet, will commence in the first half of this year.

Conclusion

19. Mr President, Honourable Members, in this legislative year, the Legislative Council has passed 18 bills and is scrutinising another 12. There are about two months before this year's recess and the Government is planning to introduce over 10 more bills into the Council. In late March, I met with Members of different political parties/groups, urging the Finance Committee and its two subcommittees to give the green light to various initiatives which would benefit the community so as to develop the economy and improve people's livelihood. In parallel, the Government would try to be more accommodating when setting the agenda so as to focus on those initiatives that are related to people's livelihood as well as the time-critical initiatives. I notice that there has been visible improvement in the work progress in this regard and I would like to thank Members for holding additional meetings. Since late March, the Public Works Subcommittee has endorsed ten items, of which eight did not require separate discussion in the Finance Committee. The Establishment Subcommittee has endorsed six items, out of which two did not require separate discussion. The Finance Committee has also approved ten items. In the remaining two months, we will step-by-step

submit a variety of initiatives that are related to people's livelihood or are time-critical for Members' scrutiny.

20. Mr President, Honourable Members, there remains plenty of work which urgently requires Members' support. The most important of all is the early passage of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Co-location) Bill in order to meet the target of commissioning the Hong Kong Section of the Express Rail Link this September. My team members and myself will, as always, make our best endeavours in explaining our policies and seeking Members' support in the implementation of policies that would bring benefits to the community. I hope that Members will continue to adopt a pragmatic approach in their deliberations in pursuit of the best interests of the community.

21. Thank you, Mr President.