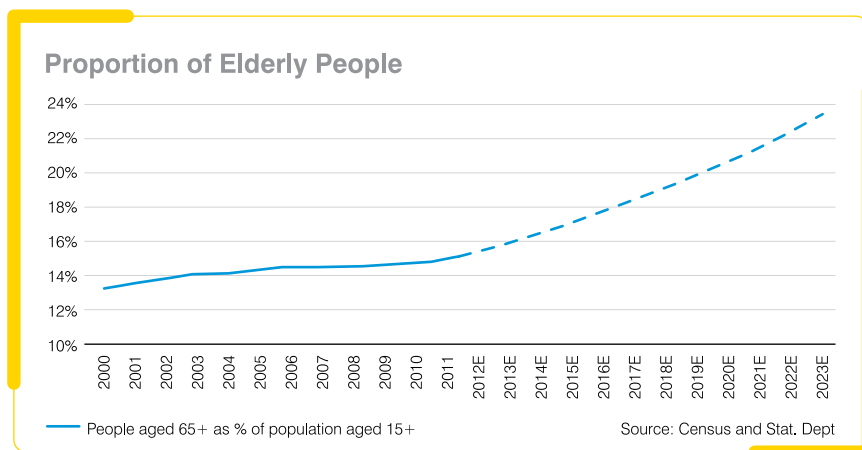


3: Invest to Improve in our Service Capacity and Capabilities – Build World-class Software

The provision of world-class services not only requires hardware (hotels, shops, offices, hospitals, schools etc.) but also software (professionals, salespersons, teachers, doctors etc.). In addition to sufficient commercial spaces, Hong Kong also needs a high quality workforce to ensure the city can maintain the quality of services that it provides.

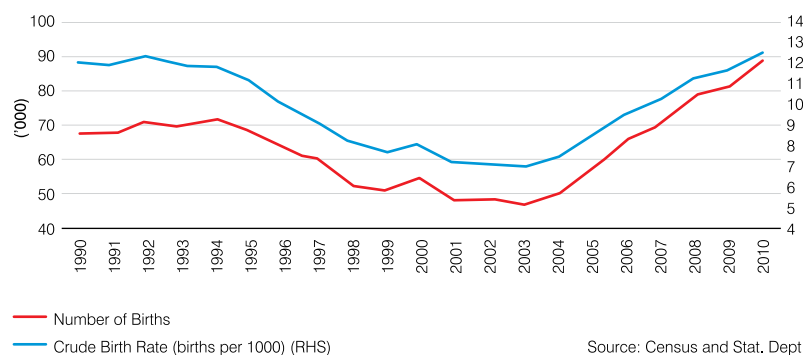
Unfortunately, shortage of labour as a result of ageing population and a prolonged period of low birth rates will likely curb Hong Kong's potential to sustain growth.

Ageing population and low birth rates contribute to a shrinking labour force



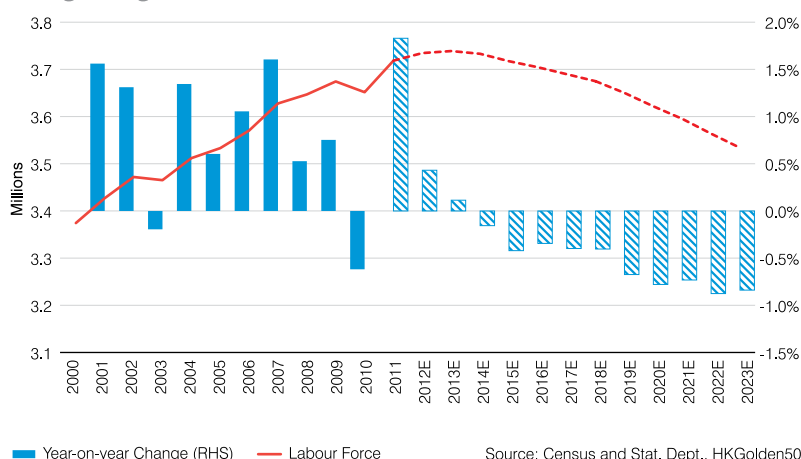
As at 2010, elderly people (aged 65+) accounts for 15% of the population aged 15+. This proportion is projected to increase rapidly starting 2013 and by 2023, almost one-quarter of our population aged 15+ will be at least 65 years old.

Number of Births and Crude Birth Rate



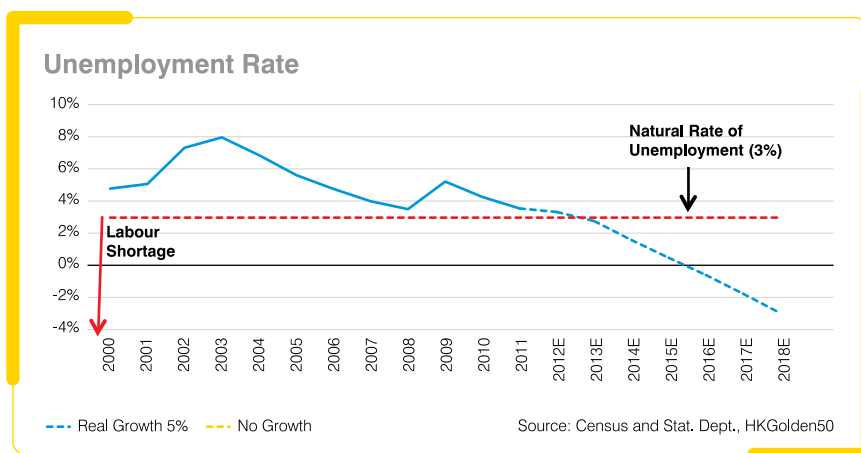
On top of our ageing population, birth rates in Hong Kong have been falling since the mid-1990s and have rebounded from the trough only after 2003. This phenomenon implies that the picking up of number of births will not be reflected in the labour force until mid-2020s. This period of low birth rates, together with the sharp increase in retirement-age population, in turn transforms into a shrinking labour force that we are going to witness next year.

Hong Kong Labour Force



Our labour force has grown by c.10%, gaining more than 300,000 workers in a decade, and is going to peak at 2013, reaching 3.74m. From then on it shall start to plummet at a rate of 0.4% to 0.8% (or 20,000 to 40,000 workers) per annum and in ten years' time, Hong Kong's labour force will contract by 6%, withdrawing more than two-thirds of the increase in number of workers in the last decade.

More than 200,000 workers will be withdrawn from our labour force in the coming decade as baby boomers retire

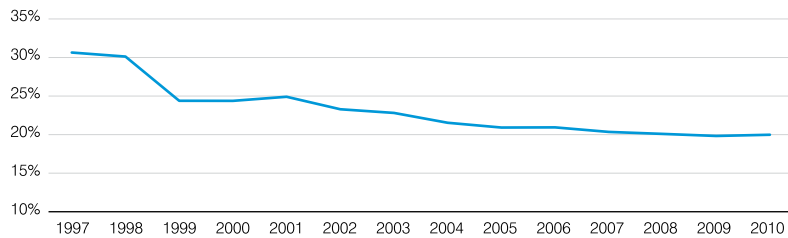


Given the shrinking pool of labour, a 5% increase in labour productivity p.a. is needed if our economy keeps growing

Hong Kong has nearly reached full employment with the unemployment rate staying at 3.3%, the lowest level in the past decade. We expect this trend to continue as the influx of business opportunities and service demand of all sorts derive even higher demand for labour.

Given that our labour force is declining by an average 0.6% per annum, if demand for our services expands at a rate of 5-6% so that GDP grows at 5% a year, then by 2014, the end of the Golden 5 Years, tightness of the labour market will be comparable to that in 1997 when unemployment rate was 2.2%. We estimate that it requires an average 6% increase in productivity per annum in order to maintain our servicing capacity.

Fixed Investment as % of GDP



Source: Census and Stat. Dept.

A 6% productivity gain per annum is virtually impossible, given the low level of fixed investment in Hong Kong

However, even for advanced economies like the United States can only sustain a long term productivity growth of 2% per annum with an abundance of technological innovation and research and development. It is almost impossible for Hong Kong to gain 6% productivity a year, especially when fixed investment as % of GDP has been falling from 30% in 1997 to just 20% in 2010. Therefore, it is imperative for the government to invest heavily in education and training to improve the overall quality of our workforce.

3.1: Invest \$6bn to Freshen Hong Kong's Air & keep our World City Refreshing & Clean for Better Quality of Life

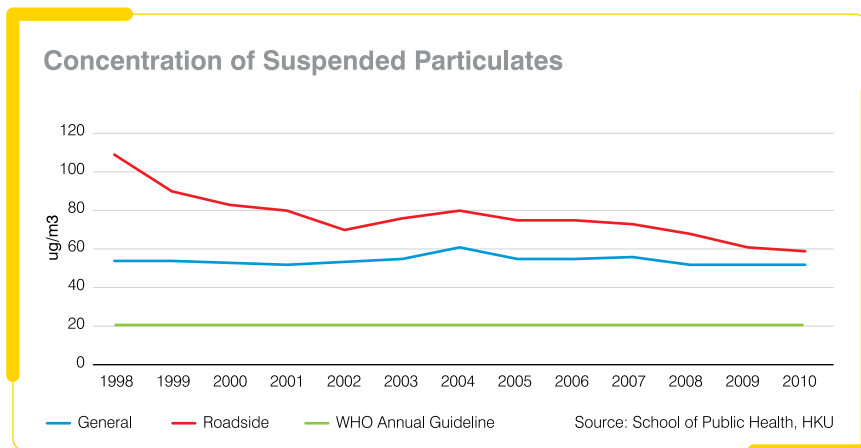
A. What are we investing in?

Invest HK\$6bn to replace old polluting buses, the source of our pollution and health problems, by incentivizing bus companies and updating our metrics completely in line with World Health Organization (WHO) in three years' time

B. Why should we invest in improving our air quality?

Bad air quality can shatter our dream of becoming a World City. According to the revised (Jan 2011) Hedley Environmental Index compiled by the School of Public Health of HKU, over the last five years Hong Kong has incurred an average HK\$8bn of tangible economic loss and more than 600 premature deaths per year due to air pollution

Poor air quality is hindering Hong Kong from becoming a World City



The effort paid by the government in improving air quality is clearly insufficient. Although there has been a decreasing trend in a number of pollutants like nitrogen dioxide (NO_2) and respirable suspended particulates (RSP) over the past years, the roadside emission of NO_2 and RSP still exceed the WHO guideline by 195%.

Our Air Quality Objectives (AQO), despite the recent revision (Jan 2011) in the last two decades, still lag far behind the WHO standards. For example, our new emission target of sulphur dioxide (SO_2) ($125 \text{ mg}/\text{m}^3$) is still 5x higher than what is suggested in the WHO guidelines ($20 \text{ mg}/\text{m}^3$). Updating our AQO so that our metrics are completely in line with WHO standards is the first step to effectively freshen our air.

Hong Kong's metrics, though revised, are still not in line with WHO standards

Concentration of PM2.5 Suspended Particulates Among Various Cities

Ranking	City	Annual Mean Concentration (ug/m3)
92	Sydney	7.0
447	New York	12.7
461	London	13.5
520	Singapore	19
541	Paris	22.9
559	Hong Kong	36.0

Note: Data for China and Taiwan not available
Source: Friends of the Earth, WHO

The poor air quality in Hong Kong is also driving foreign enterprises and expatriates away. In August 2006, a study carried out by the American Chamber of Commerce indicates that 79% of respondents knew of professionals who have thought of leaving or have already left Hong Kong due to air pollution. A more recent survey conducted by Regus indicates that 75% of corporate leaders believe air quality is hindering Hong Kong's ability to attract and retain talents.

Foreign professionals find it difficult to settle in a place where they choke every day

Sources of Pollutants

Pollutant Source Categories (2007)	NOx	RSP	CO	SO2
Road Transport	22%	30%	82%	1%
Public Electricity Generation	46%	28%	5%	89%
Navigation	16%	7%	3%	5%
Civil Aviation	6%	0.4%	3%	0.5%
Other Fuel Combustion	11%	21%	7%	5%
Non-combustion	NA	13%	NA	NA
Total	100%	100%	100%	100%

Source: HKEPD

Figures from the Hong Kong Environmental Protection Department (HKEPD) show that road transport is the most important source of RSP and carbon monoxide, and the second most important source of nitrogen oxides. By vehicle types, franchised buses account for 40% of the total roadside emission despite that they only represent 5% of the total number of diesel commercial vehicles. It is therefore of paramount importance to reduce the emission from public buses in order to effectively improve the air quality of Hong Kong.

Road transport, or public buses in particular, is the major source of air pollutants

Composition of Buses by European Emission Standards

Hong Kong			Singapore	
	# of Buses	Expected Year of Retirement	# of Buses	Replacement Deadline
Pre-Euro	456	2012	0	
Euro I	1338	2015	2700	2011
Euro II	2688	2019	586	
Euro III	1233	2026	207	
Euro IV	53		506	
Euro V			357	
Total	5768		4353	

Source: Civic Exchange

Compared to Singapore, Hong Kong lags behind in upgrading franchised buses. As at 2009, almost 80% of Hong Kong's public buses are of Euro II standards or below, while Singapore has already upgraded its Euro I public buses to Euro V. Also, only 0.9% of public buses are equipped with engines that meet Euro IV standards, while in Singapore, 20% of public buses have met standards of Euro IV or above.

Hong Kong has a much laggard bus fleet than Singapore

Emission Standards of Diesel Vehicles (g/KWh)

	Nitrogen Oxides	Particulate Matters
Euro I	8.0	0.36
Euro II	7.0	0.25
Euro III	5.0	0.10
Euro IV	3.5	0.02
Euro V	2.0	0.02

Source: Civic Exchange

A comparison of buses of different generations shows that upgrading public buses can drastically reduce emission of pollutants. For example, by upgrading from Euro II to Euro IV, emission of nitrogen oxides and particulate matters are cut down by 50% and 92% respectively.

	Capital Expenditure HK\$ bn	Return
Incentivize franchised bus companies to replace all Euro I and II public buses to Euro IV standards	6	<ul style="list-style-type: none"> ➤ Avoid 200 premature deaths per year ➤ Avoid tangible economic loss of HK\$2bn per year

We propose the government to set aside HK\$6bn as to incentivize franchised bus companies to replace all Euro I and II public buses to Euro IV or higher standards once and for all.

Set aside HK\$6bn to incentivize franchised bus companies to replace old buses

While the exact amount of subsidies and the details mechanism (e.g. linking the amount of subsidies with the net book value of the replaced buses) should be subject to further public discussion, we believe earmarking HK\$6bn (which could cover up to 60% of the total cost of replacement) is sufficient to provide enough incentives for franchised bus companies to replace their buses under the current profit control scheme in which profits of bus companies are based on average fixed assets value.

In fact, providing subsidies with a view to improving air quality is not unprecedented. For example, the Hong Kong government has been providing subsidies (a total subsidies of HK\$4bn has been provided to date) to encourage replacement of old diesel commercial vehicles. From an international perspective, Seoul, for example, has provided subsidies of HK\$1bn (25% of cost) to bus operators to replace diesel buses to compressed natural gas (CNG) buses.

With reference to the model developed by the School of Public Health of HKU, our conservative estimate is that by replacing these old buses we can reduce roadside emission of NO₂ and PM₁₀ by 25%, and thus avoiding 200 air-pollution-related premature deaths, and tangible economic loss of HK\$2bn per year.

200 premature deaths and HK\$2bn tangible economic loss could be avoided by replacing old buses

Ultimately Hong Kong should possess a zero-emission public bus fleet as the technology gets more mature and prevalent. Therefore, the government needs to implement the pilot scheme for introducing zero-emission electric buses much more actively by scaling up the scheme as well as investing into the related logistics such as a large-scale installation of charging points. Looking ahead, the government can also include emission targets of bus fleet as one of the considerations upon renewal of public bus franchises.

It's time for action – at a greater scale, with a greater urgency

3.2: Invest HK\$3bn in Training & Boosting Productivity of our Workers to ensure we Improve the Quality of our Services & Increase our Global Competitiveness despite the Rapid Shrinkage of our Workforce

A. What are we investing in?

Invest HK\$3bn to increase the capacity of the current retraining programmes by the Vocational Training Council and the Employees Retraining Bureau to accommodate 40,000 more trainees per year in two years' time

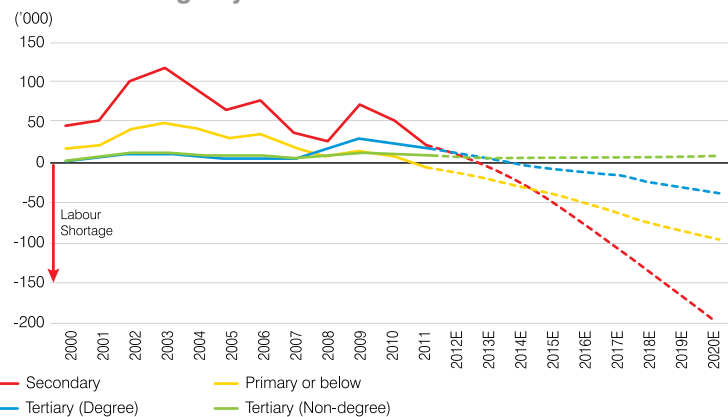
B. Why should we invest in expanding retraining facilities?

We need to urgently increase productivity of our workers so that service quality can be maintained in spite of a shrinking workforce

While it is generally perceived that as Hong Kong is a developed knowledge-based economy and thus the severity of labour shortage should increase with level of education, we find that the opposite seems to be more likely: labour without tertiary education will be relatively scarcer than their higher-educated counterparts.

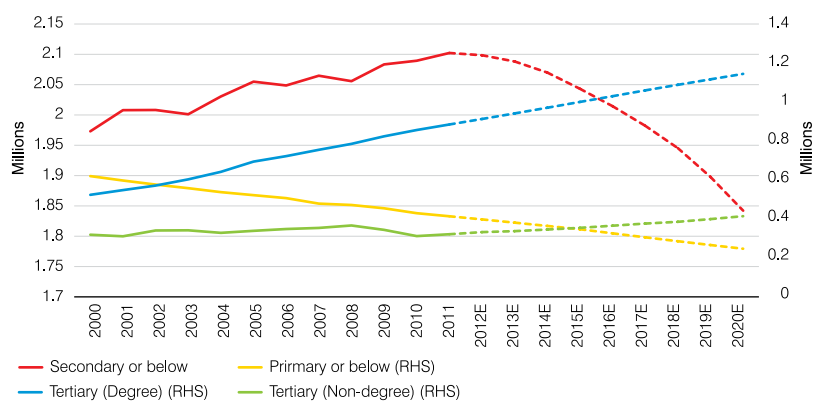
We need heads, and more so for workers with lower education (secondary or below)

Labour Shortage by Educational Level



Our simulation shows that (after allowing for the natural level of unemployment) by 2014, Hong Kong will be lacking workers in almost every level of education, with the sharpest shortage in workers without tertiary education (red and yellow lines in chart), with the deficiency up to 70,000, roughly 3% shortfall in labour in this category, while the corresponding figure for degree holders or above (blue line) shall be around 3,000.

Labour Supply by Educational Level



Our simulation shows that (after allowing for the natural level of unemployment) by 2014, Hong Kong will be lacking workers in almost every level of education, with the sharpest shortage in workers without tertiary education (red and yellow lines in chart), with the deficiency up to 70,000, roughly 3% shortfall in labour in this category, while the corresponding figure for degree holders or above (blue line) shall be around 3,000.

This is not difficult to understand: The 6-Year and 9-Year Compulsory Education were introduced in 1971 and 1978 respectively, rendering all new workers since 2000 to have at least completed junior secondary studies before joining the labour force. With the compulsory free education now extended to 12 years, our present education system basically does not produce any workers with qualifications lower than secondary school diploma. Also, the significant expansion of tertiary education since the early 1990s has led to a higher proportion of school leavers with tertiary qualifications before joining the labour force. Consequently, the imminent waves of retirement of baby boomers shall represent massive withdrawals of workers with sub-tertiary qualification.

Demand for these workers, on the contrary, is expected to grow with the economy, spurred by opportunities entering Hong Kong during the Golden 5 Years. Hot spots in the job market should include shop assistants, waiters and tour guides. Oftentimes these are positions that do not require a high level of formal education, leading to the expected sharp shortage in workers with lower education.

Our current education system does not produce workers with sub-secondary qualification

Demand for these workers remains robust, leading to an acute shortage

	Capital expenditure to increase training capacity HK\$bn	Operating cost to train 40,000 extra workers per year HK\$bn	Return per year (Income loss avoided by having more productive staff working for 10 years) HK\$bn
Increase the current retraining capacity by 20%	3	1.2	1.8 (18)

To counter the effect of the looming labour shortage, we call a 20% increase in capacity of the current retraining programmes, mainly offered by the Vocational Training Council (VTC) and the Employees Retraining Bureau (ERB). Re-training programmes of this nature (lasting six to nine months) are effective in raising labour productivity. We expect that HK\$3bn is required to expand and upgrade the current facilities to accommodate a total of 40,000 more trainees each year and an extra operating cost of HK\$1.2bn will be needed every year. This is small cost when compared with the income loss of HK\$18bn that can be avoided by having properly trained, productive staff working for ten years.

Long-series academic studies in Europe have reported that for every 1% increase in workers receiving training, labour productivity can be increased by 0.4%, with minor limitations. Taking a “deprival” approach to calculate the potential loss of earned income as businesses fail to fill vacancies, we have roughly computed that without such an expansion in retraining programmes, Hong Kong will lose HK\$1.8bn per year, or a total of HK\$18bn over a course of ten years.

Quarterly Business Receipt Indices (YoY change) on Selected Service Sectors

Service Sector	2011 Q1	2011 Q2	2011 Q3
Retail	21%	28.1%	27.5%
Accommodation	23.3%	20.8%	22%
Tourism and Exhibition	16.9%	23.6%	24.5%

Source: Census and Stat. Dept.

Our economy is undergoing another major “restructuring”: “One country, one market” has led to boom in “credibility businesses”, e.g. retail, restaurants, tourism, MICE and other personal services including beauty care and medical services. On the other hand, some large sectors like import/export may be stagnant or even declining. The retraining programmes should therefore focus on the aforementioned booming industries where labour is most needed. The government should continuously review the development of different sectors and accordingly tailor retraining facilities to equip our workforce with skills that the economy needs.

3.3: Adopt an Accretive Population Policy to attract Global Talents & the Well-to-do & improve Capabilities, Connectivity & Diversity of this World City

A. What are we implementing?

- Embark on a talent and connection accretive population policy that attracts some 200,000 talented individuals of all sectors who can prosper from Hong Kong's global service platform and bring connectivity, jobs, and business opportunities over the next 10 to 15 years
- Loosen the Permanent Residency (PR) requirement: shorten the minimum period of stay from seven years to two years for selected applicants—many countries do grant PRs out right or within 2 years; Hong Kong needs to get ahead of the race to attract global talents
- Create a panel of business representatives from relevant sectors to help civil servants exercise discretion in granting permanent residence (PR) to talented applicants who may otherwise be overlooked on the count of low education attainment

B. Why should we adopt an accretive population policy?

To attract global talents, especially those from the mainland, and thereby create jobs, business opportunities and connections for Hong Kong people and corporates

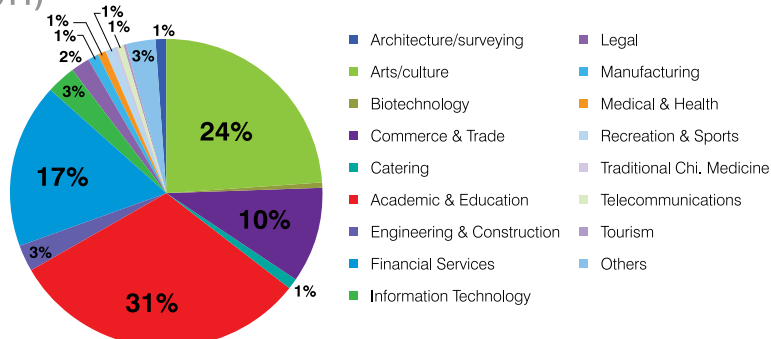
Building a World City depends much upon the talent pool of the city. Talents carry around capital, connections, skills and global perspectives, setting forth the congregation and exchange of the best ideas and practices in the world. Well-to-do immigrants, often entrepreneurial, bring with them jobs and a myriad of business customers and opportunities. Take the centre of the American melting pot for example. The 70,000 foreign-born entrepreneurs residing in New York City represent c. 50% of the World City's small business owners, creating c.30,000 jobs in the Big Apple last year.

Global talents congregate ideas and entrepreneurship, spinning off more jobs in World Cities

Unlike New York City's immigrants, the talents that we bring in are heavily skewed towards non-business related disciplines and individuals with relatively low income. Over 50% of mainland talents in the Admission Scheme for Mainland Talents and Professionals (ASMTP) obtain their work permit to contribute their expertise in Hong Kong's academia and the Arts & Culture field. These talents are important in adding diversity and knowledge to our city, yet with only 10% earning HK\$40,000 or above among all ASMTP applicants, the vast majority of the talents we are bringing in with this supposedly targeted scheme are not individuals who have the economic and social capital to create jobs and bring connections that can enhance our global competitiveness and the income of our people.

Hong Kong's population policy fails to create a pool of talents who can generate job opportunities and enhance Hong Kong's competitiveness

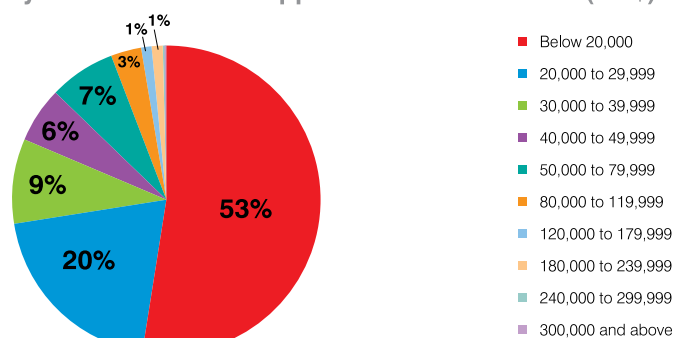
Admission Scheme for Mainland Talents and Professionals (2011)



Source: HK Immigration Dept., Legislative Council, HKGolden50

53% of mainland talents are employed in non-business sector; 53% earn below HK\$20,000

Monthly remuneration for applicants under ASMTTP (HK\$)



Source: HK Immigration Dept., Legislative Council, HKGolden50

Hong Kong's ascent to World City will be frustrated if we fail to attract a continuous inflow of talents that draws businesses and customers to the city. Singapore has attracted 75,000 talents per year to settle down in the city for almost a decade, while Hong Kong has only brought in a couple thousand of talented permanent residents each year, and this is directly dragging our economic growth behind as we are letting businesses opportunities slip away due to lack of talents. As we have repeatedly emphasized in our previous two reports, flows beget more flows in business, and with China's emerging economy, broadening our city's network with the mainland market should be flagged as key priority for both China and Hong Kong (for details, refer to "How to become a World City: Lessons from London" pages 19-25).

Hong Kong needs policies to attract talents and the jobs they bring with them, increasing connectivity to China and the rest of the World or they will flock to other potential World Cities like Singapore

Simulation of the Effect of Immigration Policies

Singapore Before and After Immigration				Hong Kong Before and After Immigration			
	Before	Immigrants	After		Before	Immigrants	After
Population	100	15	115	Population	100	11	111
GDP Per Capita	10.0	20.0	11.3	GDP Per Capita	10.0	4.5	9.5
Total GDP	1,000	300	1,300	Total GDP	1,000	50	1,050
Increase in Total GDP			30%	Increase in Total GDP			5%
Change in GDP Per Capita			+13%	Change in GDP Per Capita			-5%

Just as one cannot become a World City without the continuous influx of global talents, proper policies to retain the ones who choose to come are equally, if not more important. A quick glance at Hong Kong's immigration statistics readily reveals the flaws of our existing population policy, and the urgency to replace it with an accretive one to retain talents and accelerate Hong Kong ascent to become a World City. While Singapore's recruited talents added 13% to the Lion City's per capita income, Hong Kong's immigrants brought about a 5% drop in our per capita income. (For a more detailed discussion, please refer to our second report "How to become a World City: Lessons from London" pages 11-14)

Hong Kong's existing population policy is dilutive

Five Types of Employment Permits of Hong Kong

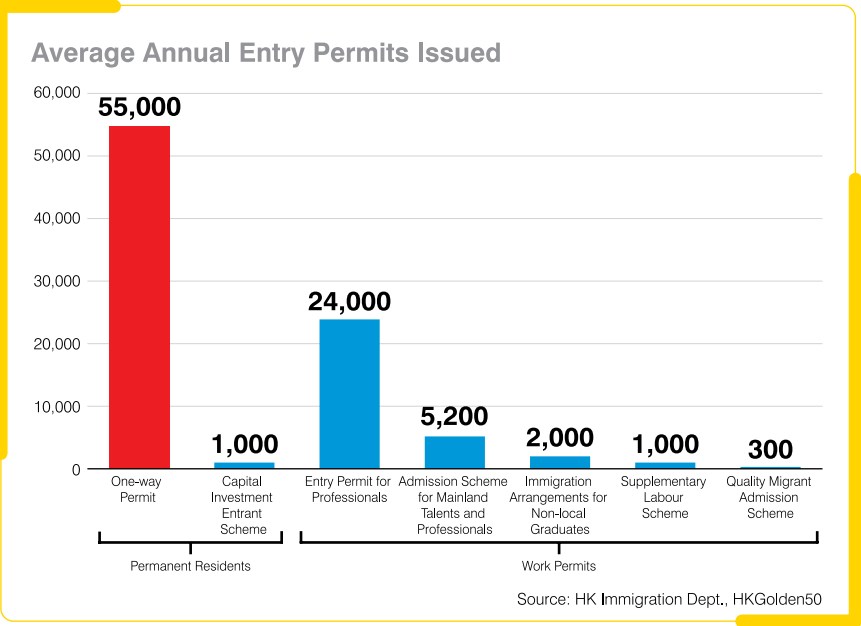
Permit type	Type of Applicants	Eligibility of Long Term Visit Pass for relatives	Presence of Quota	Notes
Entry Permit for Professionals	Non-Mainland professionals	Yes	No	Conditioned on being secured offer in Hong Kong
Immigration Arrangements for Non-local Graduates	Non-local fresh graduates	Yes	No	Conditioned on being employed within 12 months
Admission Scheme for Mainland Talents and Professionals	Mainland talents and professionals in commercial, financial, arts, culture, sport and culinary fields	Yes	No	Conditioned on being secured offer in Hong Kong
Quality Migrant Admission Scheme	People with first degree from recognized university/good technical qualifications, proven professional abilities and/or experience and achievements supported by documentary evidence	Yes	Yes	Points-based selection system
Supplementary Labour Scheme	Labour at technician level or below	No	No	N/A

Source: Immigration Department, Hong Kong Yearbook

There are two main sources of immigrant population in Hong Kong: those who enter with the five types of employment passes and the ones that come in with 150-per-day One-way Permit quotas. Our population policy fails to attract talents yet retains relatively low-educated individuals

A simple analysis of the annual entry permits’ breakdown explains the long overlooked yet crucial element to our becoming of a World City. A population policy that maps out the demographic needs of our city is non-existent. The Immigration Department’s five entry permits granted specifically to both mainland and overseas talents predominantly for shorter work permits purposes attract on average less than 30,000 global citizens per year since the schemes were introduced, accounting for only 1% of our labour force. While our city falls short on attracting global talents, we fair well in expanding our population base. Through the One-way permit (150 per day), 55,000 spouses and children of Hong Kong citizens, of which only 8% have received post-secondary education or above, settle down in Hong Kong each year. This group makes up c.90% of Hong Kong’s new PRs each year, adding up to 700,000 of our city’s population since 1997. While it is important for Hong Kong-mainland families to reunify especially for the well-being of these children, better policies should address the economic implications that come along with the rapidly expanding population without successfully increasing the base of our talents.

Hong Kong’s population policy lacks planning and policies to attract highly entrepreneurial and productive talents are virtually non-existent or ineffective



In stark contrast, Singapore's population is heavily shaped by its immigration policy. As of 2010, only 64% of the total population are made up of local citizens. With the goal of recruiting more talents to drive Singapore's economic and social growth, the Singaporean government has liberalised immigration policies to attract greater inflow of foreigners taking up permanent residence, including several schemes to offer instant permanent residency to individuals with a top-notch education or professional background. As a result, PRs and equivalents increased by c.450,000 on a high-skilled population of 3.5m between 2005 and 2010.

Singapore limits the entry of middle and low-skilled workers with the quota of its S and R passes, and issues 3 types of passes to professionals, maintaining its foreign labour force at a high educated level, while ensuring enough low skilled labour (36% of total workforce) to support a stable supply of labour force to support the country's expansion in infrastructure works.

A stark contrast: Singapore's immigration policy shapes the Lion City's population composition

Singapore takes proactive measures to create the right mix of immigrants

The Five Types of Employment Passes of Singapore

Pass type	Type of Applicants	Level of fixed monthly salary required	Educational Qualification	Eligibility of Long Term Visit Pass for relatives	Usual waiting time for PR application	Presence of Quota
P1	Professional, managerial, executive or specialist workers	≥ \$8,000	Degree or above	Yes	1 year	No
P2		≥ \$4,000		Yes	≥ 2 years	
Q1		≥ \$2,800		No (only Dependent Pass)	≥ 2 years	
S	Middle-skilled workers	≥ \$2,000	Degree/ Diploma	No (only Dependent Pass)	4-5 years + stable working history in Singapore	Yes
R	Middle and low-skilled workers	< \$2,000	N/A	No	N/A	Yes (and employers have to pay foreign worker levy)

Source: Singapore Ministry of Manpower

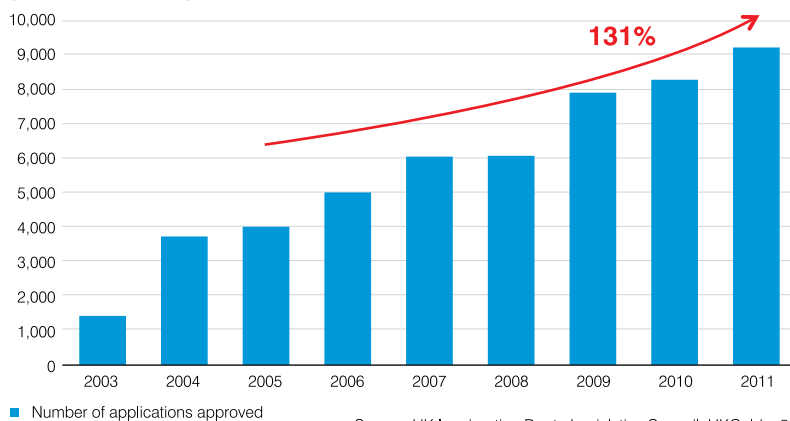
Singapore's successful accretive immigration policy attracts global talents with high education attainment (80% are post-secondary educated) to fuel its economic growth, while Hong Kong's non-existent population policy introduces only 8% post-secondary educated immigrants. If we continue to let our ineffective population policy persist, Hong Kong would eventually lose our bid to become a World City.

As Singapore and Hong Kong import the majority of immigrants amongst whom 80% and 8% received post-secondary education prior to their arrival respectively, Hong Kong would eventually lose competitiveness

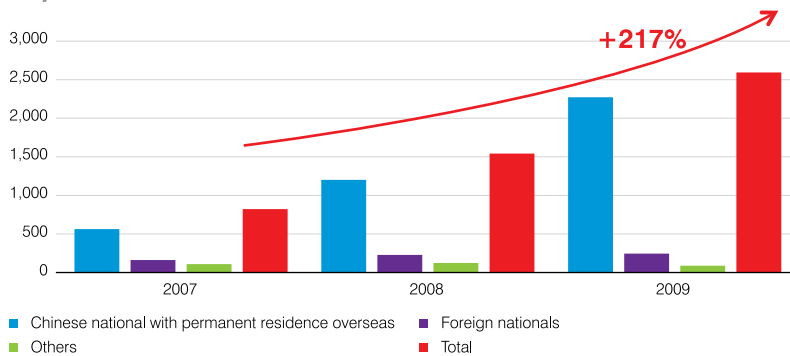
Recent years have witnessed a rapid surge in the number of applications to work and reside in Hong Kong. The ASMTF applicants have more than doubled since 2005, and immigrants to Hong Kong through the Capital Investment Entry Scheme increased by three folds from 2007-2009. There is plenty of potential to tap into this pool and Hong Kong needs to take action now.

Hong Kong's fortuitous geographic location offers us a backyard full of talents who can bring in connections and business opportunities

Admission Scheme for Mainland Talents and Professionals (Work Permits)



Capital Investment Entrant Scheme



Proposals

For the past 170 years, Hong Kong has played a dominant role in directing flows from the West to China. The Closer Economic Partnership Arrangement (CEPA) allowed a continuation of this by making access to the Chinese market easier for a number of sectors, but what we need today is a reverse flow that attracts mainland talents southward to enhance our appeal as a gateway to China. “One country, one market” cannot play out fully without the free flow of talents (Please refer to pages 8 to 12 of our first report). An increased porosity of the southward talent flow brings about multiply effects, including more offices being set up in this city, a congregation of business partners to travel or relocate to Hong Kong, and the synergy of ideas. The possibilities are endless when one major flow—the south bound talent stream—becomes unblocked, and this should be a priority when we draft our population policy.

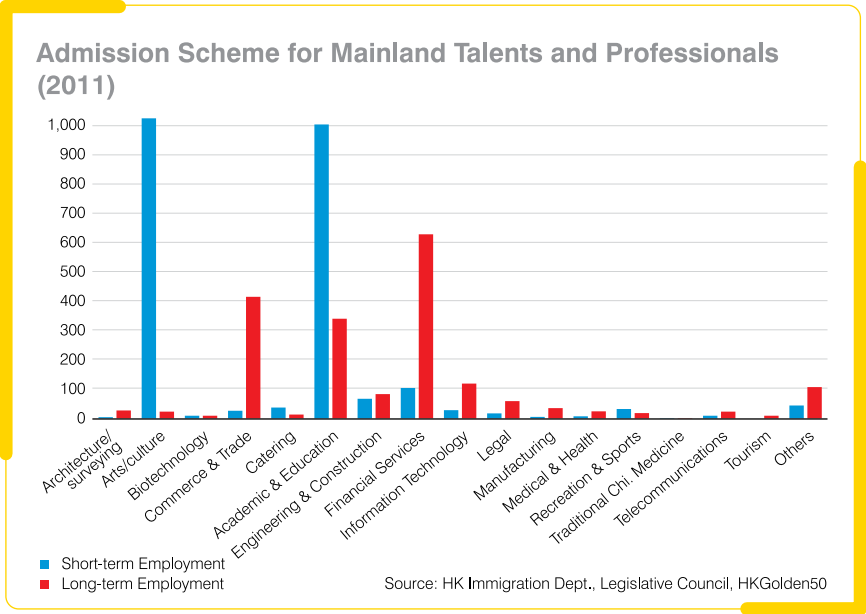
This pool of talents and business connections are the yeast to ferment Hong Kong’s long term economic growth and our quest to become a World City. Attracting 200,000 talents over the next 15 years is an easy target that our society can achieve, given the Lion City’s success in absorbing 450,000 foreign talents within 6 years. Especially in the face of 300,000 baby boomers retiring in the next decade, Hong Kong can definitely use extra helping hands and heads that can concurrently bring in more businesses and demand for services across all sectors. These entrepreneurial minded talents are the catalyst to Hong Kong’s development whom can create jobs, induce higher wages and increase our population’s earning power to race against the long term inflation.

*“One country, one market”
should be made priority when
determining our population
policy*

*Channel 200,000 opportunity/
job-creating talents to become
PRs in the next 10-15 years*

The pool of global talent is unlimited and fluid, yet our existing immigration policies limit our intake and fail to retain talents. We are in urgent need to reexamine our existing work permit schemes, such as the Quality Migrant Admission Scheme's quota capped at 1,000 per year. The ASMTTP also offers too few long term jobs, with 85% of the two largest employment sectors (Academic and Arts & Culture) giving out short term contracts. These barriers are extremely counteractive to our quest for talents, especially when we are competing against liberal immigration policies like instant permanent residency that Singapore gives out. We therefore urge for a revision of our immigration restrictions and shorten the minimum stay of seven years to two years for permanent residency limited to selected applicants who can add value to our economy, bring along their entrepreneurial skills, and generate more business and employment opportunities.

Revise population policy and shorten the required length of stay from 7 years to 2 years for selected applicants to obtain permanent residency



Existing immigration measures are stringent and not designed to catered for recruiting well-connected and talented individuals to our city. The entrepreneurs who can generate the most jobs, flows and global connectivity may not be the ones that most fit the criteria of our immigration department's existing guidelines on paper. Many successful entrepreneurs started off with credentials that would never make it to the list with the official guidelines. One of the world's richest men Huang Guanyu, founder and chairman of Gome Electrical Appliances had a 9th grade education and only US\$500 when he first started his career as an entrepreneur. His success story is the epitome of potential that the combination of can-do spirit and astute business acumen can achieve. We need more of these warriors to reawake Hong Kong's can-do soul and reinstate our connections with these talents. Hence, we propose setting up a special committee to fill this loophole and offer these special talents an alternative stream to bring their expertise to Hong Kong. A panel from the business sector can well judge the potential of such talents and provide them an opportunity to unleash their potential and bring in their connections to our city.

Create a panel of business representatives from relevant sectors to help civil servants exercise discretion in granting permanent residence

3.4: Invest \$40bn in Expanding Medical Capacity and Capability to keep our People Healthy & Active

A. What are we investing in?

Invest HK\$40bn to expand medical capacity and add 6,600 beds in our medical system by expanding existing hospitals and/or building additional hospitals in ten years' time

B. Why should we invest in expanding our medical system??

Address the lack of medical facilities, equipment and manpower to prepare the medical system for the imminent rise in patients as baby boomers mature

Hong Kong's medical system has been one of the world's best, with one of the lowest infant mortality rates and remarkably higher cancer survival rates than those of Europe and the US. However, the quality of our medical services is unlikely to sustain as baby boomers are ageing, and thus rapidly increasing the demand for medical attention by one-third. However, both hardware are severely stressed (e.g. hospitals and equipment) and software (e.g. doctors and nurses) of the medical system is severe stressed.

Hong Kong has been offering quality medical services, but it is unlikely to last

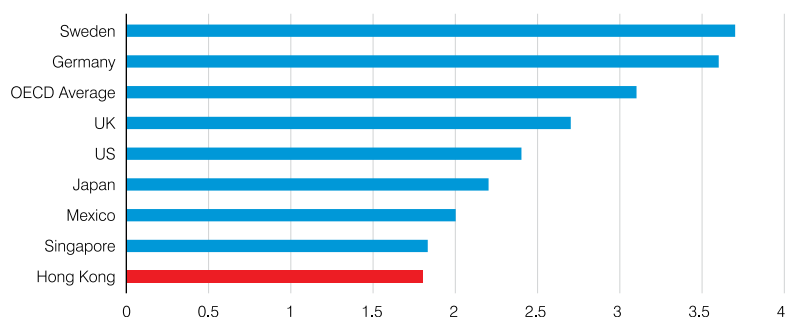
As far as medical hardware is concerned, we have characterised, in our previous report, the last ten years of Hong Kong as the “Lost Decade”: in the 2000s, not even one new hospital was established and operational, whereas eight hospitals were constructed during the 1990s. While there are plans for new hospitals in various locations, none of them will be fully operational until 2016. Surely the demand of medical attention did not drop in the last decade as opposed to the ten years before as population grew and aged. This is a clear reflection that our medical system has been under-invested for years.

Medical demand has been increasing as population grows and matures, yet no new hospitals were established in the last decade

Besides hospitals, our medical system also lags behind in terms of equipment. As Dr. Ho Pak-leung, President of the Centre for Infection of HKU, pointed out in September last year, 90% of the apparatus at the Centre for Infection are at least 20 years old and even the UV-Light Box for rapid test and genetic diagnosis is “home-made” by staff of the centre. Dr. Ho believes that as the frontline fighting against infectious diseases, the Centre for Infection should be always well-equipped to produce reliable and timely detection results in case of emergence of new viruses. He described the current situation as “driving an antique car and you never know when it will break down” and Hong Kong will be under great threat in the case of an outbreak of infectious diseases.

Old equipment may jeopardise people’s health in case of an epidemic

Physicians per 1000 Population (2011 or latest year)



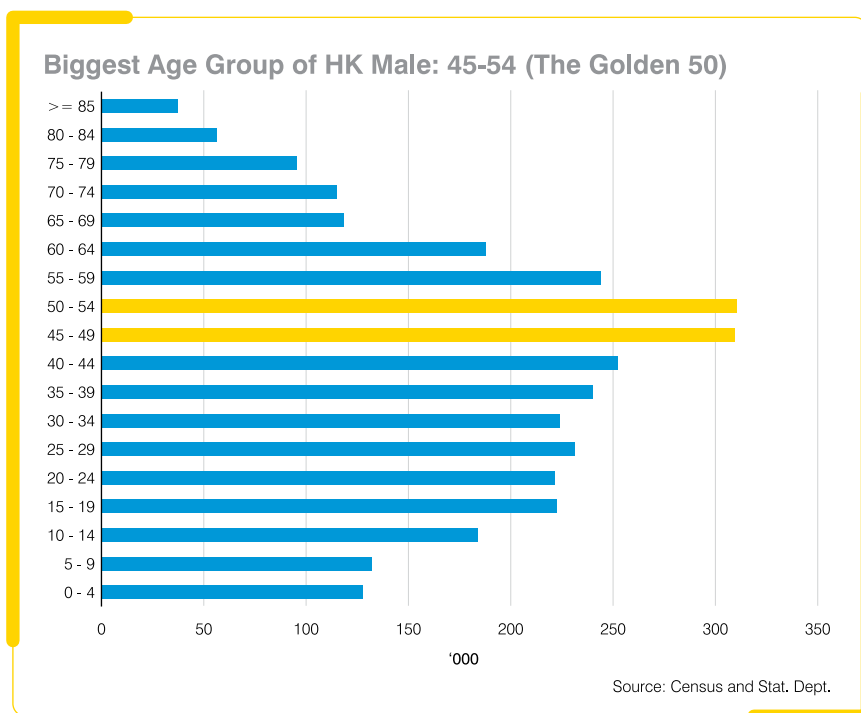
Source: OECD Health Data, WHO World Health

The number of doctors per 1,000 population is 1.8 in Hong Kong, a level lower than that of Mexico where per capita income is less than one-third of Hong Kong, not to mention the average of 3.1 in OECD countries. Dr. W.L. Cheung, Director of Cluster Service Division of HKHA has remarked that the public medical system is in acute shortage of doctors and importing overseas doctors would certainly help alleviate the problem. We are also in dire need of nurses and healthcare assistants for the elderly.

Per capita doctors in Hong Kong is even lower than that of Mexico

Insufficient supply of medical hardware and software both in the public and private sectors has led to a remarkable one-third jump in number of reported medical negligence in hospitals. There were a total of 44 cases from October 2010 to September 2011, up 33% from the previous year. Other problems from shortage of medical services have been well illustrated in the media and here we do not go into the details.

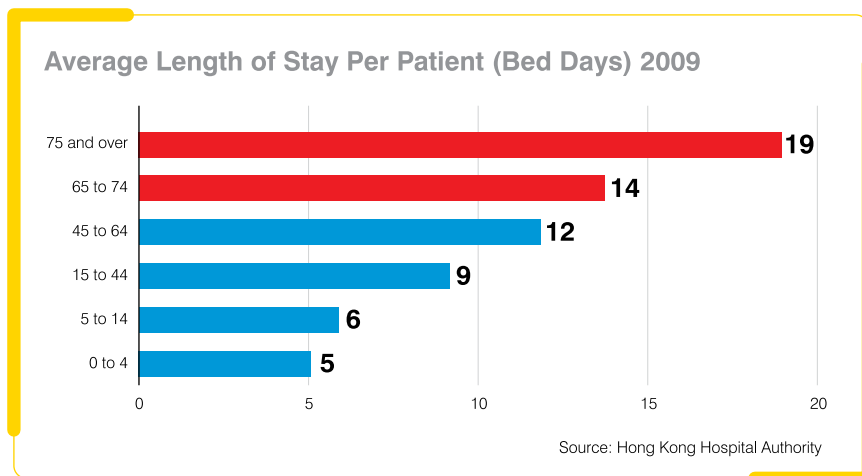
Increasing number of medical negligence suggests that the medical system is stretched to the limit



The medical system in Hong Kong will deteriorate to third-world country level unless serious investment is allocated. The current age distribution of the Hong Kong population brings two important implications: (1) demand for medical services, especially geriatric medical services, will at least double in 20 years' time and (2) supply of medical staffs will contract significantly as a result of the waves of retirement of baby-boomers in the coming decade.

The current age distribution suggests that the existing capacity of the medical system caters for about 200,000 men aged 65-74 (similar size for women), but 15 years from now when the two yellow bars in the population pyramid shift up, the medical system has to support over 600,000 men in the same age group. This represents a huge increase in demand, especially when we take into account that, an elderly inpatient's average length of stay per admission is three times that of those below 15 and that patients aged 65 pay 50% more visits to hospitals compared with those aged below 45. These figures suggest that a demand spike is inevitable as population matures.

Demand for medical services will increase but supply of medical staffs will drop as population ages



Our medical system will lose a large number of veteran doctors and nurses as baby-boomers retire in the coming decade. This will exacerbate the shortage of medical staff that is present in many public hospitals now. While detail projection is still in progress, given an already overstretched medical system, an expected jump in demand and drop in supply of medical manpower, we must take action now to invest in increasing medical capacity by at least one-third.

	Capital expenditure HK\$bn	Operating cost per year HK\$bn
Increase hospital capacity by one-third <ul style="list-style-type: none"> • Expansion of 6,600 hospital beds • Replace and upgrade old equipment for hospitals and research centres • Corresponding increase in operating expenses (staff, drugs, medical supplies etc.) 	40	13

We call for an expansion of hospital capacity of 6,600 beds and funding hospitals and research centres (e.g. Centre for Infection) to replace and upgrade their equipment. This involves a capital expenditure of HK\$40bn and a recurrent expenditure of HK\$13bn per year for the cost of additional medical staff, drug and other medical supplies for operation.

Expand the current medical system by one-third

The relative shortage of medical services is different across districts and the expansion of capacity should correspond to such spatial imbalances. For example, Kowloon East has only three hospitals in the Cluster although the neighbourhood has the highest portion of population aged 65+. Also, Kwong Wah Hospital and Queen Mary Hospital have long requested funds for refurbishment and expansion. These projects should be considered first.

Besides expanding the public medical system, the government also has to speed up the approval of the four sites (in Wong Chuk Hang, Tseung Kwan O, Tai Po and Lantau) designated for new private hospitals.

The provision of medical services of world-class quality requires a strong team of medical staff too. We believe the current rate of expansion of medical schools in Hong Kong (420 graduates starting 2018) is far slower than the increase in demand in response to an ageing population. While it takes six years to nurture a general practitioner, another six years is needed to produce a specialist (e.g. a geriatrician). Therefore the solution to the immediate problem is to import foreign-qualified doctors and expand medical and nursing schools at a larger scale to increase supply of medical professionals in the medium term.

Singapore has also been aggressively “importing” overseas doctors, which has actually contributed to over half of the total increase in number of doctors during 2006-2009. More importantly, the performance of Singapore’s medical system after importing overseas doctors has been satisfactory and is more or less on par with Hong Kong. Singapore’s infant mortality rate, for example, is even lower than Hong Kong. Hong Kong certainly needs some more radical reform if we are to catch up with our peers. We shall address these issues in greater details in our next report, “How to create a World-class Medical System”.

Import overseas doctors to meet immediate demand; expand medical schools to increase supply in the longer term

Valuable lessons could be learnt from Singapore’s experience of importation of doctors

3.5: Invest HK\$15bn in Expanding University Capacity & Improving Quality of our Economy's New Blood

A. What are we investing in?

Invest HK\$15bn to expand university capacity and increase publicly subsidised university places by 10,000 (67%) in five years and admit more non-local students

B. Why should we invest in more university places?

We believe there are two major reasons supporting the proposal of expansion of universities:

- (1) To produce more university graduates to meet labour demand
- (2) To attract more talented students from the mainland and the rest of the world to establish Hong Kong as a regional education hub
- (3) To extend the channels through which the value system and excellence of this World City can be exported to the world, increasing its global influence. London universities do not cater only for students in London or the United Kingdom, but the world. By absorbing such a wide range of talents, the perspectives of both local and overseas student are greatly shared and extended

Labour Supply and Demand: Degree Holders or above (2010-2018E)

('000)	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E
(a) Labour Demand*	817	850	884	918	952	985	1017	1050	1082
(b) Adjusted Labour Supply [^]	837	864	893	921	949	978	1006	1037	1066
Shortage (a-b)					3	7	11	13	16

*Assume 5% GDP growth

[^] Allowed for natural rate of unemployment

Source: Census and Stat. Dept., HK University Grants Committee, various HK universities, HKGolden50

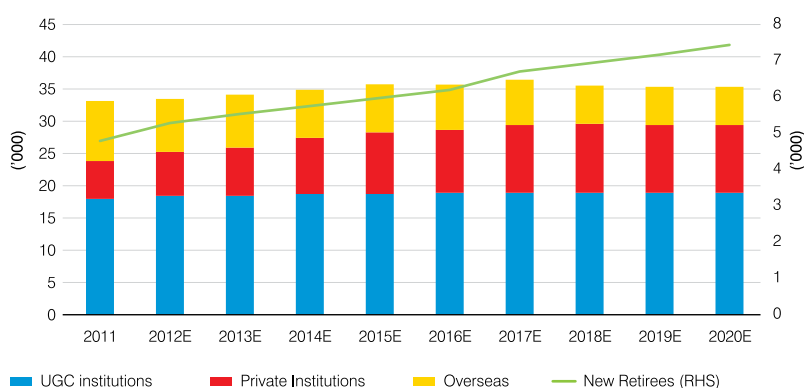
There will be insufficient university graduates to meet labour demand in two years' time

(1) To meet labour demand

We expect that labour demand for university graduates to expand less than proportionately with our economy, creating about 35,000 new jobs for higher-educated workers each year (i.e. employment grows at c.4% per annum), assuming the economy achieves an annual real growth of 5%.

However, our current education system is not supplying enough talents to meet labour demand. At the moment, around 30,000 university graduates (incl. undergraduates and post-graduates) enter the job market every year. Half of this figure comes from local publicly funded degree programs, while the remaining stems from existing local degree-awarding private institutions and overseas universities.

Graduates by Sources and Retirees



Source: Census and Stat. Dept., HKUGC, HKGolden50

Although there are more private universities to be established in the near future, the pace of expansion is apparently too slow to catch up with the rising demand for labour. Ageing population definitely plays a role: we estimate that new retirees with qualification of degree or above will grow by 60% in a decade to 7,000+ per year by 2020.

As a result, problem of labour shortage will occur as soon as 2014. The shortage is expected to grow to over 16,000 by 2018, more than the current annual quota of government subsidised degree places (15,000) in Hong Kong. Expanding university capacity now is necessary to alleviate the problem of labour shortage.

Expansion of private universities is not fast enough and the number of retirees is growing

(2) To establish Hong Kong as a regional education hub

Hong Kong has a huge potential demand for university education from its hinterland

The Hinterlands: Guangdong Province vs. the UK

In 2010	Guangdong	United Kingdom
Population	104,303,000	62,262,000
Total Area (sq. km)	178,000	242,000
Dependency Ratio	31%	52%
Nominal GDP (HK\$ bn)	5,219	17,480
Nominal GDP Per Capita (HK\$)	50,000	281,000
Nominal GDP Growth p.a., 1990-2010 (Local Currency)	18.4%	4.8%

Source: Statistics Bureau of Guangdong Province, UK ONS, CIA World Factbook

A city is only as great as its people. Even with the best architecture in the world, a World City requires a continuous inflow of talent available to work for the international financial institutions and multinational corporations to maintain its position as a World City. We believe that Hong Kong should aspire to become a regional education hub in Asia, particularly for China, but Hong Kong needs more university places. While London produces 30,000 graduates every year, Hong Kong only has subsidised first-year first-degree (FYFD) places of 15,000. Given that London receives students from its hinterland (the UK), one should also consider Hong Kong's hinterland – Guangdong, the most populated province of China, when determining the optimal size of the tertiary education system as we move towards 'One country, one market'.

Hong Kong has all the makings of a recognised regional education hub: a well-established system of rule of law, freedom of speech and expression, high quality education constitute irreplaceable attractiveness for bright students from the rest of the world. The quality of Hong Kong universities are reflected in the rankings: four out of the eight UGC-funded institutions in Hong Kong are ranked top 20 in Asia while only three mainland universities are so ranked despite the vastly bigger student catchment, with two of them situated in Beijing.

Global Ranking of Universities

Rankings	Asia	Worldwide
University of Hong Kong	2	34
Peking University	4	49
Hong Kong University of Science and Technology	7	62
Tsinghua University	8	71
The Chinese University of Hong Kong	15	151
University of Science and Technology of China	19	192
City University of Hong Kong	20	193

Source: Times Higher Education 2011-2012

In other words, students from the mainland and the rest of Asia would find universities in Hong Kong desirable institutions for their education. This is especially true for students in southern China due to geographical proximity.

In fact, the first survey on mainland graduates at the University of Hong Kong (HKU) conducted by HKGolden50 has confirmed this view, with 88% of the respondents find their education at HKU had given them an advantage over mainland degrees and 70% of these mainland graduates would recommend their friends and relatives coming to Hong Kong to pursue their studies. These findings suggest that mainland students do hope to study in Hong Kong but there are not enough places for them.

Our survey shows that mainland students do want to pursue their undergraduate studies in Hong Kong

Considering the planned expansion of the private institutions (c.5,000 places), we propose to increase publicly subsidised university places by 10,000, expanding the tertiary education system of Hong Kong by 67% to a level comparable to London. We believe that adding university places and accommodating more global talents creates a “clustering effect” of high calibre that attracts even more bright individuals – just like London and New York, where top-notch universities admit the best students from all around the globe.

Expand university capacity by 67%, to a level comparable to London

	Capital expenditure HK\$ bn	Operating subsidy per year (per 4-year degree for 10,000 students) HK\$ bnHK\$ bn	Return per year (extra income of 10,000 students earned over 35-year work life) HK\$ bn
Add 10,000 university places	15	2 (8)	3.2 (112)

This translates into an estimated HK\$15bn capital expenditure on constructions of campuses, amnesties, hostels, laboratories and research centres etc., and recurrent cost is estimated to be HK\$2bn.

Prof. Francis Lui of the HKUST has observed that one year of university education could increase income by 15-18%. We estimate that aggregating the extra income gained by the 10,000 students after completing a four-year degree programme would amount to some HK\$3.2bn per year or HK\$112bn over the course of a 35-year working life. This income gain represents the gain by society and which significantly exceeds the education subsidy to run such a course of HK\$2bn a year, or HK\$8bn over the four-year programme.

Investment in university education generates significant income growth

While details of the expansion should be subject to further study and public discussion, we believe the general direction is that we need to nurture talents that support the development of “credibility businesses” by leveraging on the brand of Hong Kong: we definitely need to train more doctors and nurses to cope with the imminent shortage in medical staff brought by ageing population and in the longer term, to establish Hong Kong as a regional hub for medical services; more engineers to provide testing and certification services and more artists to promote the city’s art scene.

Hong Kong needs a larger talent pool to support “credibility businesses”

To accomplish these, we are in need of more land to accommodate the extra facilities and students. Here we list some possible options to create more spaces for our universities:

We need to have more proactive ways to create land: reclamation, rezoning and the development of the LMC Loop are possible solutions

(1) Reclamation

This is a more convenient option for universities with a water frontage like the Chinese University of Hong Kong (CUHK) and HKUST.

(2) Re-configuration of land usage and density

This is particularly important for universities located in urban areas. Take HKU as an example, the ex-Kennedy Town Abattoir site may be rezoned for educational use and a higher density may be adopted to make for more buildable space for the expansion of HKU.



(3) Development of the Lok Ma Chau Loop (LMC Loop)

In the current development plan of the LMC Loop that lies to the south of the Shenzhen Futian, the government suggests to use 25 ha of the LMC Loop for higher education and new high technology. A few local universities have already expressed interests in establishing campuses in the Loop. We suggest the government to allocate extra resources to establish research centres and laboratories in this area to create the synergies and clustering effect that is necessary for new high technology and testing and certification industry to flourish.



3.6: Invest \$4bn to Promote & Enrich Art & Culture for a Vibrant, Upbeat & Cultural World City

A. What are we investing in?

Allocate the extra HK\$4bn necessary to re-work the delivery programme of opening 9% of the project by 2015 and start constructing the West Kowloon Cultural District (WKCD) immediately so that 25% of the project will be opened by 2018

B. Why should we invest in promoting and enriching Hong Kong's art and culture?

We believe there are two major reasons supporting the proposal of investing in opening 25% of WKCD in 2018:

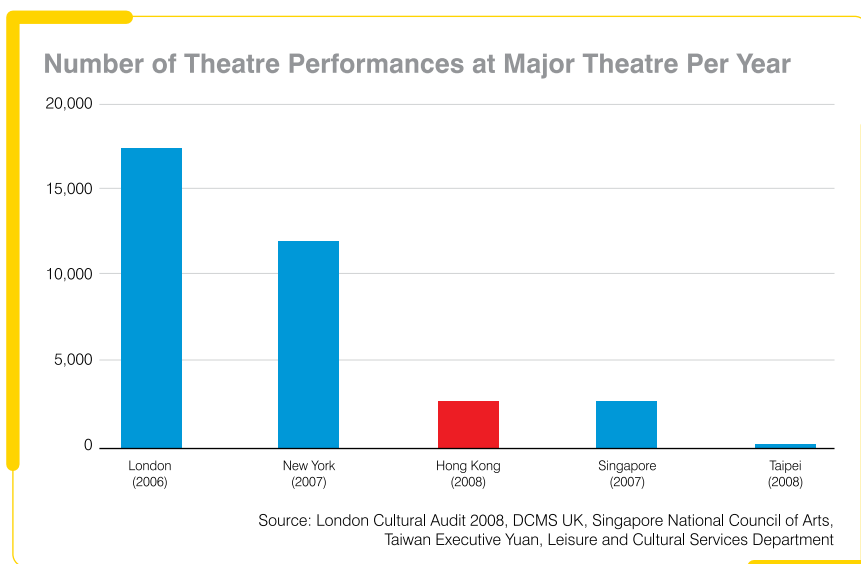
1. Enhance Hong Kong's content as a World City
2. Capitalise on the demand of art and cultural appreciation from baby boomers as they retire

1. Enhance Hong Kong's content as a World City

Hong Kong lags behind New York, London, Singapore and Taipei in art and cultural offerings, in both hardware and software.

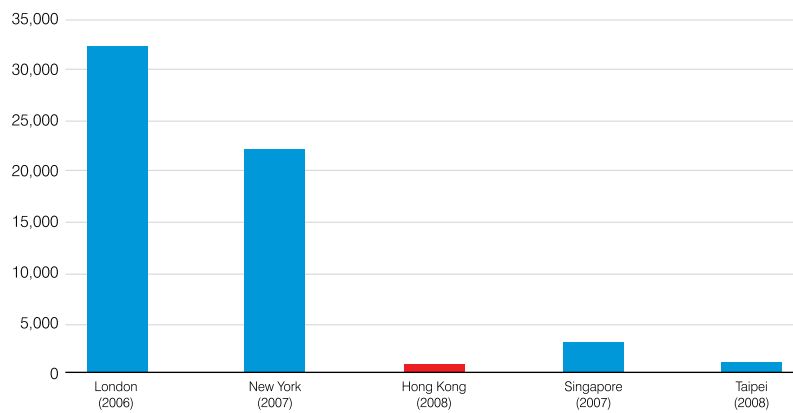
Every World City needs a vibrant art and cultural industry; for instance, New York has Broadway and London has the West End, but Hong Kong does not have comparable performance offerings. In terms of the number of art and cultural offerings, Hong Kong lags behind World Cities like those of New York and London, and even our Asian neighbours Singapore and Taipei: each year, Hong Kong has 2,480 theatre performances at major theatres, whereas London has 17,825 (7 times that of Hong Kong), and New York has 12,045 (5 times that of Hong Kong).

Both Hong Kong's offering and Hong Kong people's interest in attending art performance are low compared to other World Cities



Hong Kong's number of music performances equally lags behind other cities. Our 1,058 music performances each year are 3% that of London's 32,292 and even Singapore has 3,093, triple the amount of our performances each year. Hong Kong also offers very few international performances compared to other World Cities. Our best performance facility, the Hong Kong Cultural Centre, despite housing similar amount of shows per year as Singapore's Esplanade and the London Barbican Centre, carries only 12% international artists or art groups, when Singapore and London offers 36% and 52% respectively.

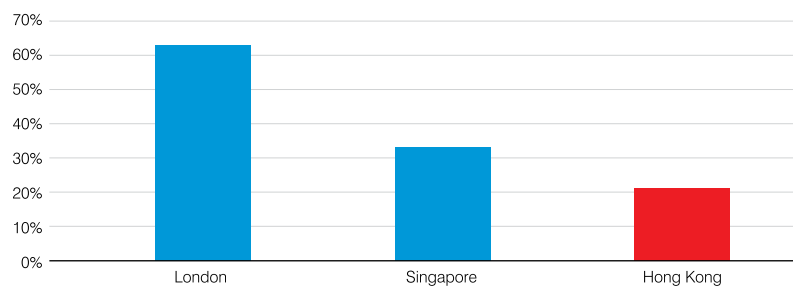
Number of Music Performances Per Year



Source: London Cultural Audit 2008, DCMS UK, Singapore National Council of Arts, Taiwan Executive Yuan, Leisure and Cultural Services Department

Moreover, as stated in the Sub-Culture section of this report, Hong Kong people's interest in attending art performance seems low compared to other World Cities: while 63% of Londoners and 33% of Singaporeans have seen a performance in the past 12 months, only 21% of Hong Kong citizens have done the same.

Percentage of local residents who have participated in at least 1 performing arts event in past 12 months



Source: London Cultural Audit 2008, DCMS UK, Singapore National Council of Arts, Leisure and Cultural Services

Eminent Taiwan-Hong Kong literary and music critic Leo Ou-fan Lee, having interviewed with a wide range of international artists and art groups, concludes in his two books of music criticism “Symphony” and “Music Essays” that the low quality acoustic facilities concert halls provide (even in our biggest facilities like the Hong Kong Cultural Centre and City Hall) are one of the major reasons why international groups are reluctant to stage in Hong Kong. Hong Kong needs to address the shortage of World-class standard facilities before more quality performances can be brought in; artists are only willing to come if they can sell enough tickets and guarantee a quality performance that will not be bogged down by hardware problems. Building sizable and quality hardware facilities is therefore a prerequisite to gain an equal standing with other World Cities.

World-class facilities like the concert halls and theatres in London are designed specifically to accommodate the professional demands of international groups. Most of Hong Kong’s performance venues, however, are multifunctional but not professionally catered for world-class performances. Take concert halls for example, Hong Kong has 17 facilities that serves the function as concert halls under the Leisure and Cultural Services Department. However, out of the 17 venues only the City Hall and the Hong Kong Cultural Centre have large-sized concert halls that hold more than 900 seats. The four town halls and four civic centres have multifunctional auditoriums or theatres which are not tailor-made (for instance, acoustics-wise) for international music performance; they are also used as makeshift theatres, exhibitions and congregation activities. In contrast, all of the 12 concert halls in London are professionally catered to international performances, with five of them holding 900 up to 3,000 seats.

Lack of hardware is the meat of the problem; artists are only willing to come if they can sell enough tickets and guarantee a quality performance that will not be bogged down by hardware problems

Most of Hong Kong’s performance venues are multifunctional but not professionally catered for world-class performances

Furthermore, art philanthropy in Hong Kong is not common. Out of 5,311 non-profit organisations (registered charities) in Hong Kong, only 5% of them are art-related, which reflects that Hong Kong people do not tend to donate to the arts. Art philanthropy is crucial for a World City attracting international and local art talents residing and practising their art there, since many art talents need funds to pursue their creative projects. However, there is yet philanthropic foundation for arts in Hong Kong comparable to the scale and scope of the Guggenheim Foundation in the United States or the Art Fund in the United Kingdom.

Unlike other World Cities, art philanthropy in Hong Kong is not common

2. Capitalise on the demand of art and cultural appreciation from baby boomers as they retire

Inadequate supply of blockbuster shows cannot meet surging demand for professional performances.

Hong Kong local art groups' blockbuster shows such as co-production of the Hong Kong Philharmonic and world-class groups in the Hong Kong Arts Festival and ballet performance by the Hong Kong Ballet cooperating with local celebrities generally draw a 90% attendance rate, 15 percentage points higher than the independent performances of these local groups. However, these world-class quality co-productions and blockbuster shows only account for the 30% of these local groups' performance time over a year-long performance season. In addition, in the WKCD Authority's (WKCD) Draft Stakeholder Groups for PE exercise in 2009, 96% of all music art groups in Hong Kong are either part-time or amateur in nature, but they are responsible for 70%+ of all performances every year in all town halls and civic centres. All these suggest that there is adequate demand for professional blockbuster shows, yet 70% of our supply of performances is amateur in nature. These suggest that Hong Kong people are quite willing to attend "blockbuster" shows which performance quality could be safeguarded, whereas the inevitably uneven quality of part-time or amateur performances are not able to generate as much interest as "blockbuster" shows. We need to address the mismatch of performance supply by drawing more professional groups into our city.

Hong Kong people are quite willing to attend "blockbuster" shows which performance quality could be safeguarded, whereas the inevitably uneven quality of part-time or amateur performances are not able to generate as much interest as "blockbuster" shows

As stated in our previous report “How to Become a World City: Lessons from London” Section 3, the surge in demand for art and culture has been a prominent trend of our society for the last decade. Our art auction sales have increased by 10 folds in 10 years; the number of art exhibitions held in Hong Kong has become top of the world for four years; Hong Kong International Film Festival is by now larger in scale than the longstanding BFI London Film Festival; amateurs and even laymen flock to art-jamming every weekend. These recent trends all demonstrate that more of our community’s acquired taste in art and culture, and, as stated in the said report Section 4, we should expect a further increase in demand for art and culture as baby boomers are retiring and have more time for art and cultural appreciation.

The above points to the conclusion: build the hardware and people will come. However, the WKCD Authority’s (WKCD Authority) plan to open 9% of WKCD by 2015 has reflected its slow reaction to our city’s upsurge in demand for art. As reported in the WKCD Authority 2011 announcement of opening, the opening of WKCD should be delayed in phases to ensure enough demand, i.e. demand may be bred gradually and the scale of WKCD could then expand according to the growth of demand until all facilities are finally open; this is a play-safe option to avoid early loss due to insufficient attendance. However, insufficient attendance is very unlikely as indicated here above – with world-class hardware, world-class artists and art groups would be willing to come to Hong Kong, and locals and tourists alike would come to see the world-class performances and exhibitions.

The surge in demand for art and culture has been a prominent trend of our society for the last decade

The WKCD Authority’s plan to open 9% of WKCD by 2015 has reflected its slow reaction to our city’s upsurge in demand for art

Proposal

Allocate the extra HK\$4bn necessary to start constructing WKCD immediately and re-work the delivery programme so that facilities will not be opened until 2018 when 25% of the entire project is complete.

We have discussed in details the inevitable failure of the whole WKCD project if following the 9% 2015 opening plan in our second report, Section 4. In order to ensure its success, the government should allocate the needed additional funding of HK\$4bn to the WKCD project, commence and lead construction in full speed such that 25% of the entire would be opened in 2018. Only by this concrete commitment would the government be able to prevail in the financial debate in the Legislative Council, freeing up the prolonged headache of WKCD trying to fund its construction in whatever means, like issuing bonds, borrowing, or seeking sponsor from individuals or companies (for instance, selling naming rights).

According to information provided in WKCD Stage 3 Public Engagement Exercise, only part of the Great Park, an Outdoor Theatre, Freespace with Music Box and the Xiqu Centre would be ready for public use in around 2015, amount to a mere 9% of the total WKCD GFA; the Centre for Contemporary Performance may be opened by 2018, yet depending on the progress of Express Link construction.

To open at least 25% of WKCD (2m sf) by 2018, the targeted opening time of the majority of Phase I should be brought forward from 2020 to 2018, comprised of:

- M+ (Phase I)
- Exhibition Centre
- **Half of the total area** of Performing Arts Facilities (Phase I)
- Other Arts and Cultural Uses
- Communal Facilities
- **Half of the total area** of Retail/Dining/Entertainment Facilities

By 2015, construction of the Express Rail Link would be finished, thus M+ (Phase I), Exhibition Centre, Communal Facilities and Public Open Space should have a plenty three to four years to be finished on time.

Following the 9% 2015 opening plan will result in inevitable failure

The majority of Phase I should be opened in 2018 instead of 2020

There will be a plenty three to four years to finish the majority of Phase I on time after finishing construction of the Express Rail Link in 2015

The only thing is that our proposal of opening Phase I Performing Arts Facilities requires government effort to speed up the process of settling the land lease and construction problems of non-cultural land on the WKCD site, since most of these Performing Arts Facilities (five main clusters as appeared in the map in WKCD Stage 3 Public Engagement Exercise: Lyric Theatre, Music Centre, Centre for Contemporary Performance, Musical Theatre, and Medium Theatre I) occupy the lower floors of residential and office buildings. WKCDA does not have jurisdiction over the non-cultural facilities in the site, and that is why construction of Performing Arts Facilities is currently on hold. As our art and cultural demand increases rapidly right now, both our supply of performance space and world-class performance shall be significantly enhanced when these Performing Arts Facilities could open earlier.

Moreover, the government should prepare to allocate an extra HK\$3-5bn within the next few years of Golden 5 Years to have all existing performing venues refurbished and/or upgraded, as well as build more future performing venues with world-standard specifications in mind.

Furthermore, the government can complement WKCD development with effort to allocate art subsidies more fairly and proactively.

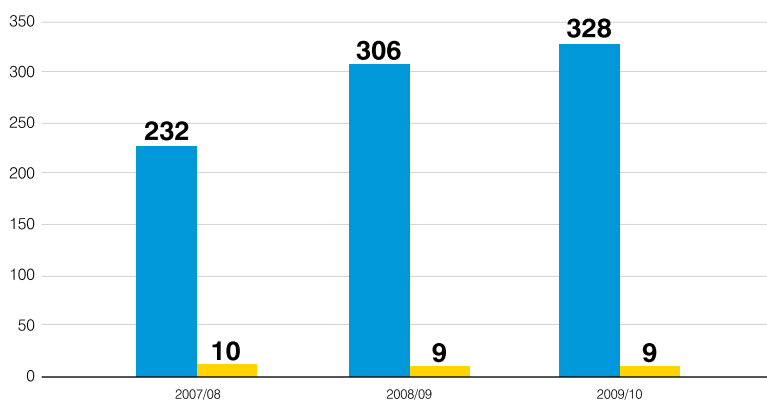
With WKCD hardware standing by, we need to attract quality international as well as local art offerings. Addressing the government art subsidies allocation problem shall enhance the latter.

Opening Phase I Performing Arts Facilities requires government effort to speed up the process of settling the land lease and construction problems of non-cultural land on the WKCD site

The government allocates artist/art group subsidies through the Hong Kong Arts Development Council (HKADC) annually, and nine “major performing art groups” through the Home Affairs Bureau. The former has three main schemes, namely One-Year and Two-year Grants, Project Grant, and Multi-project Grant, subsidising a total of 328 artists/art groups in 2009/10. Whereas 328 HKADC-subsidised artists/art groups number much more than the nine major performing art groups, in 2009/10 the latter received a total of HK\$264m subsidies whilst the former only HK\$46m, 15% of all artist/art group subsidies. Fairness of this allocation result is questioned by eminent Hong Kong art advocate Ada Ying-kay Wong in her Mingpao interview (18th January, 2012). Moreover, the Home Affairs Bureau’s “Committee on Performing Arts Consultation Paper” in November 2005 reflects that small art groups and independent artists frequently find it difficult to apply for and receive approval of subsidies due to bureaucracies that only large art groups could handle.

Whereas 328 HKADC-subsidised artists/art groups number much more than the nine major performing art groups, in 2009/10 the former only 15% of all artist/art group subsidies

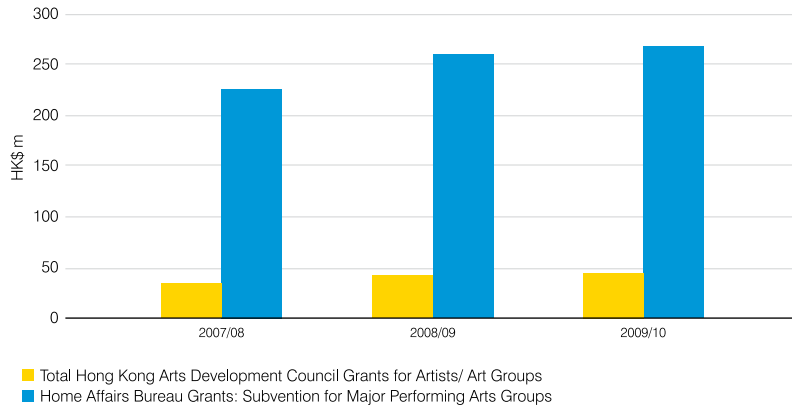
Number of Artists/ Art Groups Receiving Government Grants



■ Total Artists / Art Groups Receiving Hong Kong Arts Development Council Grants
 ■ Major Performing Arts Groups

Source: Hong Kong Arts Development Council, Home Affairs Bureau

Government Grants for Artists/ Art Groups (HK\$ m)



Source: Hong Kong Arts Development Council, Home Affairs Bureau

In order to complement development between our new art and cultural hardware (as exemplified by WKCD) and software (quality local art and cultural participation in WKCD), the government should allocate art subsidies fairly and proactively, raising quality local art and cultural participation and aspiring to be a international art centre as well as a hub of artists/art groups as what a World City is.

In order to complement development between our new art and cultural hardware and software, the government should allocate art subsidies fairly and proactively

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