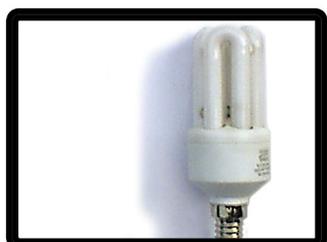


An Alternative

Policy Address: 2007-2008



Christine Loh

4 October 2007

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Preface

In writing this year's Alternative Policy Address, we are keeping to our tradition of publishing an alternative address prior to that of the Chief Executive of the Hong Kong Special Administrative Region, which will be delivered in the Hong Kong Legislative Council on 10 October this year.

In preparation, I looked at the Chief Executive's election platform and his post-election statements. There are many assertions and lists of initiatives but few policies which have been well-fleshed out, nor are the values behind the initiatives clearly articulated. I believe this points to a reactive style of administration that is driven by events and crises rather than long-term thinking. This Alternative Policy Address starts by putting forward a set of governing principles and values from which the proposed initiatives then follow.

I have placed sustainable development at the core of the exercise. I hope the case for much more sensitive development has been made. I am aware that not all major policy areas have been covered but I hope this short address has sufficiently spotlighted an approach to setting Hong Kong on a new path for the next five years. Many of the ideas have been drawn from Civic Exchange's research.

I must thank the many researchers who have done work for Civic Exchange over the years whose ideas I have drawn upon. There are too many to name. A quick look at the footnotes will show who they are. For the production of the Alternative Policy Address, I want to thank Carine Lai for her innovative layout and design, Yip Yan-yan for managing the publication process, Michele Weldon for coordinating various aspects of the work, and Pauline Poon and Joanne Chiu for the translation.

Christine Loh
Chief Executive Officer

4 October 2007

Introduction

1. We have just commemorated the tenth anniversary of the establishment of the Hong Kong Special Administrative Region (HKSAR). There has been an election for the office of the Chief Executive and this is the first policy address of my new term of office.
2. I received many comments and criticisms on my election blueprint,¹ which I have reflected upon and digested. I will now lay out my plans for the coming five years, which I hope will meet the people's aspirations.

Matter of Philosophy²

Personal vision

3. Let me start by explaining what drives me to lead. I believe human beings can transform their worlds. Humanity's mission in this era is to build a sustainable world that is environmentally sound and socially just. I want to play a part in creating this world and I cannot succeed if I do not embody these changes. Also, I will fail if I am unable to engage others to draw on their potential for change.

Policy of sustainable development

4. My key policy focus over the next five years is to pursue sustainable development, which is consistent with China's overall priority.³ To sustain something means to enable it to continue for a long time. Thus, sustainable development does not deplete or undermine what our community requires to meet both today's needs and those of the next generation.
5. This means I want to protect the environment and invest in our ecological capital because the natural environment is the envelope within which all life exists. It also means valuing people, not just productivity and efficiency, because our common humanity demands it.

Sustainability as economic driver

6. Wealth can be created to improve livelihoods and at the same time enhance environmental conditions. Indeed, in today's world, environmental sustainability and climate change are key drivers for economic development and innovation. I have no doubt that the world will increasingly reward those economies that are energy efficient⁴ and low-carbon.

WHAT GUIDED THIS ALTERNATIVE POLICY ADDRESS

Our Concerns

1. Officials' fear of 'marginalisation' results in government intervention.
2. Leaders still have building 'hardware' mentality and are sub-par in 'software' areas – environment, health, education, public institutions, governance.
3. AO culture a barrier to policy innovation.
4. Mainland sees HK's weakness but not necessarily its strengths.
5. Government unable to deal with demanding and dissatisfied public.

Our Alternative Framing

1. Sustainability is profitable, not costly.
2. Government procurement is an effective sustainability tool.
3. Understand Mainland resources priorities.
4. Help build South China's influence.
5. Be 'international' – do what no other Chinese city can do.
6. Believe in HK people.

7. How can Hong Kong get on the sustainability path sooner rather than later? The government's role is not only to steer but also to serve Hong Kong and its people by achieving real sustainability. We need to set judicious policies that will energise competitive enterprise to capture opportunities for our companies and citizens to create wealth via the path to sustainability.

Sustainable and market-oriented

8. In devising and implementing our policies, we will seek to protect public health, safety and security; enhance equity, choice and competition; and remove unnecessary obstacles to the proper functioning of markets.
9. We will abide by free market principles. We will set the rules of a free and fair marketplace, not choose its outcomes. The government will not seek to supplant private enterprise. Our goal is to help shift market choices by tightening standards, using government procurement as a lever for change, expanding alternatives for fair access to markets, and purging perverse incentives that stand in the way of Hong Kong achieving sustainability.

How policies will be shaped

10. In shaping policies and policy instruments, our principle is to be guided by evidence and to be result-based. My approach will be company and technology-neutral in that we will not favour specific businesses and technologies. After all, the role of the government is to be fair, non-discriminatory, and to accelerate innovation. We are not here to bet on winners. We also favour policy instruments that are revenue-neutral (paying for themselves with no net flow to or from the Treasury).

OUR POLICY PRINCIPLES

1. Protect health, safety, security;
2. Enhance equity, choice and competition;
3. Abide by free market principles;
4. Remove unnecessary obstacles to proper functioning of markets;
5. Ensure policies are evidence-based, and company, technology and revenue neutral; and
6. Engage the public.

Matter of Governance

Good governance, transparent decisions

11. The practice of good governance is essentially about being open and accountable both in decision-making and in the process of how decisions are implemented.⁵ This is easier said than done. There are certain realities about public institutions which are seldom acknowledged and discussed.

Public sector challenges

12. Government is a monopoly. Politicians and bureaucrats can become risk averse, inward-looking and unresponsive. Budget allocations are often based on political considerations and not on achieving higher service standards or meeting cost benchmarks. There is little real accountability because measuring managerial performance in such circumstances is not easy, and large bureaucracies often lack incentives for improvements and change.

13. Yet, the pressures on government are huge. There is the constant clash everywhere between the public's desire for change and progress and its concern for stability and security. The rapid pace of social change, technological innovation and globalisation quickly makes today's policies outdated and irrelevant. Increasing complexity of policy issues means politicians and bureaucrats have to be bolder and more creative than ever in grappling with challenges. They also have to ensure that all agencies and institutions work together productively to solve problems. Hierarchy and the culture of top-down command too often discourage the free discussion of new ideas and initiatives and do nothing to encourage a culture of cooperation among the agencies and individuals responsible for their implementation.

14. There is also a special challenge for government in Hong Kong. Our people aspire to the best and expect their community to match the achievements of the rest of the world's leading cities. This makes them relentless critics of every aspect of government activity. Therefore, we need efficient and dynamic governance that can review and renew policies constantly. We need to find better ways to meet changing needs, improve performance, and incorporate new ideas and learning from outside the government.

Is AO culture obsolete?

15. We need to examine the Administrative Officer system and culture. Elitist and inward-looking, a common complaint of professional staff within the service is that generalist-trained Administrative Officers are often unable to grasp technical issues to chart the right policies.⁶ I suspect the system needs an overhaul. The risk the government faces is that we too often fail to perceive or understand the changes in circumstances that make current policies and structures obsolete and ineffective. This includes allowing our prejudices and preconceptions, and our personal loyalties, to filter out certain perceptions or colour the interpretations of new developments. The Administrative Service has served our community well, and we need to make the best use of its pool of talent. However, we must also recognise that in a modern and cosmopolitan society like ours, highly educated and creative talent is widely spread throughout the community. Expertise within the private sector, the NGOs and the academic institutions is a resource which we cannot afford to ignore. Administrative Officers' ability to establish links with experts outside the government is a major challenge if Hong Kong is to mobilise its full potential as Asia's leading business centre and most people-friendly city.

Good leadership

16. As Chief Executive, I have a special responsibility to encourage a new internal culture of having honest discussions within the Executive Council, among political appointees and with civil servants up-and-down the ranks. We must also have frank dialogue within our consultative bodies, and with civil society. We must think ahead, think across, and sometimes think again.

Engage hearts and minds

17. Moreover, a society's advancement requires an enabling environment for its citizens. To foster consensus on policy goals, we need to improve our consultation procedures and actively involve people in every stage of policy

GOVERNANCE

1. Enhance openness and transparency;
2. Rebalance AO vs. Professionals grades;
3. Use 'Sustainability Tools' for public engagement;
4. Pass laws – Access to Information, Archives, and Open Meetings;
5. Collaborate cross-boundary; and
6. Deal with democratic aspirations positively.

development. The complexity involved in policy formulation or re-formulation, legitimisation of a new way of doing things, constituency-building, capacity-building across many sectors and players, accessing resources and mobilising action in effect means that the government is only one of the drivers—albeit a very important one—to make things happen. This is a new style of government, with its own jargon. But its goal is very simple: to make sure that our people genuinely believe that the government belongs to them and that Hong Kong people are truly ruling Hong Kong.

SUSTAINABILITY TOOLS

These skills help us to:

1. Listen;
2. Design and convene meetings;
3. Deliberate, Dialogue, Debate;
4. Deal with assumptions;
5. Identify mutuality and disagreement; and
6. Transform conflict into opportunity.

18. Therefore, we need to find new ways to enable our people to participate in making decisions. We must actively engage the hearts, minds and energy of our community. I want to create a sense of real citizenship among our people because as citizens we can better focus on the long-term and the common good. This is what I mean by creating a 'people-based' government. This is how a 'harmonious society' can be built.⁷

Introduce 'Sustainability Tools'

19. Engaging the people is not just a desire to hear what they have to say. Engagement is an active form of taking part in politics. It is not just about setting up committees and consultative bodies. We know from experience that creating an advisory body or even a new authority is not enough by itself. Everyone in government needs to be convinced that the public genuinely feels part of the process, and is fully engaged in making decisions and assessing what officials do. Every public servant needs to be aware of why dialogue with the community is essential for effective performance. I have asked the Secretary for Home Affairs to draw up a priority programme to achieve these goals.⁸ Indeed, we need to develop a set of Sustainability Tools to help us with effective engagement with the community.⁹

Tidying up good governance measures

20. Over the course of the next five years, I want to work with the Legislative Council to strengthen the foundation of our governance practices. I will propose the following pieces of legislation:
- **Access to Information Bill:** We have had an administrative code for more than a decade.¹⁰ It is time to put it into law so that our citizens will have a right to access official information.

- **Archives Bill:**¹¹ We have so far operated our public records using administrative regulations. This is inadequate, as can be shown by the fact that China, Macau and most other jurisdictions have a system to preserve official files and records which is enforced by legislation. We must catch up.
- **Open Meetings Bill:**¹² We have also had a decade of experiments with open meetings of various consultative bodies. It is time to create legal standards for all public bodies.

Universal suffrage

21. The consultation period for the Green Paper on Constitutional Development, published in July, ends today.¹³ We will report on the public responses we have received, and it will be my job to put the community's views to the Central Authorities fully and accurately.
22. I note that the Legislative Council by-election on Hong Kong Island has drawn two former civil servants to contest the seat.¹⁴ I view this course of events positively. To develop politics in Hong Kong, we have drawn on the civil service to make political appointments, and now we see former officials developing into politicians via the ballot box.
23. I hope that there will be an early opportunity for Hong Kong to reform its political system and to fulfil the Basic Law's constitutional pledge of universal suffrage.

Cross-boundary collaboration

24. Let me end my introduction by saying something about collaboration between Hong Kong and Guangdong, as well as with national authorities. Having spent many years dealing with cross-boundary matters, I have come to realise that the jurisdictional differences, which create many day-to-day challenges, are actually the very factors that drive solutions. By fostering mutual respect, openness and trust, we are able to change relationships, practices and institutions so that we can create new ways to solve cross-boundary problems. My administration will continue to work on creating a vibrant, collaborative and sustainable neighbourhood in South China, as well as building links with other parts of the nation.

The Economy

25. Over the past decade, we have survived two serious economic downturns. Fortunately, our economy is in good shape again with GDP growth up to 6.8% in 2006 and inflation at a modest 2%. We have held government spending under 20% of GDP and are running a fiscal surplus of HK\$70 billion a year.

Slower population growth

26. The latest population projections indicate that, given present fertility rates, Hong Kong will have a population of 8.57 million by 2036, which is considerably less than past predictions.¹⁵ This gives us breathing space to invest in both our human and environmental capital, which can be done by improving the educational experience of our youngsters, cleaning up the environment, and redesigning the city so that Hong Kong becomes a city of choice nationally and internationally.

Growth based on knowledge

27. This approach will also enable us to fulfil the national 11th Five-Year Plan laid out for Hong Kong as “an international centre for financial services, trade and shipping”.¹⁶ The vision is about building a knowledge-based society that manages high-value global services in finance, commerce and trade, as well as in other fields of endeavour. We must also understand that the best way to retain and attract top-quality people in these fields is to provide a high quality of life.

Sustainable public projects

28. In the past, the government tried to drive economic growth through building infrastructure projects, few of which could be said to follow sustainability principles. Indeed, I have been criticised for being unduly influenced by the construction lobby in pushing the building of physical infrastructure.¹⁷ The Secretary for Development is reviewing projects to ensure they meet public aspirations and sustainable development principles.¹⁸ In order to redesign the cityscape for efficiency, functionality, sustainability, comfort, health and beauty, I acknowledge that we need to change the ways we do things.

ECONOMY (I)—DEVELOPMENT PROJECTS

1. Slower population growth provides a breather;
2. Observe sustainable and quality principles;
3. Reconstruct and restore city and countryside; for quality, health, functionality;
4. Abandon idea for CT10; and
5. Shrink Kwai Chung terminals.

29. Up until now, we have given priority to speed because we had to meet a rapidly growing population. Now we can spend more time on ensuring quality, and on planning and design. We can concern ourselves more with the details of projects and set ambitious targets for them. One of our priorities will be the waterfront of Victoria Harbour, which is an enormous asset and resource that has never been fully appreciated. We have already pledged to stop harbour reclamation,¹⁹ and we must now focus on redesigning the waterfront with posterity in mind. I am disappointed that our stunning harbour has been described as the “worst” in the world.²⁰ We must change this.

ECONOMY (II)

1. Review Capital Works Reserve Fund;
2. Review land-related policies;
3. Pass competition law soon;
4. Promote maritime and trade services;
5. Do not subsidise manufacturing;
6. Explore extra-territorial enforcement of environmental breaches in Guangdong;
7. Use knowledge and people for growth; and
8. Enhance relations with Shenzhen.

CWRF and land-related policies

30. It makes sense to review the Capital Works Reserve Fund, which currently has HK\$29 billion budgeted a year for public works.²¹ The Financial Secretary will say more on this prior to the next Budget. From an initial assessment, some of this money should go to reshaping the city, expanding the rail network and restoring our ecology in the short-term.
31. A review of the Capital Works Reserve Fund will necessarily also open up a much-needed discussion on how Hong Kong taxes land. I suspect this discussion may well focus debate on the changes that need to be made to our land policies. This topic will arouse much controversy because it cuts across many areas of interest. However, there are issues involved which we must discuss frankly and fearlessly because of the special role that land plays in the fortunes of a city as densely-populated as ours.

Vibrant and sustainable neighbourhood

32. A critical aspect of infrastructure planning and design is to ensure that our plans and those of Shenzhen, Macau, Zhuhai and Guangdong dovetail. This has not always been easy as there are various local interests to sort out, as can be seen from the slow pace of negotiations over the Hong Kong-Zhuhai-Macau bridge.²²
33. We have started to explore with Shenzhen plans for the growth of our two cities. We are already becoming one physical metropolitan area, each of which retains its distinct administrative and legal systems. While there is much hard work ahead to ensure the smooth movement of people, and environmental regulation in particular, it will also be very exciting to develop a collaboration through which we can jointly build a bright future for our residents. Together

with the Shenzhen authorities, we will be releasing proposals from time to time for public comment as we continue to explore plans.²³

Not being 'marginalised'

34. In considering Hong Kong's future, there is one line of rhetoric I would like to dispel. Hong Kong is not being marginalised by the growth of the Mainland. First, China is a very large and heavily populated country. It has always contained many important cities and different economic regions. Second, we are an important pillar of the Hong Kong-Macau-Guangdong region, arguably the most dynamic zone in the nation. Third, the 9+2 Pan-PRD Cooperation and Development Forum, which includes Hong Kong, in effect represents the wider arc of our hinterland. Hong Kong people need to see themselves as part of a very large nation.²⁴

Non-intervention

35. On financial services, the Exchange Fund's purchase of 5.88% of the Hong Kong Exchanges and Clearing on 7 September is not an expression of increasing intervention by the government. There has been talk in the market that we bought shares because of our interest in promoting arbitrage opportunities with Mainland exchanges.²⁵ I am concerned that our officials may have given the impression that this is a workable or good idea. It is neither.²⁶ After all, the regulatory regimes of the Hong Kong and Mainland markets are very different, the Mainland's capital account remains closed and there are restrictions on the convertibility of the Renminbi. Investors in and outside the Mainland are not allowed to trade in each other's markets except under certain specified schemes. The best way forward is not to expect early integration but to seek the rapid improvement of information flows between the markets.

36. I wish to make clear that the HKSAR Government is not in an acquisition mode. We have not abandoned our longstanding commitment to non-intervention.²⁷ Indeed, the government has no need to have an equity portfolio except for limited and technical reasons, and it has long been our principle to return the shares we hold in Hong Kong equities back to the market in an orderly manner.

37. I acknowledge that the HKSAR Government has accumulated significant surplus funds as a result of the gains the Exchange Fund has made from its stock holdings. This puts us in the position of being able to make public investments for some years to come. Because of our system of budget accounting, we can only draw on the accumulated

ECONOMY (III)

1. Be non-interventionist.
2. Sell down government stock holdings.
3. Improve information flow between markets and corporate governance.
4. Return funds to taxpayers.
5. Inform and facilitate debate on projects and services priorities.

funds by running budget deficits. You are all familiar with Article 107 of the Basic Law requiring us to “achieve a fiscal balance, and avoid deficits”. In extraordinary times, where the economy is weak, or as in the present case, where the government has accumulated exceptionally large surplus funds, running a deficit for a few budgets is a reasonable move. It is in fact a restoration of fiscal balance by returning to the community funds accumulated through excessive budget surpluses in the past. This money belongs to the community. It can be returned either through enhanced services and projects or by tax reductions. The Financial Secretary is currently examining what tax cuts we can introduce next year, particularly with a view to holding down inflationary pressures on our families, a goal he has recently made public.

38. I ask you to consider the capital and recurrent expenditures I propose in this policy address against the backdrop of the government’s considerable wealth and how you want that wealth to be used.

Logistics and terminal operations²⁸

39. On the logistics front, more cargo handling is taking place on the Mainland. Shenzhen’s container terminals will probably handle more tonnage than Kwai Chung in the near future. This should not worry us unduly as the process will be gradual and there will be no job losses in the foreseeable future because tonnage remains high. In truth, the physical handling of cargo is a sunset industry for Hong Kong. Shenzhen has the comparative advantages of having more land to expand and lower costs. We do not. There is no point in Hong Kong trying to compete with Shenzhen by building more terminals.
40. This is a state of affairs that terminal operators have long anticipated. They have invested heavily in ports in Shenzhen and elsewhere in China. I see no reason for us to push ahead with Container Terminal No. 10, therefore, and the complementary logistics infrastructure on Lantau Island.
41. The patterns of cargo movement will change as more cargo handling capacity grows on the Mainland. Hong Kong will handle less transshipment cargo. This means we can start to prepare for the day when our Kwai Chung terminals can be cut back and valuable waterfront land can be released for higher-value commercial, residential and recreational uses.
42. Let me however emphasise one thing. Reduction in transshipment cargo through our port is not a sign that Hong Kong entrepreneurs and companies are becoming less important in the manufacturing trade. We believe Hong Kong’s manufacturing sector remains strong and our companies will generate more direct shipments from various ports of origin on the Mainland and elsewhere.

Manufacturing

43. Our manufacturers are facing challenges in production on the Mainland. This sector knows it needs to upgrade the quality of its products and the management of its enterprises in order to compete. The Mainland authorities want to move on from basic processing trade to higher value production. They are making low-value production relocate away from the heart of the Pearl River Delta to less developed areas, and they are becoming more vigorous in enforcing environmental standards. The government has already done its best to clarify various new Mainland regulations that affect our manufacturers. There is no question, however, of using public funds to provide subsidies for Hong Kong enterprises on the Mainland.²⁹

Extra-territorial enforcement

44. It has to be acknowledged that our manufacturers (as well as those from other places) have created major environmental liabilities across the border over the years. Too many of them have not observed responsible environmental practices. We have begun discussions with Guangdong to see if we can put in place extra-territorial legislation so that Hong Kong companies which pollute in Guangdong can be prosecuted in Hong Kong.³⁰ I realise this measure will prove controversial but a majority in our society now recognises that the consequences of irresponsibility include higher public health costs and loss of labour productivity on both sides of the boundary.

Promote maritime services

45. It is time to see how we can give a positive boost to our maritime services. Shipping has always been an important activity here. Indeed, it is the main reason for Hong Kong's existence. We are currently the world's fifth largest shipping register. Hong Kong has undoubted expertise in ship owning and management, registration, financing, insurance, and broking. My government is making a renewed effort to promote Hong Kong as an international maritime services centre and will try to attract ship owners to register their ships here.³¹

Competition and sustainability

46. Hong Kong's domestic economy is dominated by property and logistics. Much of these sectors are controlled by the city's business conglomerates. We will be bringing forward a new competition law shortly. It is designed to create competition in the domestic economy,³² and we look forward to its speedy passage by the Legislative Council.
47. Moreover, we will also be reviewing building and energy codes to ensure that new buildings meet much higher energy and environmental standards and also that Hong Kong's existing building stock will be retrofitted to improve performance. As for logistics, our goal is to improve its environmental performance, which I will address later.

Quality Environment and Health

48. I am going to take a new, high priority approach to environmental protection and ecological restoration. We are not yet doing enough to clean up the environment and enhance our ecological assets, when this should be a key economic and public health goal, as well as a quality of life driver. I have briefed the Executive Council this morning that setting Hong Kong on the path to environmental sustainability is this administration's top goal for the next five years.

Ambitious goals

49. We will review all areas of environmental standards to ensure Hong Kong is not out of step with other major financial centres, namely London, New York and Tokyo.³³ They are of course not the cleanest of cities but their air quality is better than ours. My policy is to improve outdoor air quality to the point where air pollution no longer poses a significant risk to human health as it does at present.³⁴ Over the next five years, we will work hard to close the gap with them. We will undertake many initiatives, as shown in our ambitious timeline (see appendix), which will require the cooperation of the Legislative Council and public support.³⁵

50. We will focus on improving air and water quality, energy performance, and emissions standards. We will release new policies for consultation on energy,³⁶ climate change,³⁷ ecological restoration,³⁸ marine emissions and port management, and land transportation. We will work with the Mainland on climate change issues, and

AIR POLICY

The goal is to improve outdoor air quality to the point where air pollution no longer poses a significant risk to human health.

we will join the C40 Cities so as to share best practices with other major cities around the world.³⁹ I am pleased to see that Hong Kong Exchanges and Clearing has embarked on a study to explore using its trading platform to develop emissions-related products, as I am sure this will be important for the development of our financial markets.⁴⁰

ENVIRONMENT

1. Aim to be as clean as London, New York, Tokyo;
2. Invest in environmental and health research;
3. Push energy and resource efficiency;
4. Clean up marine and port operation emissions with Shenzhen;
5. Sign on Project 863 with Guangdong;
6. Collaborate with Guangdong/Guangzhou to clean-up for Asian Games 2010;
7. Impose extra-territorial responsibility against polluters;
8. HATS – commit to biological treatment;
9. Conserve water and protect Pearl River watershed;
10. Limit indoor construction noise; and
11. Restore ecological assets.

Policy links between environment and health

51. I have asked the Secretary for Food and Health and the Secretary for the Environment to collaborate in examining disease patterns so we understand the link between the environment, health and the associated chronic and acute risks. This will help us all to see the costs and benefits more clearly, and design optimal policies. We will ensure there is adequate funding, and we will collaborate with private sector public health and environmental experts so as to engage fully the total pool of knowledge and experience of Hong Kong.

Schemes of control negotiations

52. In our latest round of negotiations with the two power companies on their Schemes of Control agreements, due to be renewed in 2008, we have put forward a new concept which reflects what we think a forward-looking energy policy should comprise. We have made clear to the utilities that the government's goal is for Hong Kong to achieve much higher levels of energy efficiency. We are willing to decouple the amount of electricity sold from the power companies' profits, so that they are no longer linked so closely to the total volume of sales. Utilities will then have a real incentive to maximise their efforts to pursue energy efficiency, help customers become more energy efficient, and not just increase consumption.⁴¹

53. We have also indicated a potential interest in buying the power grid because we want to explore opening up the power sector in the future to other suppliers who can generate cleaner power. Such a move will likely stimulate the development of small-scale distributed power from other, including renewable sources, which will put Hong Kong in a good position in the future as there is already a quiet revolution going on around the world in favour of these forms of power generation.⁴² We are also studying an alternative model for creating genuine competition in the power industry. We are reviewing our experience of the telecommunications industry

PROPOSED ENERGY POLICY

The objective of an integrated energy policy is to ensure that the public can enjoy reliable and safe energy supplies at reasonable prices within an energy system that:

1. Provides energy services at least cost to society;
2. Does not waste scarce energy resources; generates and uses energy highly efficiently;
3. Seeks to spur economic growth; protects the environment;
4. Reduces Hong Kong's contribution to climate change;
5. Increases human resource productivity; and
6. Promotes public health.

ACTION

1. Identify HK's energy security risks;
2. Devise comprehensive energy policy including fuel mix for power generation and transportation;
3. Push energy efficiency in all sectors: revise codes, use government procurement, reward utilities etc; and
4. Leave room in SoC to allow small-scale distributed power generation.

where we have had considerable success in raising efficiency by giving new, independent suppliers access to the existing distribution network.

Land transport

54. With land transport, our goal is to take the most polluting vehicles (EURO I and II diesel vehicles) off the road by 2010. We will create a much more extensive rail network to attract the public away from road transport. We will redesign parts of the city to make the pedestrian experience much more pleasant and extensive, and we will explore using pricing mechanisms (road pricing) to change behaviour in road usage.

Pollution from ships and port operations

55. On marine transport, we will set new fuel standards for ships; work with the shipping and port operations sector to develop a forward-looking Green Port policy; and collaborate with the Shenzhen authorities to clean up our shipping and port operations on both sides of the border so as to reduce health risks to our citizens.⁴³

Regional air management

56. On managing regional air pollution, the establishment of a PRD Regional Air Quality management plan in 2003 and subsequent air monitoring network was a major step in the right direction. Hong Kong and Guangdong are both working hard to meet the targets we promised to achieve by 2010.⁴⁴ We are going to collaborate with Guangdong to strengthen regional air quality work further. We will for example develop the structure for a dynamic emissions inventory to enable better joint air management in the future.⁴⁵ We have also joined the Guangdong-led 'Project 863' to cooperate on air quality and technology research over the next five years.⁴⁶ Moreover, we will work closely with Guangzhou and all the relevant authorities to improve regional air quality for the Asian Games 2010 in Guangzhou.⁴⁷ In time, Hong Kong and Guangdong will need to explore how to create a joint air monitoring and management system.

ROAD TRANSPORTATION

1. Devise overarching strategy for cleaner vehicles and fuels;
2. Improve planning and urban design to reduce 'street canyon effect';
3. Ban pre-Euro and Euro I diesel vehicles by end 2010; and
4. Prioritise rail vs. road.

SHIPPING AND PORT OPERATIONS

1. Reduce vessel speed within harbour;
2. Use ULSD on vessels' propulsion and auxiliary engines within harbour;
3. Use latest technology in emission abatement;
4. Retrofit local crafts' engines;
5. Provide shoreline power;
6. Lobby for 1% sulphur cap worldwide for shipping fuel; and
7. Work with Shenzhen to adopt Green Port policy.

HATS and biological treatment

57. On sewage treatment, our current goal is to complete Stage 2A of the Harbour Area Treatment Scheme by 2013. This will bring about further improvements to the water quality in Victoria Harbour. The next stage, Stage 2B, should be upgrading to biological treatment. In the past, the government favoured disinfection using chlorination because of cost constraints. However, it is better to go straight to biological treatment, which is what my administration favours.⁴⁸ The next Legislative Council elected in 2008 will play an important role in making the right choice for Hong Kong. In line with the Polluter Pays Principle, sewage charges will need to rise to pay for the recurrent expenditure involved.

Conserve water and protect Pearl River

58. On water supply, Hong Kong's water purchase contract with Guangdong expires in 2008. We want to negotiate a flexible supply contract that helps both sides to promote conservation of our precious water resources. We want to find ways of collaborating with Guangdong to protect the Pearl River estuary, which is vital to the long-term health of South China.⁴⁹

Noise control

59. On noise pollution, Hong Kong people live in a very high-noise environment, which has a long-term impact on their hearing and health. We have done a lot to reduce construction noise, especially that caused by piling. However, in-door construction noise remains unregulated except for Sundays. Now that the five-day working week has been implemented, it is time to extend the restriction to cover Saturdays as well.

Ecological restoration

60. On ecological restoration, Hong Kong's biodiversity is important and worth protecting, both for its inherent value and to provide vital services for Hong Kong's population. So far, our nature conservation policy does not adequately protect this biodiversity. We urgently need a restoration element in our conservation policy. Let me say that this will probably mean we need to change our plans for Lantau Island and the Frontier Area. We need to be much more sensitive in what kind of developments we allow and how we can better protect our ecological capital.⁵⁰ This also demands that we find a way to replace the Small House Policy, as we promised a decade ago but have so far failed to do.⁵¹

CLIMATE CHANGE POLICY

1. Invest in research—special focus on South China, including adaptation;
2. Consider how South China region can contribute to national effort;
3. Join Chinese delegation at international meetings, including those of the Kyoto Protocol; and
4. Join C40 Cities to share best practices with world's major cities.

Healthcare Initiatives

61. I have laid out my policies on cleaning up the environment. This will also have a significant public health benefit for the people of Hong Kong. We are not yet ready to put forward major healthcare reforms, on funding in particular, but I want to propose three important initiatives we should adopt quickly.

62. The first is to implement as soon as possible a new triage ambulance system so that the most critical cases are served first. This system has been tried in many other parts of the world, helping to save lives in cases such as heart attacks and strokes, where every second counts.⁵² The second is for our hospitals to develop a special protocol for treating children so as to reduce their anxiety and discomfort and to enable parents to play a bigger part in caring for their children while they are in hospital.⁵³ The third is ensuring that people who need special care that their families find hard to provide, such as children needing long-term respiratory support, are not sent home for lack of resources in hospitals.

HEALTH

1. HK not ready for major healthcare reform yet;
2. Publish environmental health data;
3. Implement triage ambulance service to save lives;
4. Ask hospitals to devise a children's protocol; and
5. Ensure special care patients are properly looked after.

Education

Improve quality of the average student

63. Let me emphasise that in public education, our goal is to improve the quality of the average student. Education has become a highly contentious area from kindergarten to tertiary levels.⁵⁴ Schools remain unhappy with the excessive paper work needed to satisfy the government's demands for accountability. Class sizes are still too large for students to receive greater teacher attention, and we know it will cost HK\$91 billion over a number of years to rectify this problem.⁵⁵

Increase F6 places

64. The new academic structure for senior secondary education and higher education will be implemented in September 2009. Current Secondary 2 students will be the first batch of students who can benefit from the new 3+3+4 system. However, between now and the academic year of 2010/2011, we will still be facing the problem of not supplying enough Form 6 places to our youngsters who have the examination credentials to benefit from them. I am extremely concerned about the large deficit of places this year. We had 51,208 students who obtained the minimum requirements at this year's Certificate of Education Examination for admission to Form 6 but only 25,640 public sector places were

available.⁵⁶ This is an embarrassment and the result of long years of neglect in fixing a known problem. I am asking the Secretary for Education to examine every way possible, and the Financial Secretary will provide the resources, to make up as many places as possible in the coming years to remedy this lamentable situation. The government is open to suggestions on how to narrow this gap. It is the role of government to work out the resources and implementation methods, so that there can be intelligent debate about how we can further improve education in Hong Kong.

EDUCATION

1. Improve quality of average student;
2. Rebuild trust with teachers and schools;
3. Smaller classes;
4. More Form 6 places; and
5. Enable more private schools to be set up.

Role of private education

65. Beyond public education, we need also to encourage those who are willing to invest in private education. Building on the success of our Direct Subsidy Schools and international schools, we will encourage more publicly-funded schools to turn themselves into private schools, and we will see how to cut red tape for those wanting to set up new private schools.

Concluding Remarks

Constitutional reform still key

66. Let me end this year's Policy Address by re-emphasising that the biggest challenge for us all is constitutional development. This is not because Hong Kong is becoming a society that puts politics before prosperity. On the contrary, we know that we have no other choice because modern political institutions based on universal suffrage are indispensable to good governance.
67. I have said more than once that I share the commitment of our community to universal suffrage. There are difficulties which arise out of our past, and there are other interests than our own local well-being to be taken into account in accordance with the principle of 'One Country, Two Systems'. Yet, constitutional development should not be seen as an unnecessary complication or a distraction from the real challenges that we must overcome in assuring a splendid future for Hong Kong.
68. Throughout this Policy Address, I have highlighted the need to bring the entire community into the process of governing this city. I have explained in some detail why this involvement of our people and this engagement with the public is the key to excellence in our policy-making and our public services. We cannot hope to flourish in a world of global markets and increasingly knowledge-based economies if we do not make the optimal use of all our

talents. The most effective way to achieve this goal is to open up the running of our city. This is a credible goal only when we are committed to universal suffrage because this is the only principle that can convince all members of our society that their voices will be heard and that their views count in the corridors of power.

69. Democratic institutions are often portrayed as divisive and indecisive. They often look untidy. But they have a great strength that no other system can match. They allow controversy to be transformed into compromise and conflicts to become consensus. They are the building blocks of a truly harmonious society in which the government does not simply serve the community but really belongs to the people of Hong Kong.

Appendix—Air Quality Management Timetable

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|------|--|---|--|------|------|
| Sharpen policy tools | | New Energy Policy: Energy efficiency through public procurement (2007 onwards); Revise Schemes of Control (2007-2008); Promote District Level Energy Efficiency Campaign (2007 onwards) | | | | |
| A Comprehensive Approach (Local Air Pollution) | | Air Quality: Tighten AQOs (2007); Recalibrate API (2007); Start Air Pollution Alerts (2007) | | | | |
| | | Power Generation: Announce fuel mix policy (2008); Secure LNG supply (2008); Explore emissions trading by active stakeholder engagement between HK and Guangdong. | | | | |
| | | Vehicular Transport: Devise strategy for cleaner vehicles and fuels (2008); Practice better planning and urban design (2008); Legislate to stop idling engines (2008-2009); Tax and license according to emissions (2008); Discounts to cross-border vehicles that refuel at border (2008); Start electronic road pricing (2009-2010); Impose emission caps on bus companies (2010); Ban pre Euro and Euro I buses (2010); Test new Low Emissions Zone (2011); Only Euro II or better vehicles on the road (2012) | | | | |
| | | Expedite Railway/Subway Expansion: South Island Line, North Island Line, Shatin-Central Line, the Northern Link (2008 onwards). | | | | |
| | | Shipping and Port Operations: Reduce vessel speed in harbour (2008); Use lower sulphur fuels (2008); Promote latest technologies in emission abatement (2008 onwards); Shore-side power for ships at dock (2008); Tariff concessions, financial support and other incentives (2008); Ratify Annex VI MARPOL Convention (2008-2009) so HK may be declared a Sulphur Emissions Control Area in the future. | | | | |
| | | Airport Operations: Ask Airport Authority to explore how airport operations can reduce emissions and be more energy efficient. | | | | |
| A Comprehensive Approach (Regional Air Pollution) | | Manufacturing: Promote use of cleaner fuels for private generators in Shenzhen and Dongguan; explore extra-territorial legislation. | | | | |
| | | | | Ports, Shipping and Logistics: Devise Regional Green Port Policy (2008-2009); China has ratified Annex VI of MARPOL, request CPG to declare PRD waters be declared a Sulphur Emissions Control Area (2009-2010) | | |
| | | | Air Quality Management: Provide real time air quality data (2007); Fund joint HK-Macau-PRD air quality research and collaboration, Greater Regional Air Resources Board (2012) | | | |
| Pro-actively Facilitate Industries to Reduce Emissions | | Facilitate Industry Sectors to become Energy Efficient and Reduce Emissions (2008-2009): Power generation; Transport; Manufacturing; Port and Airport operation and logistics; Design and construction | | | | |
| National and International Efforts | | Participate in National and International Efforts (2007 onwards): Safeguard national treasures (e.g. Magao Grottoes, Dunhuang); Join International Council for Local Environmental Initiatives (ICLEI); Joining Large Cities Climate Leadership Group | | | | |

Endnotes

1. Donald Tsang published several documents describing his campaign platform: 1. *Election Platform—Resolute, Pragmatic, Action*; 2. *My Declaration Speech: Building a New Hong Kong, Creating Quality Life Together*; 3. *Donald Tsang: Election Platform, Policy Blueprint*; and 4. *My Election Platform: Statement on Progression*. His action plan aimed to create ‘a good economic, employment, living, future and democratic environment’.
2. Donald Tsang’s vision put forward during his election was to: “Implement fully the One Country, Two Systems principle and adhere strictly to the Basic Law to safeguard the overall and long-term interests of our country and Hong Kong; anchor Hong Kong’s position as Asia’s World City and strengthen her role as a bridge linking the Mainland and the world; and advance Hong Kong as a stable and prosperous city of which our citizens feel proud”, see *Election Platform—Resolute, Pragmatic, Action*.
3. Sustainable development is official policy in China and reflected in the 11th Five-Year Plan.
4. “Efficiency” in this report is that used in the engineering sense meaning physical services (such as light, torque or heat) delivered per unit of electricity consumed. Economists often refer to efficiency meaning economically efficient use of primary energy to produce aggregate output.
5. See United Nations Economic and Social Commission’s framing of ‘governance’ and ‘good governance’, www.unescap.org. Donald Tsang’s emphasis during his first term of office was on ‘strong governance’ and ‘strong government’, for a critique, see Christine Loh and Carine Lai, *Reflections of Leadership: Tung Chee Hwa and Donald Tsang 1997-2007*, Civic Exchange, 2007, pp. 132-136.
6. For example, Environmental Protection Department officers have raised the issue that the Director of Environmental Protection should have professional knowledge rather than be a generalist Administrative Officer.
7. “Govern with people-based principles” was an important aspect running through Donald Tsang’s election campaign materials, which he defined as: “Ensure that our executive-led government is sensitive and responsive to the views of the community”, see *Election Platform—Resolute, Pragmatic, Action*. One aspect of Tsang’s policy blueprint is to “Imbue the community with a sense of harmony”.
8. A useful discussion about public consultation and engagement experience in Hong Kong is *From Consultation to Public Engagement: The Road to better Policy-making and Governance in Hong Kong*, prepared by the Centre for Civil Society and Government, The University of Hong Kong, for the Bauhinia Foundation, released on 13 July 2007. However, the report does not deal with the skills needed to design and convene various types of engagement processes.
9. Civic Exchange’s concept of Sustainability Tools focuses on a set of core skills required for dialogue and engagement, see Christine Loh, *An Introduction to Sustainability Tools—Using effective public dialogue to improve government-civil sector relations*, Civic Exchange, March 2002, www.civic-exchange.org/publications/2002/Sustainability%20Tools.pdf; Christine Loh, *Promoting Sustainability Tools: Connecting Thinking and*

Dialogue Skills, Civic Exchange, January 2003, www.civic-exchange.org/publications/2003/Promoting%20Sustainability%20Tools.pdf; and Christine Loh, *Applying Sustainability Tools: Exploring Constitutional Development 2003-2004*, Civic Exchange, January 2005, www.civic-exchange.org/publications/2005/Applying%20Sustainability%20Tools.pdf; Civic Exchange, *Study on Tripartite Partnership: Local Research and Engagement*, commissioned by the HKSAR Government Central Policy Unit, October 2005, [cpu.gov.hk/englishdocuments/new/press/Local%20Research%20and%20Engagement%20\(English\).pdf](http://cpu.gov.hk/englishdocuments/new/press/Local%20Research%20and%20Engagement%20(English).pdf); and “Catalyzing Listening and Dialogue: Building New Skills for Civic Engagement”, Walter Link, Thais Corral and Mark Gerzon, *Leadership is Global: Co-Creating a More Humane and Sustainable World*, Shinnyo-en Foundation, 2006, pp.245-265.

10. The government introduced the Code on Access to Information in March 1995 in response to legislative and public pressure to pass a law.
11. The government’s Public Record Office was established in 1972 as the designated government archives. However, the archives have never been given proper statutory backing, which is normal for virtually all other jurisdictions. Statutory backing is the best way to identify and protect public records; this enhances good governance, as well as protects a society’s history, heritage and culture, see Christine Loh, Marcos Van Rafelghem and Jaimie C Graham, *Managing Public Records for Good Governance and Preservation of Collective Memory: The Case for Archival Legislation*, Civic Exchange, March 2007, www.civic-exchange.org/publications/2007/archival-e.pdf.
12. Open meetings law usually gives citizens advance notice of and the right to attend all meetings at which any business of a public body is discussed or acted upon in any way. Exceptions to the public’s right to attend exist only in those limited circumstances where the legislature has specifically determined that the public interest would be clearly endangered or the personal privacy or guaranteed rights of individuals would be clearly in danger of unwarranted invasion. Such a law was raised at the same time that an access to information law was being pushed between 1993 and 1995. Some public bodies conduct parts of their meetings in public where the open meeting rules are governed by administrative rules but there is no uniformity.
13. For Civic Exchange’s submission to the Green Paper on Constitutional Development, see www.civic-exchange.org/publications/2007/gp.pdf.
14. The by-election is to be held on 2 December 2007, and the two candidates are former Chief Secretary Anson Chan, and former Secretary for Security, Regina Ip.
15. For a discussion on issues related to Hong Kong’s demographic change, Civic Exchange’s population research project in 2005 examines a range of issues, a summary of which is discussed in Christine Loh, *What is the ‘Problem’ with an Ageing Population?*, Civic Exchange, August 2005, www.civic-exchange.org/publications/2005/ageingpop.pdf.
16. China’s 11th Five-Year Plan.
17. Donald Tsang’s election campaign called for continuous and speedy infrastructure development and acceleration of projects, see *Donald Tsang: Election Platform, Policy Blueprint*. For a critique, see Christine Loh and Carine Lai, *Reflections of Leadership: Tung Chee Hwa and Donald Tsang 1997-2007*, Civic Exchange, pp. 192-199.

18. The Secretary for Development is apparently reviewing plans that are more than three years old but sustainability does not appear to be one of the criteria.
19. The Protection of the Harbour Ordinance requires officials to protect the harbour as a special public asset. A Court of Final Appeal decision in 2004 has defined the circumstances under which the government may consider reclamation in Victoria Harbour. The government gave an undertaking that it would not reclaim more of Victoria Harbour except for Central Reclamation Phase III (CRIII), which is on-going. The government's plan for the Central-Wan Chai Bypass, which extends beyond CRIII requires reclamation also in Wan Chai-Causeway Bay, the extent for which remains controversial.
20. Polly Hui, "Waterfront design 'world's worst'", *South China Morning Post*, 25 June 2007. Fred Kent, president of Project Public Space in New York told the government appointed Harbourfront Enhancement Committee on 24 June 2007 that Hong Kong was the worst city in the world in terms of roads on the waterfront.
21. The Capital Works Reserve Fund was created in 1982. Land sales revenue and land-related incomes (such as from land premiums—a land tax—collected from land use conversion) are put in this fund, which is then used for capital works. The government budget currently provides about HK\$29 billion per year for capital works. How this system works is little understood and seldom discussed. The system provides the government with substantial funds to build infrastructure. It feeds the habit of over-building physical infrastructure because money in the fund needs to be spent. Since 1997, tax review studies spearheaded by the government have never included this aspect of taxation.
22. For a brief summary of the negotiations over the Hong Kong-Zhuhai-Macau bridge, see Christine Loh, *Love thy neighbor more: Hong Kong and the Pearl River Delta*, CLSA Pacific Markets, 14 September 2007, p. 35, www.civic-exchange/publications/2007/hkstrategy.pdf.
23. *Ibid.*, on Hong Kong and Shenzhen relations, p.22.
24. *Ibid.*, on the point of Hong Kong's 'marginalization', see pp. 4-6 and 19-23.
25. In our view, the acquisition of a minority stake in the Hong Kong Exchanges and Clearing Limited was an act of government intervention. The Hong Kong Monetary Authority has been riding its local equity gains and reinvesting most of the dividends in Hang Seng Index stocks since 2003, rather than limiting its portfolio allocation to 5% as per its previously announced investment strategy by selling as the market rose. For a critique, see David M Webb, "Intervention returns", *webb-site.com*, 10 September 2007, www.webb-site.com/articles/interven2.htm; and Christine Loh, "Taking Stock", *South China Morning Post*, 20 September 2007.
26. For a critique of the government's idea of developing a A-H shares arbitrage mechanism, see David M Webb, "Incredibubble!", *webb-site.com*, 16 September 2007, www.webb-site.com/articles/incredibubble.htm.
27. For a record of Donald Tsang's statements on intervention and non-intervention, see Christine Loh and Carine Lai, *Reflections of Leadership: Tung Chee Hwa and Donald Tsang 1997-2007*, Civic Exchange, pp. 147-154.
28. For a more extensive discussion, see Christine Loh, *Love thy neighbor more: Hong Kong and the Pearl River Delta*, CLSA Pacific Markets, 14 September 2007, pp.32-35, www.civic-exchange/publications/2007/hkstrategy.pdf.

29. The government has allocated HK\$8.2 billion to provide assistance. For a discussion about Hong Kong's manufacturing, see Christine Loh, *Love thy neighbor more: Hong Kong and the Pearl River Delta*, CLSA Pacific Markets, 14 September 2007, pp. 11-27, www.civic-exchange.org/publications/2007/hkstrategy.pdf; and Research Department, *Implications of Mainland Processing Trade Policy and Hong Kong*, Hong Kong Trade Development Council, June 2007.
30. Extra-territorial laws have been applied in such areas as pornography and human trafficking in various parts of the world. Extra-territorial laws are designed to regulate the conduct of nationals while overseas and applicable to the conduct of non-nationals outside the territory of the legislating jurisdiction.
31. For a discussion about Hong Kong's maritime services, see Christine Loh, *Love thy neighbor more: Hong Kong and the Pearl River Delta*, CLSA Pacific Markets, 14 September 2007, pp. 28-35, www.civic-exchange.org/publications/2007/hkstrategy.pdf.
32. In June 2006, the HKSAR Government's Competition Policy Review Committee recommended the introduction of a new cross-sector competition law. The government published a consultation document in November 2006 and received significant support for a competition law.
33. To compare Hong Kong's approach to air quality management with that of London and Los Angeles, see Marcos Van Rafelghem and Rob Modini, *Lessons for Hong Kong: Air Quality Management in London and Los Angeles*, Civic Exchange, August 2007, www.civic-exchange.org/publications/2007/comp.pdf.
34. This sentence is London's policy statement.
35. A comprehensive *Air Management Plan for Hong Kong* was provided to the Chief Executive in September 2006. The appended timeline has been adapted from that document, see www.civic-exchange.org/publications/2006/airmanplan-e.pdf.
36. Civic Exchange has published extensively on energy related issues, see *Dealing with Hong Kong's Air Quality Problems: New Policy Direction—Using Cleaner Fuels*, July 2005, www.civic-exchange.org/publications/2005/cleanfuel-e.pdf; and Christine Loh and Amory Lovins, *Consultation Paper on Future Development of the Electricity Market in Hong Kong—Stage I Consultation*, 30 April 2005, Civic Exchange and Rocky Mountain Institute, www.civic-exchange.org/publications/2005/EDLB%20Consultation.pdf; and Civic Exchange, Rocky Mountain Institute and WWF (HK), *Response to Consultation Paper on Future Development of the Electricity Market in Hong Kong—Stage II Consultation*, March 2006, www.civic-exchange.org/publications/2006/electricitysub.pdf.
37. Alexandra Tracy, Kate Trumbull and Christine Loh, *The Impacts of Climate Change in Hong Kong and the Pearl River Delta*, Civic Exchange, November 2006, www.civic-exchange.org/publications/2006/cc.pdf.
38. Joanna Clark, *Preserving Hong Kong's Biodiversity: The Need for an Ecological Restoration Policy*, Civic Exchange, August 2005, www.civic-exchange.org/publications/2005/biodiversity.pdf.
39. C40 Cities—Climate Change Leadership Group is a gathering of cities from around the

world in August 2006 pledging to reduce carbon emission and increase energy efficiency. Beijing and Shanghai are members. Hong Kong has been invited to join but as of the time this paper went to print had not accepted the invitation.

40. Hong Kong Exchanges and Clearing Limited appointed consultants in July 2007 to assess the potentials-for emissions-related products. The Exchange is also carrying out a study at the same time on commodities.
41. Christine Loh and Amory Lovins, *Consultation Paper on Future Development of the Electricity Market in Hong Kong—Stage I Consultation*, 30 April 2005, Civic Exchange and Rocky Mountain Institute, www.civic-exchange.org/publications/2005/EDLB%20Consultation.pdf; and Civic Exchange, Rocky Mountain Institute and WWF (HK), *Response to Consultation Paper on Future Development of the Electricity Market in Hong Kong—Stage II Consultation*, March 2006, www.civic-exchange.org/publications/2006/electricitysub.pdf.
42. Amory Lovins, *Energy End-Use Efficiency*, Rocky Mountain Institute, 19 September 2005, www.rmi.org/images/PDFs/Energy/E05-16_EnergyEndUseEff.pdf.
43. Kai-Hon Lau, Wai Man Wu, Jimmy CH Fung, Ronald C Henry and Bill Barron, *Significant Marine Source for SO₂ levels in Hong Kong*, HKUST and Civic Exchange, June 2005, www.civic-exchange.org/publications/2005/MarineSO2.pdf; and Caitlin Gall and Marcos Van Refelghem, *Marine Emission Reduction Options for Hong Kong and the Pearl River Delta Region*, Civic Exchange, March 2006, www.civic-exchange.org/publications/2006/marineemission-e.pdf.
44. In 2002, the Hong Kong and Guangdong authorities agreed to reduce, on a best effort basis, emissions of VOC, RSP, NO_x and SO₂ by 55%, 55%, 20% and 40% respectively by 2010 using 1997 as the base year. It is unclear at this stage whether these targets will be met. For a detailed discussion, see Kate Trumbull's *Still Holding Our Breath: A Review of Air Quality Policy in Hong Kong 1997-2007* which provides a detailed discussion of transport emissions, Civic Exchange, June 2007, pp. 96-105.
45. In a fast developing economy, the emission profile changes from year to year so that the standard way of creating an emission inventory is less useful. There is an interest to develop a dynamic way to track and assess emissions so that control strategies can be updated more effectively.
46. Project 863 is a national project under the Ministry of Science and Technology. The Ministry has pledged RMB 150 million to Guangdong, and the province has pledged a further equivalent sum, to carry out a 5-year air quality science and technology project looking at a range of studies. Guangdong has invited Hong Kong to join, but when this paper went to press, the HKSAR Government has yet to make a decision.
47. In our view, to improve air quality significantly for the Asian Games in Guangzhou in 2010, the whole of the Hong Kong-PRD region must collaborate, which provides an opportunity for the whole region to improve air management together.
48. For background, see Albert Koenig's submission to the Environmental Affairs Panel of the Legislative Council, *Progress Update on HATS Stage 2A*, 14 February 2007, www.legco.gov.hk/yr06-07/english/panels/ea/papers/ea-0122cb1-973-1-e-scan.pdf.

49. For a discussion on water supply and conservation, see Bill Leverett, Lisa Hopkinson, Christine Loh and Kate Trumbull, *Idling Engine: Hong Kong's Environmental Policy in a Ten Year Stall 1997-2007*, Civic Exchange, June 2007, pp. 72-75.
50. For a discussion of Hong Kong's rural areas, see Living Islands Movement and Civic Exchange, *Our Place, Our Time: Hong Kong's Unique Assets—Our Rural Land*, Civic Exchange, November 2006, www.civic-exchange.org/publications/2006/ruralland.pdf.
51. For a detailed discussion of the small house policy, see Lisa Hopkinson and Mandy Lao Man Lei, *Rethinking the Small House Policy*, Civic Exchange, September 2003, www.civic-exchange.org/publications/2003/SHP%20-%20E.pdf.
52. This is a longstanding non-controversial issue that has not been addressed. The Fire Services Department, which operates the ambulance service is also ready for the triage system.
53. The public hospitals treat children in the same way as adults but with modest resources, they can provide more sensitive services for children and parents, who usually want to stay overnight with their sick children.
54. Recent controversies include the kindergarten voucher scheme and the Commission of Inquiry on government interference in academic freedom at the Hong Kong Institute of Education, which found that a senior government official meddled with the freedom of academics. On 17 September 2007, the government announced it was seeking a judicial review to quash the commission's ruling, see Winnie Chong and Carrie Chan, "Review sought on institute ruling", *The Standard*, 18 September 2007.
55. The HK\$91 billion was a figure mentioned by the Chief Executive. Fanny Fung, "Legco can learn from you, Tsang tells pupils", *South China Morning Post*, 15 September 2006.
56. Winnie Chong, "S6 students studies on the line", *The Standard*, 10 August 2007.