

CE's speech in delivering "The Chief Executive's 2018 Policy Address" to LegCo (2)

14. Meeting the public's demand for housing is the greatest challenge for the current-term Government. In this Policy Address, housing and land supply is treated as a stand-alone chapter and is placed before the chapters on economy and people's livelihood. The purpose is to demonstrate clearly that the shortage of land supply not only directly leads to a shortage of housing supply, but also affects people's quality of life. From child care centres to elderly care facilities; from basic education and healthcare services to leisure open space and cultural and recreational facilities; and from maintaining the advantages of traditional trades to promoting new economy industries, land is strictly necessary. In short, improvement of livelihood and development of the economy and transport infrastructure of our society hinge on land resources, without which all strategies or plans will end up in empty talk.

15. I stated in my Policy Address in October last year that the current-term Government's housing policy comprises four elements, which include establishing the Government's role in the provision of housing, building a housing ladder for our people, focusing on supply and optimising the existing housing resources to improve people's living conditions. Of the six new housing initiatives I announced in June this year, the most important one is the revision of the pricing of subsidised sale flats (SSFs) to the effect that their selling prices will no longer be linked to market prices of private flats. Instead, the selling prices will be determined primarily with reference to the affordability of applicants. In addition, I have announced the re-allocation of nine private housing sites for public housing development. These initiatives have received wide recognition from all sectors of the community.

16. To further demonstrate the Government's determination to solve the housing problem faced by our people, I stated in my Policy Address today that:

(i) we will develop land resources in a resolute and persistent manner – the Government's determination to identify and produce land and build a land reserve will never waver in face of short-term changes in economic environment or fluctuations in property prices;

(ii) it is the Government's responsibility to provide decent housing for families in different income brackets. During my term of office, I will increase the ratio of public housing and allocate more land for public housing development. The Transport and Housing Bureau will reflect this policy consideration in updating the next ten-year housing target under the Long Term Housing Strategy; and

(iii) we undertake that 70% of housing units on Government's newly developed land will be for public housing.

17. We expect that the revision of the pricing of SSFs will attract a large number of applications. Following the new pricing policy, the Hong Kong Housing Authority (HKHA) has re-opened application for Home Ownership Scheme (HOS) 2018 and the sale of the first project under the regularised Green Form Subsidised Home Ownership Scheme (GSH) and the "Starter Homes" (SH) pilot project of the Urban Renewal Authority (URA) will also be launched subsequently. These three projects will provide a total of 7 426 housing units.

18. We have conducted tests on these three batches of SSFs. With prices adjusted and a loan-to-value (LTV) ratio as high as 90% or above, the SSF units are affordable to the target households. The monthly payment will generally not exceed 40% of the total household income. Now that the Government has rebuilt the housing ladder and adjusted the pricing mechanism of SSFs, the issue we now need to urgently deal with is where to get land.

19. The Task Force on Land Supply (Task Force) set up in September last year has shouldered the task of forging collaborative deliberation with the public, in an attempt to build the greatest consensus in society. The full commitment and hard work of all members are highly respectable. Half a month ago, upon my request, the Task Force shared with me its preliminary key observations. While public attention has centred on observations in respect of individual land supply options, I am attracted to the Task Force's three general observations that the community broadly agrees that land supply is pressing; that we should be prepared for the rainy days; and that a multi-pronged approach should be adopted.

20. In the Policy Address, I present some plans on land supply in line with such policy objectives. They include Lantau Tomorrow Vision, development of brownfield sites, land sharing and revitalisation of industrial buildings. As regards the further analysis of individual options, I will give detailed consideration to the Task Force's recommendations in its full report to be submitted by the end of this year.

21. Lantau, the largest outlying island in Hong Kong, is home to the Hong Kong International Airport and the gateway to the world. With the commissioning of the Hong Kong-Zhuhai-Macao Bridge, the transport connectivity between Hong Kong and other cities in the Greater Bay Area will be further improved, making Lantau a "Double Gateway" to the world and other Greater Bay Area cities.

22. The Government's vision for the development of Lantau covers the development areas at artificial islands with a total area of about 1 700 hectares near Kau Yi Chau and Hei Ling Chau in the Central Waters, North Lantau as well as the coastal areas of Tuen Mun, including the River Trade Terminal after re-planning and Lung Kwu Tan, to be supported by a new set of transport networks connecting various development areas. The vision aims to instil hope among Hong Kong people for economic progress, improve people's livelihood and meet their housing and career aspirations. The vision of

providing 260 000 to 400 000 residential units, with 70% being public housing, and accommodating 700 000 to 1 100 000 people, and creating 340 000 jobs for the coming 20 to 30 years will be realised through five policy directions. They are: increasing land supply, according priority to transport infrastructure, promoting economic development, enhancing environmental capacity and increasing leisure and entertainment facilities. And we will make investment to achieve this vision.

23. The Lantau Tomorrow Vision involves the overall planning of the city and implementation of a number of major infrastructure projects in the coming decades, and requires the efforts of various bureaux, government departments and Non-Governmental Organisations (NGOs), which entails a large amount of meticulous co-ordination work. As the Lantau Tomorrow Vision is a priority area of the current-term Government, I will set up as soon as possible a dedicated co-ordination office, which is directly accountable to me, to steer the overall direction as well as co-ordinate and monitor the planning and implementation of the programme. This office will be expanded as needed to ensure that the policy and implementation could be effectively matched.

24. The Lantau Tomorrow Vision is a long-term planning. In order to address our pressing housing problem, we will speed up the studies on brownfield sites in the New Territories and make necessary arrangements for reprovisioning existing operations to facilitate housing development. We also propose introducing the Land Sharing Pilot Scheme so that private land not covered by Government's planned development may be better utilised through a fair and highly transparent mechanism to meet the needs of both public and private housing in the short to medium term. To dispel public worries, not less than 60% to 70% of the increase in floor areas shared between the Government and applicants must be used for public housing development mainly SSFs. We will also reactivate the revitalisation scheme for industrial buildings and in order to address the imminent housing problem, allow for the first time wholesale conversion of industrial buildings for transitional housing.

25. Furthermore, we will support the Hong Kong Housing Society (HKHS) to redevelop its aged rental estates, invite the URA to launch the redevelopment of buildings under the Civil Servants' Co-operative Building Society Scheme, and support the Settlers Housing Corporation Limited in taking forward the redevelopment project of Tai Hang Sai Estate. By so doing, we will meet the long aspirations of the owners and residents concerned and also increase housing supply.

26. To make efficient use of public housing resources, the HKHA will, in light of the operational experience of the HKHS's pilot scheme, join the scheme and allow owners of HKHA's SSFs with premium unpaid to sublet their flats to needy families. The HKHA will also introduce a new initiative whereby under-occupation households whose family members are all aged 70 or above are allowed to enjoy lifetime full rent exemption upon their transfer to small, new or refurbished units. Furthermore, the Government will accept the HKHS's recommendation to introduce a "Flat for Flat Pilot Scheme for Elderly Owners" for its SSFs with premium not yet paid. Under this scheme, owners aged 60 or above who have owned their flats for at least ten years can

sell their original flats and then buy a smaller SSF flat in the secondary market without payment of premium.

27. Our economic development requires land as well as adequate manpower resources. As the current 2.8% unemployment rate in Hong Kong is the lowest in more than 20 years, employers of many sectors have expressed difficulties in staff recruitment. Labour force is an important asset to the development of Hong Kong. It is our top priority to improve our labour welfare in order to maintain the competitiveness of Hong Kong enterprises and enhance employees' productivity.

28. I present in this Policy Address a series of labour-related policy initiatives with a view to fostering good labour relations and sharing the fruits of economic growth with all walks of life.

29. The first initiative concerns the abolition of the "offsetting" arrangement under the MPF Scheme, which has beleaguered wage earners for years. Having carefully considered the views of various parties, the Government has decided to further enhance its support for employers. We will extend the period of the second-tier subsidy to 25 years. Together with the 12-year first-tier subsidy, the financial commitment of the entire government subsidy scheme will be significantly increased to \$29.3 billion. I believe that the new arrangement can reduce the impact of abolishing the "offsetting" arrangement on micro, small and medium-sized enterprises. Our target is to secure the passage of the enabling legislation by the LegCo within the current term of the Government (i.e. by 2022), and implement the abolition of "offsetting" arrangement two years after the passage of the legislative amendments.

30. Besides, we will strengthen the protection of the rights and benefits of employees injured at work and are actively looking into new measures to speed up their recovery and enhance effectiveness. We also take employees' occupational safety and health seriously. The Labour Department will conduct more in-depth surprise inspections, put in place new guidelines and set up an online platform so that employees can report unsafe working environment through mobile electronic devices for prompt follow-up by the department.

31. The employees of government service contractors are an important source of human resources in the provision of government services. Improving their employment terms and conditions as well as labour benefits can help enhance service quality. The inter-departmental working group has completed a review of the employment terms and conditions as well as labour benefits of non-skilled employees engaged by government service contractors. The proposed improvement measures will be introduced to the relevant government service contracts tendered on or after 1 April 2019.

(to be continued)