

**Commission on Strategic Development
Executive Committee**

**Information Note on Progress of Work
of other Committees of the Commission on Strategic Development
(Position as at 18 January 2007)**

(Translation)

Purpose

Members are invited to note the progress of work of the three other Committees of the Commission on Strategic Development as set out in the following tables.

Committee on Governance and Political Development

Subject discussed/ to be discussed	Date of meeting/workshop	Progress
Constitutional Development	29.11.2005	The Committee agreed to discuss the formulation of a roadmap for universal suffrage in two stages. The first stage would focus on principles and concepts with a view to concluding discussions by summer 2006. The second stage would be to discuss the design of a universal suffrage system for the selection of the Chief Executive and the formation of the Legislative Council, with a view to concluding discussions by early 2007.
Principles and concepts of universal suffrage	20.1.2006	The Committee generally agreed that, broadly speaking, a universal suffrage system should be a one-

		<p>man-one-vote system which could take the form of direct or indirect election. A universal suffrage system also allows for special electoral arrangement to cater for the interests of particular social categories.</p> <p>The Committee also generally agreed to explore the concept and design of universal suffrage for selecting the Chief Executive first.</p>
Overseas experience in implementing universal suffrage for the legislature	28.2.2006	<p>The Secretariat organised a workshop on 28.2.06 to help Members learn more about overseas experiences on how the design of their legislatures could accommodate the interests of different sectors of their respective communities. Five speakers, namely Dr Sung Lap-kung, Professor Ma Ngok, Dr Li Pang-kwong, Dr Sing Ming and Sir David Akers-Jones were invited to make presentations. There was a general view that the future electoral systems should enhance participation of the business sector. There were however divergent views on the feasibility of introducing a bicameral system for our legislature.</p>
The Basic Law principle of facilitating the development of the capitalist	24.3.2006	<p>The Committee agreed that, when attaining the ultimate aim of universal suffrage, the principles of facilitating the development of the capitalist economy and meeting the</p>

economy		interests of different sectors of society must be ensured so as to maintain the stability and prosperity of Hong Kong. Also, the economic development of Hong Kong, as well as the principles of “keeping expenditure within the limits of revenues”, “low and simple tax regime” and “Big Market, Small Government”, should not be affected.
Conclusions of discussion on the concepts and principles relating to universal suffrage	26.5.2006	The Committee generally agreed to the draft report, prepared by the Administration, on conclusions of discussion on the concepts and principles relating to universal suffrage. The Administration revised the report in the light of the comments raised by some Members. The revised report was distributed to Members for reference. The relevant conclusions formed the basis for the discussion on possible models for the selection of the Chief Executive and formation of the Legislative Council by universal suffrage.
Review of the role, functions and composition of District Councils	27.6.2006	On 27 June 2006, the Secretariat organised a workshop for Members to exchange views on the consultation document on “Review on the Role, Functions and Composition of District Councils” issued on 27.4.2006. Representatives from HAB and CAB attended the meeting to brief Members on the consultation document. The Secretariat also

		<p>invited Professor Wong Chack-kie and representatives of SynergyNet to participate in the workshop.</p> <p>Members generally agreed with the broad direction of the review, particularly on the proposal to enable District Councils (DCs) to have greater involvement in the management of some district facilities. In this connection, some Members considered that the staffing support for DCs should be strengthened. Members generally agreed to the proposal to increase the remuneration and allowances of DC members.</p>
<p>Possible models for the selection of the Chief Executive and the formation of the Legislative Council by universal suffrage</p>	<p>28.7.2006 22.9.2006 23.11.2006</p>	<p><i>Possible models for the selection of the Chief Executive</i></p> <p>Members commenced discussion on possible models for implementing universal suffrage for the Chief Executive at the meeting on 28.7.2006. Members reached a consensus that the election of the Chief Executive by universal suffrage should be preceded by the nomination of candidates by a broadly representative nominating committee in accordance with democratic procedures. This is in line with Article 45 of the Basic Law.</p> <p>Regarding possible models for selecting the Chief Executive by universal suffrage, members discussed the following issues:</p> <p>(a) composition of the Nominating</p>

		<p>Committee;</p> <p>(b) size of the Nominating Committee;</p> <p>(c) method of nomination; and</p> <p>(d) method of universal suffrage after nomination.</p> <p>Members agreed to continue to examine the relevant specific details, particularly the composition of the Nominating Committee and the method of nomination. Members also agreed to discuss in more detail proposals put forward by different groups and individuals (including members of the Committee).</p> <p>The Secretariat organised a workshop on 14.9.2006 to facilitate members' further discussion on the detailed arrangements. Sir David Akers-Jones of the Hong Kong Business and Professionals Federation (BPF), Professor Wong Ka-ying and three Members, namely Mr Chan Chung-bun, Miss Maria Tam and Mr Tam Kwok-kiu, were invited to make presentations. Another workshop was held on 3.10.2006. Mr Lung Ka-lun and Mr George Cautherley of the Hong Kong Democratic Foundation, Mr Ivan Choy and seven Members, namely Mr Chau How-chen, Ms Ko Po-ling, Mr Lau Nai-keung, The Hon Lee Cheuk-yan, The Hon Lee Wing-tat, Dr Priscilla Leung and Mr Jerome Sze, shared their views on the subject.</p>
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		<p>the Chief Executive elect would be acceptable to the Central Authorities;</p> <p>(d) whether a relatively higher nomination threshold should first be set, and allow evolution of the electoral system after implementation of universal suffrage;</p> <p>(e) whether each member of the nominating committee could nominate more than one candidate; and</p> <p>(f) whether the Chief Executive should be elected through one round or more rounds of election.</p> <p><i>Possible models for forming the Legislative Council by universal suffrage</i></p> <p>Members commenced discussion on possible models for forming the Legislative Council by universal suffrage at the meeting on 22.9.2006. Members agreed that the ultimate aim of electing all the members of Legislative Council by universal suffrage in the light of the actual situation in the HKSAR and in accordance with the principle of gradual and orderly progress, as stipulated in the Basic Law, must be attained.</p> <p>Members discussed three possible models for forming LegCo by universal suffrage:</p>
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		<p>(a) to return all seats by GCs through direct elections;</p> <p>(b) to return seats by GCs through direct elections; the FC seats would not be returned by the existing election method; and</p> <p>(c) a bicameral system.</p> <p>Members also discussed whether, in the process of attaining the ultimate aim of forming the LegCo by universal suffrage, transitional arrangements should be put in place.</p> <p>Members agreed to continue to examine the various options and to discuss in more detail proposals put forward by different groups and individuals (including members of the Committee).</p> <p>The Secretariat organized a workshop on 6.11.2006 to facilitate members' further discussion on possible models for forming the Legislative Council by universal suffrage. Sir David Akers-Jones of BPF, Mrs Regina Ip of Savantas Policy Institute, and three Members, namely Mr Chan Chung-bun, Bunny, The Hon Lee Cheuk-yan and Prof Cheng Kwok-hon, Leonard, were invited to give presentations.</p> <p>At the meeting on 23.11.2006, Members further discussed possible models for forming the Legislative Council by universal suffrage. Members agreed that further discussion on the option of implementing a bicameral system should be put aside for the time being</p>
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		<p>for reasons including:</p> <ul style="list-style-type: none"> (a) the implementation of a bicameral system would at least require amendments to Annex II to the Basic Law, which would entail complicated procedures; (b) bills and motions would have to be passed by two chambers under a bicameral system, which would add to the difficulties in getting them passed, and undermine governance and the efficiency of the executive authorities; (c) if the proposal was meant to be only a transitional arrangement, it would not be worth the effort. <p>Moreover, members had explored the issue of attaining universal suffrage for Legislative Council in phases.</p> <p>The Committee will continue to further discuss the following issues:</p> <ul style="list-style-type: none"> (a) whether: <ul style="list-style-type: none"> ➤ FC seats should be abolished altogether (e.g. “one-person-two-votes” i.e. half of the seats returned by a “single seat single vote” system on a district basis, and the other half by a proportional representation system, under which the whole of Hong Kong would form a single constituency); or ➤ FC seats should be retained in some form (e.g. “one-person-two-votes” i.e. one
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		<p>vote to return directly elected GC Members, and the other to return FC Members; or “one-person-multiple-votes” i.e. one vote to return directly elected GC Members, and multiple votes to return FC Members); and</p> <p>(b) whether transitional arrangements should be put in place in the process of attaining the ultimate aim of universal suffrage.</p> <p>The Committee will continue to further discuss specific issues relating to possible models for selecting the Chief Executive and for forming LegCo by universal suffrage at the meeting on 25 January 2007.</p>
Further Development of Political Appointment System	25.9.2006	<p>The Secretariat organised a workshop on 25.9.2006 for Members to express their views on the Consultation Document on “Further Development of the Political Appointment System” released by the Government on 26 July 2006. The Secretariat also invited Mr Lau Chun-to, Dr Sung Lap-kung and a representative of SynergyNet to participate in the workshop.</p> <p>Members were generally in support of extending the system of political appointment. Issues discussed include the mechanism for selecting candidates for the proposed positions, and the working relationship and division of responsibilities between</p>

		political appointees and civil servants. The Secretariat had consolidated members' comments for record.
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Committee on Economic Development and Economic Cooperation with the Mainland

Subject discussed/ to be discussed	Date of meeting/workshop	Progress
Hong Kong's economic cooperation with the Mainland on all fronts	5.12.2005	The Committee has a general view that it was necessary to strike a proper balance between enhancing our cooperation with the Mainland and extending our international connections. There was a general agreement that more should be done on the education and training of local talent to maintain and enhance our competitiveness.
Promoting the development of creative industries	6.2.2006	There was a common view that "creativity" and "creative industries" would be a key driver for Hong Kong's economic growth. Hong Kong should leverage on its major asset of human capital and maximise its potential creative content in adding value to its economy. Three key areas had been identified for Government action: (i) attracting talent to work and live in Hong Kong; (ii) re-visit the available statistics to see if there is room to better measure the performance of the creative industries; and (iii) continuing the current efforts to protect intellectual property rights.

		<p>The performance of selected creative industries would be studied further.</p> <p>The Secretariat on 8.6.2006 circulated an information paper on the assessment on the performance and prospects for a number of selected creative industries (advertising, design and software) prepared by the Government Economist to Members for information.</p>
Hong Kong as a hub for talents	11.4.2006	<p>The Committee agreed that in the face of globalisation, Hong Kong should have a sufficient pool of talents to support the development of a high-value-added and knowledge-based economy. The Committee considered that to be “a hub for talents”, Hong Kong should nourish local talents and attract foreign talents. On nourishing local talents, the Committee opined that proactive measures should be introduced to enhance the quality of education in Hong Kong, including upgrading the biliterate and trilingual proficiency of our students and broadening their international horizon. On attracting foreign talents, the Committee proposed to increase the percentage of non-local students in local tertiary education institutions, adopt a more flexible admission scheme, review the quotas and approving criteria under the One-way Permit Scheme, improve the air quality of Hong Kong, promote creative and cultural</p>

		activities, and improve the quality of life in Hong Kong.
High value-added logistics	12.6.2006	Members considered that Hong Kong's strength in professional supply-chain management, inter-modal connectivity and efficiency made it a logistics hub in Asia. However, in the face of keen competition from neighbouring cities, Hong Kong's logistics industry should move towards high value-added supply-chain management operations to maintain our competitiveness. On promoting Hong Kong as a regional logistics hub and an international maritime centre, Members had put forth a number of proposed measures which included increasing the cost competitiveness of land transportation, port and air freight; enhancing the local and cross-boundary transport and logistics-related infrastructure; developing e-logistics and strengthening Hong Kong as the prime logistics information centre; strengthening the training of employees in the logistics sector; simplifying Mainland's customs procedures and extending the operating hours of selected customs points; providing tax incentives; and strengthening economic cooperation with neighbouring countries and cities, etc.
Consultation paper on "Broadening the Tax Base Ensuring	21.8.2006	Members generally agreed that Hong Kong's existing tax base was narrow, and it was desirable to

<p>our Future Prosperity – What’s the Best Option for Hong Kong?”</p>		<p>explore measures to broaden the tax base in order to maintain Hong Kong’s balanced and sustainable development, and tackle the expected increase in Government expenditure in medical, welfare, education and training. GST was a possible option for further consideration.</p> <p>Members discussed issues including the framework and features of GST, the proposed use of the additional revenue, tax relief and other compensation packages, allowance for low-income households, as well as the possible impact of introduction of GST on Hong Kong’s current simple and low tax rate regime.</p> <p>Members noted that the Government had an open mind regarding the various proposals to broaden Hong Kong’s tax base. It was agreed that constructive and rational discussion in the society on the issue would be beneficial to the examination of the tax reform proposal.</p>
<p>Report on “The Review of Hong Kong’s Competition Policy”</p>	<p>21.8.2006</p>	<p>Members generally agreed that it was important to maintain the free market economy of Hong Kong, and supported to introduce some sort of practice to ensure fair competition or combat anti-competition conduct without sacrificing the openness and competitiveness of Hong Kong.</p>

		<p>Members had mixed view regarding the recommendation on the introduction of new anti-competitive legislation as set out in the Report by the Competition Policy Review Committee (CPRC). Some Members considered that the new legislation would help provide a level playing field for enterprises in different sectors, while with reference to some international experience, some Members were skeptical about the need and the effectiveness of the new legislation.</p> <p>The Government would proceed to consult the public on the Report by the CPRC, after which the Government would decide on the way forward regarding competition policy based on the views collected.</p>
Creation of employment	31.10.2006	<p>Members generally agreed that employment situation had a close relationship with the economic development. To continue to improve the employment situation, the Government should improve the business environment and strengthen the cooperation and linkage with the Mainland to ensure a sustainable development of Hong Kong's economy. In parallel, the Government should endeavour to improve the air quality and to attract more talents from both overseas and the Mainland.</p>

		<p>Members had a consensus that education was a crucial factor in improving the employment opportunity of an individual. As a long-term measure, some Members suggested further expanding the tertiary education in Hong Kong and increasing the number of places for local students in tertiary institutes.</p> <p>Some members proposed that the Government should promote tourism, catering and retails industries, as well as expediting the construction work of various public facilities and infrastructure projects so as to provide more job opportunities. Members also considered that the development of local economy at district level could provide opportunities for low-skill workers and small entrepreneurs.</p>
Consultations on the 2007-08 Budget	14.12.2006	<p>Members made certain recommendations on the 2007-08 Budget.</p> <p>Some members proposed that in view of the healthy fiscal position of the Government, consideration could be given to reducing profits tax and salary tax suitably in the Budget to lessen the burden on tax-payers, particularly the middle-income group.</p>

		<p>Some members considered that more aggressive investment performance criteria should be laid down to increase the yield of parts of the Exchange Fund and the Government Fiscal Reserve under the Hong Kong Monetary Authority.</p> <p>In terms of economic policies, some members proposed that the Government should improve the business environment of Hong Kong, such as attracting more overseas enterprises to set up offices in Hong Kong, through fiscal and taxation policies.</p> <p>A number of members advocated that the Budget should not only consider economic development, but also issues such as social development and social harmony. Some members proposed that the Government should examine whether the current welfare expenditures should be increased, and whether the “lump sum grant” funding warranted changes. Furthermore, some members suggested the Government should provide an one-off grant to welfare organizations to encourage them to initiate worthwhile new social services and to assist them in deploying their resources flexibly.</p> <p>Some members considered that the reduction in the investment in</p>
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		<p>infrastructural projects, had affected the economic development and employment opportunities of Hong Kong. Some members pointed out that planning of infrastructural projects involved many complex procedures and were often met with resistance during the consultation with political groups and other organizations. This had adversely affected the number and development progress of infrastructural project to be implemented. Some members proposed expediting the implementation of infrastructural projects, and put in place new platforms of consultation for stakeholders to participate in the planning process.</p>
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Committee on Social Development and Quality of Life

Subject discussed/ to be discussed	Date of meeting/workshop	Progress
Overview of major social development trends in Hong Kong	1.12.2005	<p>The Committee exchanged views on the major social development trends including continued fertility decline, population ageing, economic restructuring and globalisation etc.</p> <p>The Committee held that emphasis should be placed on balanced social development at the levels of the entire society, the local community and the individual, and the core values that should be promoted. Hong Kong needs to keep abreast of</p>

		international trends in this rapidly changing era of information age and globalisation, help its people to adapt to both local and external environments and adjust their expectations. The roles of the Government, the business and Third Sector should be defined.
Tripartite Partnership	13.2.2006	The Committee discussed Tripartite partnership (TPP) at its meeting on 13.2.06. The Committee cautioned against over-regulation and suggested that the government should provide leadership, promote TPP in more areas and in wider scope, transcending different sectors and strata of the community, consider the needs and aspirations of small and medium enterprises, and the need for more publicity and encouragement.
Population policy	28.3.2006	The Secretariat organised a workshop on population policy (Part I) on 28.3.06. Three speakers, namely Dr Paul Yip of HKU, Prof Wong Siu-lun of HKU and Dr John Bacon-Shone of HKU were invited to make presentations on “Experience of Selected Countries in Encouraging Childbirth”, “Experience of Selected Cities in the Mainland in Attracting Professionals and Talents” and “Experience of Selected Countries in Attracting Talents, Professionals and Investors” respectively. There was a general view that, similar to many other overseas countries, Hong Kong was facing the following population

		<p>challenges: ageing, low fertility, population quality and mobility of people. It was important that Hong Kong should formulate population policy to secure and nurture a population which sustains our development as a knowledge-based economy.</p>
	24.4.2006	<p>The Committee discussed issues on promoting parenthood and quality of population at its meeting on 24.4.06. On promoting parenthood, Members generally considered that having children or not was a personal decision; the role of the Government was to help eliminate factors that discouraged childbearing; and the Government should step up publicity and education to reinforce family values, and emphasise the important role of the family in society. On the quality of population, the Committee considered that the supply of university places should be increased; proactive measures should be introduced to attract Mainland or overseas students to study in Hong Kong; and a flexible system should be adopted to enhance the mobility of talent.</p>
	30.5.2006	<p>The Secretariat organised a workshop on population policy (Part II) on 30.5.06. Two speakers, namely Prof Nelson Chow of HKU and Dr Joe Leung of HKU were invited to make presentations on “Population Ageing” and “Eligibility and Portability of Public Benefits”</p>

		<p>respectively. Members generally considered that issues on population ageing as well as eligibility and portability of public benefit worth further consideration. They also suggested to consider necessary reviews on policies related to the tax regime, education and healthcare systems in light of population ageing in Hong Kong.</p>
	6.7.2006	<p>The Committee discussed issues on population ageing as well as eligibility and portability of public benefits at its meeting on 6.7.06. Members generally agreed that ageing population would become a major challenge to the community in the years to come. Major issues to enhance the quality of life of the elderly people were highlighted including retirement protection, healthcare financing, active ageing, etc. Members also expressed concerns on the increasing public expenditures on public healthcare and welfare benefits related to elderly people. The Government might need to review the healthcare financing and tax system to ensure a reasonable allocation of public resource. On the eligibility of public benefits, it was pointed out that Hong Kong had a low tax regime but was relatively generous on provision of public benefits. On the portability of public benefits, the majority of the Members accepted the current arrangement under the Portable Comprehensive Social Security Assistance Scheme for</p>

		<p>elderly people, but had reservation on further extension of the portability arrangement to other public benefits.</p> <p>Members noted that the Council for Sustainable Development commenced their public engagement process on population policy in June.</p>
Support for the Family	20.9.2006	<p>Members agreed that families were the basic unit of a society and a harmonious family relationship was one of the keys to building up social harmony.</p> <p>Members acknowledged the changing demographic characteristics of the Hong Kong families, and discussed the major problems encountered by families, including weakening family functions, family and work imbalance, deterioration of quality of family life, domestic violence, and integration of ethnic minority into the society, etc.</p> <p>Members noted the efforts made by the Government in promoting family harmony and family-friendly environment, supporting family under stress, and tackling high-risk families e.g. domestic violence cases, with a coordinated and multi-disciplinary approach. However, Members agreed that family</p>

		problems could not be resolved by the government solely. The involvement of the business sector, NGOs and the community was also essential.
Income inequality and social mobility	30.11.2006	<p>In addressing the issue of widening of income inequality, Members considered that emphasis should be put on how to assist the grass-root in improving their living standards and ascending in the social ladder. Members considered that the widening trend of income inequality in Hong Kong had arisen due to the following factors:</p> <ul style="list-style-type: none"> (a) Globalization resulted in increasing competition among regions for talents, capital and jobs, thereby decreasing the bargaining power of low-skilled workers. (b) Development in information and technologies displaced certain jobs of the low and middle-level skilled workers. (c) Migration of industries to the Mainland further reduced jobs for the low and middle-level skilled workers. (d) Unlike the situation of other overseas countries, where low-skilled workers could choose to live in other parts of the country outside the major cities, the competition for low-skilled jobs in Hong Kong has become keener, which resulted in further reduction in wages.

		<p>Members put forward proposals in the following aspects:</p> <p>(a) Alleviating measures: moderate wealth or income re-distribution measures could be considered to safeguard basic standard of living for the lower-income group. These measures included provision of social welfare benefits, progressive tax system, setting up of minimum wage, etc. However, these measures might have an impact on Hong Kong's business environment.</p> <p>(b) Generating opportunities for upward mobility: through education, training and retraining programmes to promote equal opportunities and fair competition for lower-income group to enhance their opportunities of upward mobility.</p> <p>(c) Some members suggested that the Government and the community should assist the lower-income group and their children to strengthen their social capital, international exposure and social network, which included giving them more exposure to diverse cultural and social activities in addition to formal education.</p>
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