

**The British Chamber of Commerce in Hong Kong:
Policy Address Submission 2011-2012**

Enhancing Hong Kong as the Best City to Live and Work in Asia

Philosophy

The purpose of this paper is to set out the views of members of the British Chamber of Commerce in Hong Kong ('the Chamber') for consideration by the Chief Executive in his preparation of the 2011-2012 ('Policy Address').

Importantly, the period for the Policy Address will cover the final nine months of the present Chief Executive and the first three months of the next Chief Executive. Thus, the Chamber has structured this submission into firstly, short term priorities, and then annexed medium to long-term priorities considered important to the business community.

Short-term priorities would comprise issues that the Chamber considers the present Chief Executive could prioritize between October 2011 and the end of June 2012 to support Hong Kong's competitiveness, economic prosperity and improve quality of life.

To enhance Hong Kong as the best city to live and work in Asia, as well as the best place to conduct business in the medium and long term, the Chamber has also considered medium and long term policy priorities detailed in **ANNEX 1**, which the Chamber would urge any prospective Chief Executive candidates and the future Chief Executive to take on board as key priorities.

Short Term Policy Priorities

S 1. Urgent Advancement of Hong Kong International Airport Expansion Proposals

Hong Kong's aviation industry contributed 4.6% of Hong Kong's GDP in 2008 and Hong Kong's four pillar industries – financial services, trading, logistics, tourism (together constituting 57% of our GDP) rely heavily upon the efficient flow of people and goods made possible by Hong Kong International Airport ('HKIA'). HKIA is also the source of pride for every citizen.

We must continue to build on the outstanding success of HKIA, which enjoys industry leadership as a major global aviation hub, whilst also being a key enabler for our Tourism and Trade & Logistics sectors – two of Hong Kong's pillar industries which combined account for 29.3% of GDP and 29.5% of employment. The Chamber calls for urgent approval to proceed with Option 2 of the HKIA Master Plan 2030 – including sustainably building the third runway and associated facilities. Failure to proceed puts HKIA's competitive advantage at risk

S 2. Urgent Need to legislate revised Air Quality Objectives, and tackle roadside emissions, and Energy Efficiency of Buildings

There are air quality actions that could be introduced in the short term, which would immediately improve community health, promote the principles of sustainable development and contribute to Hong Kong's carbon intensity reduction goals.

Revised Air Quality Objectives ('AQOs'): There is an urgent need to enact the revised AQOs. The Chamber considers that, given over 18 months has elapsed since the end of the public consultation on the revised AQOs; they should be introduced by no later than the end of 2011.

Roadside Air Quality: With 18% of Hong Kong Green House Gas ('GHG') emissions derived from transport, there is an urgent need to reduce GHG emissions from road transport and to improve roadside air quality.

One urgent initiative is to phase out the 5,000 pre-Euro V buses still in use. The Chamber considers it is feasible to achieve a Euro V franchised bus fleet in Hong Kong by 2016. In order to remove any adverse pressure on fares, Government should meet additional costs arising from the accelerated programme from public funds. Given the current fleet age profile, with average bus ages over 10 years, such costs should be limited to about HK\$5 billion, which could be evenly spread over a number of years with the annual cost estimated to be HK\$1 billion. The replacement programme should also include grants (18% of new vehicle cost) for each vehicle in the programme; grants which are already available to other commercial vehicles upgrading to meet Euro V standards. This would cost Government about HK\$2.7billion.

Another further Chamber recommendation would be to establish a high level Working Group on Congestion, including private sector representation, and a broad remit to explore solutions for off road public transport, electronic road pricing and tunnel tariff balancing; co-operation with the Tramway Company to maximize the use of this clean mode of transport to allow further rationalization of the bus routes; and rationalization of bus services in key urban corridors where immediate benefits could be seen. There is a need for strong leadership to cut through the political arguments of District Councils opposing such measures; instigation of modern trolley bus trials on roads to determine their acceptability to passengers and other road users; implementation of trial electric vehicle schemes for taxis, light buses, buses, and commercial vehicles; and a study of the feasibility of initiating cycle hire schemes.

Energy Efficiency of Existing Buildings: In view of the fact that over 60% of GHG emissions are generated by buildings, the Chamber supports the current mandatory Building Energy Efficiency Regulations, and in particular, recommends Government should consider expanding the role of the Electrical and Mechanical Services Department's (EMSD) Energy Efficiency Office to be a coordinating body in order to enhance co-cooperation with the Environmental Protection Department (EPD), to streamline bureaucracy, and to increase, clarify and drive energy efficiency.

S 3. Urgent action to increase international school places to attract international talent to Hong Kong to ensure continued regional and international competitiveness

There is currently a severe lack of International School places across Hong Kong, especially at the Primary school level. The Chamber does not regard this shortage as solely an education portfolio issue nor as a short-term issue; but rather as a matter of major significance in terms of Hong Kong's economic development that is beginning to affect Hong Kong's business competitiveness and as a place of choice for MNC's to select or retain Hong Kong as their regional headquarters, a position Hong Kong has fought very hard to achieve over the last 30 years.

The global shift in the centre of gravity for business to Asia has resulted in the arrival of senior personnel into many existing and new companies from all over the world. Many of such personnel need to find school places for their children. If adequate international school places are not available in Hong Kong (and not just on Hong Kong Island but across the entire Hong Kong), international business will have little alternative but to look to other

jurisdictions, with international schools, which can accommodate their children. Various proposals have been put before the Education Bureau, Commerce and Economic Development Bureau and InvestHK to address this issue and we would encourage that action be taken as a matter of priority. Failure to address this pressing business issue will inevitably undermine the Government's stated policy to develop Hong Kong as an educational hub for the Asia Pacific region.

S 4. Clarity with regards to the enactment of a Competition Law for Hong Kong

With regard to the Competition Bill currently before the Legislative Council, the Chamber believes it is crucial that steps are taken to address matters that are continuing to trouble the business sector and the relevant Bills Committee and which may preclude the Bill gathering the level of support required for passage. In particular, we consider that 'stand alone' private actions should not be permitted under the proposed law, to ensure the Competition Commission alone has the power to identify business conduct appropriate for challenge and the business sector is not burdened with the task of defending malicious or ill conceived claims by private litigants. Definitive steps should also be taken to confirm that vertical agreements that do not concern a firm with market power (where, ideally, 'market dominance' should be the threshold test) and mergers and acquisition (M&A) deals relating to sectors other than telecommunications will not be subject to any form of challenge. The scope of penalties that may be applied in respect of transgressions should also be narrowed, to ensure innovative and pro-competitive conduct is not 'chilled' by the combination of legal uncertainty and a threat of huge penalties for inadvertent or very minor breaches. Finally, clarity should be provided as soon as possible regarding which statutory authorities are intended to be subject to the law.

S 5. Follow up on the current Chief Executive's Manifesto commitment to reduce corporate tax to 15% to assist with Hong Kong's competitiveness

Although, not strictly a Policy matter, the Chamber wishes to remind the Chief Executive of his election platform pledge of reducing profits tax to 15%. As this has not, to date, been implemented, it regrettably does not accord with the platform and advertising campaign slogan at the time: "I'll get the job done."

In order to enhance Hong Kong's competitiveness as a regional headquarters (RHQ) location, the Chamber reminds the Chief Executive to reduce the current Profits Tax rate to 15 %, or lower, immediately. Introduction of such a measure will also enhance Hong Kong as a Global Financial Centre, and attract global talent through tax benefits.

S6. To undertake an Independent Review of the State of Hong Kong's Construction Industry

The construction industry is increasingly called upon to contribute to the building and infrastructure development of Hong Kong so that the needs and aspirations of a demanding business community are fulfilled at the same time the communities in which we live and work enjoy an enhanced way of life. Indeed the government's core project programme and green built environment aspirations, together with airport expansion proposals are heavily reliant on an efficient and successful construction industry.

Such challenges have to be achieved in the context of greater environmental awareness, an energy efficient new and refurbished building programme, a quantum leap in waste management and pollution control and an ever-increasing awareness of corporate social responsibilities. Notwithstanding many engineering successes it remains the view of a wide spectrum of industry professionals that the construction industry in Hong Kong remains unattractive as a career opportunity, beset by a shortage of professional and front line human

resources with the appropriate skills, frustrated by ageing demographics, inherently unsafe, with fragmented and confrontational procurement practices, and stifled by a lack of opportunity to innovate.

Ten years after the Construct for Excellence Report and the recommendations thereof there is now a pressing need for a thorough, impartial review of the state of Hong Kong's construction industry with the objective of addressing many incomplete and outstanding concerns, and more importantly charting a positive course for the future of Hong Kong's construction sector, consistent with delivering and maintaining a world class city.

ANNEX I – Medium to Long Term Policy Priorities

I. A city where international business can effectively trade

M-L 1. To articulate a long term vision and strategy for Hong Kong

In light of fierce competition from regional rivals, our competitiveness and our relevance to Mainland China and to Asia Pacific, and beyond comprise some of the gravest and most important challenges we face.

To better serve Hong Kong, the Chamber supports a more proactive approach by the Chief Executive to develop a long term vision and strategy of our role in the future of China, the region and the wider world. Thereafter, this vision should be communicated internationally to share the associated opportunities with our international business partners.

M-L 2. To maintain the international stability of the Hong Kong currency

The Chamber believes that one of the central contributors to the economic success of Hong Kong over the past three decades has been the ‘\$ peg’. It understands that going forward there will be arguments to review whether or not the ‘\$ peg’ should be maintained and this is only right and proper. However it is the Chamber’s contention that at the heart of any debate should be the principle of the maintenance of a stable currency in Hong Kong as a central feature of its long term economic policy.

M-L 3. To continue support to Hong Kong’s SMEs

What constitutes an SME in Hong Kong is still ill defined, presenting difficulties in meeting needs across a wide spectrum. Hong Kong’s SME that are most in need of help comprise those of the smallest scale. Cash flow is a major challenge for all SMEs and many in Hong Kong would be better served by micro-finance applications that meet specific short-term needs. In this regard, the Chamber’s members consider compulsory annual audits and rules on collateral are hindrances to SMEs; and the government-funded SME Training Fund, with the merit of practicality, should be re-instated.

M-L 4. To introduce timely changes to the regulatory regime for the Financial Services Sector.

The Chamber applauds the Consultation on Privatization of the Insurance Commission and believes the implementation is long overdue. It is important there is a proper balance between the three remaining financial services regulators in Hong Kong and that the HKMA, SFC, and the IC (in due course) are given equal standing and support by Government, and the sector. The Chamber, however, also considers that Government should review whether we move ultimately to a “two peak” regulatory system overall for the financial services sector as is now becoming the norm in major international financial centres.

M-L 5. To address the need for a Financial Services Sector Ombudsmen

All major international financial centres today have a dedicated and experienced Financial Services Sector Ombudsman, or equivalent. The Chamber believes Hong Kong should also introduce an independent and sector dedicated Ombudsman as soon as practicable. This would provide a healthy and timely “check and balance” for activities in the Hong Kong financial services sector. Such a mechanism would also help highlight any major complaints in the sector, which develop in future, and also serve to reduce the pressure on complaints handling by the SFC, HKEx and HKMA.

M-L 6. To respond to the need for an Integrated Logistics Policy for Hong Kong

In the context of increasingly globalised supply chains, Hong Kong is clearly recognized as one of the world's leading logistics hubs – reflected by our impregnable position as 'The Gateway' into and out of mainland China, in our role as a *de facto* Regional Distribution Hub for the Asia Pacific region, and our pre-eminent status in global freight as the world's largest air-cargo hub and number three container port. In order to defend, sustain and further develop and enhance this global supply chain leadership position, the Chamber believes Hong Kong needs a comprehensive and cohesive logistics policy that addresses all aspects of the sector from a holistic and integrated perspective, thus synchronizing all dimensions of logistics, transportation and distribution, whilst incorporating all related facets including maritime, aviation, infrastructure, facilities, technology, skills, environment and security.

M-L 7. To conduct a comparative review of the costs of doing business in Hong Kong versus key regional competitors

Whilst we welcome the progress which government has made in addressing the need to reduce 'Red Tape' our members believe that this is an issue that needs a holistic approach. In adopting this, the comments above about the need to create a genuine 'one stop shop' are an integral part of the action that is required. The tradition of non-intervention by government is welcome but this is an area that needs active government action to make Hong Kong an even more attractive place from which to do business.

It should be recognized that there is a growing sense of unease amongst both international and major local business leaders that Hong Kong could be in danger of losing its competitive advantage to other major business and financial centres in the coming decade. It is becoming clear that a number of the principal competitors of Hong Kong offer a range of services and incentives that Hong Kong does not have. To remain competitive Hong Kong must raise its game to ensure that it addresses perceived vulnerabilities, and ensures that it can compete effectively with national and regional competitors. As a result, the Chamber considers it timely to conduct a 'third party' regional comparative review of the costs of doing business in Hong Kong to identify areas where Hong Kong needs to improve processes that assist business efficiency and Hong Kong's economy.

II. A city where international business people are attracted to live and work

M-L 8. To enhance Hong Kong's global, national, regional and local integration

Policies should be aligned to ensure Hong Kong's 'super-connectivity' at local, regional, national, and global levels. Locally, to provide a modern sustainable mass public transit transport to connect citizens and businesses. Regionally and nationally by continued infrastructure investment by Hong Kong to achieve 'super connectivity' with the Greater Pearl River Delta (PRD) and beyond, ensuring seamless access to seize business opportunities in our hinterland and enhanced flows of goods, people and capital. Internationally, we must continue to invest in our future prosperity through overdue expansion of the HKIA to meet rising future demand through sustainable provision of the third runway and supporting facilities to ensure the airport retains its status as the best in the world to secure our position as the regional aviation hub of choice. Government must also provide an environment that favours the enhancement of Hong Kong's port operations to stay ahead of stiff regional competition.

M-L 9. To address escalating residential and commercial property prices

Hong Kong has enjoyed a growth surge based on its importance to China as a gateway to the world. The global business and financial community is responding by seeing Hong Kong as a place that needs to be populated by all manner of staff, both local and international. This provides numerous concurrent opportunities for local businesses and adds to our prosperity. The recent rise in property prices that are evidenced in both the luxury and mass residential sectors is in part a result of this prosperity.

The Chamber considers that reactivation of the Home Ownership Scheme (HOS), which was shelved in 2002, does not provide a real solution to this issue. The provision of accommodation that meets the needs of a more prosperous community – larger spaces, more amenities, better ventilation, and easy access to sustainable, mass transportation – is the answer far more than a scheme whose original intention was to provide heavily discounted brand new homes for sale to first time buyers. Time is also an issue. HOS reinstatement now would only provide accommodation in four to five years, by which time the problem could be very different in nature. The Chamber considers that HOS reinstatement will prevent the opportunity for a more thorough, timely and appropriate policy of discounted accommodation policy.

M-L 10. To conduct a review of the 1997 Environmental Impact Assessment Ordinance ('EIAO')

The recent Judicial Review of the Hong Kong Macau Zuhai Bridge project has highlighted problems with the present EIAO, which was enacted in 1997. It is considered a key priority to conduct a 'third party' review of the legislation against international benchmarks for sustainability assessments of planning, development and infrastructure projects.

M-L 11. To advance a Natural Resource Conservation Policy

The Chamber welcomes the extension of the Convention on Biological Diversity to Hong Kong on 9th May 2011. We hope that the Biodiversity Strategy and Action Plan that must be drafted as a requirement of membership will provide a robust and transparent framework for protecting and enhancing our biodiversity and the essential ecosystems services it provides, thereby enhancing Hong Kong's position as the best city in Asia to live in.

M-L 12. To foster further 'greening' of the Hong Kong construction industry

The construction industry is increasingly called upon to contribute to the building and infrastructure development of Hong Kong so that the needs and aspirations of a demanding business community are fulfilled, while at the same time the communities in which we live and work enjoy an enhanced way of life. Such challenges have to be achieved in the context of greater environmental awareness, an energy efficient built environment, a quantum leap in waste management and pollution control and an ever-increasing awareness of corporate social responsibilities. It is the view of many that the construction industry remains "dirty, dangerous and demanding", unattractive as a career opportunity, beset by a shortage of professional and front line human resources with the appropriate skills, frustrated by ageing demographics, fragmented and confrontational procurement practices, and stifled by a lack of opportunity to innovate. Ten years after the Construct for Excellence Report and the recommendations thereof, there is now a pressing need for a thorough, impartial review of the state of Hong Kong's construction industry with the objective of addressing many incomplete and outstanding concerns and charting a course for the future consistent with delivering and maintaining a world class city.

M-L 13. To tackle the key medium to long term environmental priorities

The primary aspiration of the Hong Kong Government should be, and must remain, for the indefinite future, a significant improvement in Hong Kong's quality of life, green living, and the quality of the overall (and including the built) environment in Hong Kong. In progressing towards the aim of a low carbon economy, the Government must use a wide range of tools and initiatives to prioritize, mandate, incentivize, encourage and implement sustainable design and carbon reduction measures both within Hong Kong and with our PRD partners. The Chamber recommends that considerations be given to the following key areas for focus in the medium and long term.

Leadership and Policy: We recommend the introduction and wider use of fiscal measures such as the "polluter-pays" principle and carbon trading to encourage reduction in greenhouse gas emissions; providing incentives for the private sector to invest in and adopt low carbon and clean energy technology; introduction of measures to reduce unnecessary energy use, including demand-side management; and adaptation of methods to quantify the value of intangible assets such as our harbour and heritage and ecological resources, so that a more holistic business case can be presented for their protection and preservation. Reference should be made to the Harbour Business Forum (HBF) study entitled "Integrated Harbour Vision and Delivery Plan – the Business Case" which sets out a new integrated and holistic approach to the planning, development and management of Victoria Harbour. Long-term sustainable development can only be achieved by implementing such strategic initiatives encompassing the preservation of our natural and cultural resources.

Air Quality and Green Transport/Shipping and Community Health Impact Assessments: We recommend the preparation and implementation a strategy for the rationalization of Hong Kong wide bus routes in the medium term; development of visionary pedestrian schemes and promotion of cycling and the introduction of cycle hire schemes; mandatory use of shore side power for all berthing marine transport, in line with the growing practice in China; mandatory use of cleaner fuel usage by both local and international marine vessels and greater control of through-shipping waste; and early introduction of community health impact assessments in all future 'designated project' EIAs.

Green Buildings: We recommend the significantly greater use and promotion of clean energy, including enhanced research into innovative ways to recover energy from buildings as well as micro-turbines and wave energy projects all of which could contribute to the overall reduction in use of fossil fuels; considerations of initiatives and incentives to encourage renovation of existing and older buildings; exploration and promotion of opportunities to use the buildings for enhanced functions such as "powerhouses" to capture currently wasted energy; expanding the use of redundant spaces on rooftops to green spaces to reducing thermal load transfers and contribute to the reduction in "heat island effects"; and encouraging the creative use of existing buildings and infrastructure to contribute to reductions in carbon intensities, enhance the use of available space and harness hitherto "lost" energy and resources.

Waste Management, Glass recycling and Protection of Country Parks into Perpetuity: The Chamber supports the acceleration of building two or more large (~3,000 tpd), modern, high temperature integrated municipal solid waste incinerators with energy or heat recovery technology. This should be coupled with closure of existing waste landfills and a legislated ban on expansion of landfills into our Country Parks. In addition, the Chamber recommends providing incentives for businesses to start glass collection and recycling operations, where the Government should work with the PRD to explore more efficient PRD wide initiatives; engaging developers, landlords, property management companies, owners and tenants to provide more flexibility in office and residential fit-outs to reduce the vast amounts of waste generated for renovation or customization, and considering incentives or punitive measures to encourage fitting reuse and refurbishment waste reduction.

III. A city with good local government and a thriving local community

Whilst the following matters do not appear to be directly related to business, the Chamber does humbly suggest that attention to them is important in building a confident thriving business environment that supports people's livelihoods, and encourage businesses to view Hong Kong as the best city to live and work in Asia.

M-L 14. To improve Governance in Hong Kong

There is a widely held view in the business community and the wider community that the development of policy and its ultimate implementation in Hong Kong is not as effective as it could be. Specifically key decisions on policy matters that cross inter bureau boundaries are delayed because the full coordination process is slow or in some cases non-existent. Whilst this has been raised before it has of late become more pronounced and the view now emerging is that perhaps some of the portfolios of key policy making bureaus are too wide. Clearly going forward perhaps now is the time for a fundamental look at the structure of government with a view to ensuring a clearer policy making and decision-making process.

The second part of this comment upon effective governance is the need to transfer more authority to the District Councils. The Chief Executive has properly identified that the District Councils need to be more closely integrated into the process of government. For this to capture the support of the community at large, this process needs to be further developed with greater responsibility being devolved for the development of local policies to meet aspirations at community level. This responsibility should include delegated financial responsibility for areas such as community and community healthcare centres amongst other areas that typically are devolved in developed economies. Governance at the community level would engage the communities and make them feel that there is genuine 'Joined Up Government' and that they have a stake in things that affect them at the local level.

M-L 15. To regularize Regulatory and Legislative Impact Assessment on all new legislation

Hong Kong people take it for granted that any proposed infrastructure project or development plan will be subject to a rigorous Environmental Impact Assessment, or EIA. The necessity is accepted, despite the cost and delay caused to projects, because of an overriding need to evaluate the 'need' for projects, consider alternatives, assess future environmental impacts – and then avoid, or mitigate them.

For the last three years, the Chamber has urged the same rigorous scrutiny of all major new regulations – in effect, a cost benefit analysis, or Regulatory Impact Assessment (RIA) undertaken before any new piece of legislation is passed into law. We accept that honest, even-handed regulation of business activity is essential, whether it applies to the stock market, or banking services, or food safety standards. But we believe at the same time that it is essential to recognize that regulation costs money both for taxpayers, and for companies. But many at present fail to understand that there is a cost associated with new regulation. If they foresee a cost, it is normally assumed that any cost can be borne by business. The first assumption – that there is no cost – is naïve. The second assumption – that companies can and should pay – might be fair – but we believe this is a judgment that can only be made after a rigorous cost-benefit analysis has been undertaken.

The Chamber believes that if Hong Kong already had in place a practice of examining the pros and cons of proposed new legislation, then costly and politically unhelpful controversies

could have been avoided in a number of important areas – including controversies over the introduction of a Competition Law, the Minimum Wage Bill, and the 2009 Food Labeling legislation. Of all of these perhaps it is the legislation related to the labour market that is having the greatest impact; for if there is one area that is critical to Hong Kong in both the Government and Private Sector, it is people. Hong Kong's free labour market has often been cited as its greatest asset. In the view of the Chamber Hong Kong has been very fortunate that, so far, the economy has been so buoyant that much of the confusion and potential job reduction has been masked. Such labour legislation achieves little to address the problem of poverty yet makes it ever more difficult for businesses to grow and flourish.

We call upon the Government to initiate plans for the introduction of Regulatory Impact Assessments, and look forward to engaging constructively in the introduction of such a process.

M-L 16. To Address the Poverty Wealth Gap

A record almost 18% of Hong Kong residents lived in poverty as of mid-2010, although the combined wealth of the 40 richest Hong Kong residents increased. As a result the rich-poor gap is one of Asia's widest. The Chamber repeats its concern that too many of the Government's measures to support low income groups and the unemployed merely provide short-term relief, without tackling the root of issues that we consider to be so serious that they could jeopardize Hong Kong's future stability and prosperity.

The plight of New Towns in the fight against poverty, with low employment and Mainland immigrant integration difficulties, is a continued source of concern to our members. Much more could be done to institute lasting solutions to such issues, as referenced within the Chamber's Budget Submission, 2011.

M-L 17. To look after the old and young unemployed and Hong Kong's ageing population

Whilst the population of Hong Kong is projected to increase at an annual average rate of 0.7%, from 6.80 million in mid 2003 to 8.38 million over the following decade, these general statistics hide some disturbing changes to the age structure of the population. The fertility rate in the population has shown a marked and continuous decline in the past two decades. The total fertility rate declined by 46%¹ between 1983 and 2003 and is now below those experienced in low fertility economies. It should however be noted that with an improvement in the economy the rate will rise though the trend will remain low given the rise in both spinsterhood among the female population and the rapid increase in the divorce rate which seems to occur in the low to mid thirties amongst the female population. The impact of this affects the overall number and size of multi child families. The current fertility rate is .95%, which leads inevitably to an ageing population over the next two decades. Whilst this trend is consistent with other developed economies what is concerning is the severity of the decline and its impact in what is by world standards a small overall population.

Based on the decline in the fertility rate shown above it is clear that the population of Hong Kong will follow a continuous ageing trend. The evidence for this is quite clear since in 2003 16% of the population were aged under 15 by 2033 this will have declined to 11%. At the other end of the age scale those aged 65 or over would rise from 378 per 1000 to 598 in 2033. This however throws up some interesting statistics about the spread of ages. For instance in 2017 31% of the population will be aged 55 and over and by 2033 this will have risen to 41%. Hidden in these figures are also changes to the sex ratio with an overall decline in the number of males in the population. The average age of the population will rise from 38 in 2003 to 49

¹ Hong Kong Population Projections 2004 - 2033

in 2033.

If the assumption is that Hong Kong faces an ageing population then it needs to face up to some of the following challenges some of which are for government and some of which are for business:

- Reduced constituency of those who are within the direct income tax threshold.
- Reduction in the education catchment constituencies, therefore structural issues for EMB.
- The need for both the importation of labour schemes and a further easing of immigration rules to permit the greater importation of the skills need from wherever they can be found. The consequence of this being the need for more school places for international pupils and more mid range priced rental residential properties.
- Increased expenditure on healthcare and challenge of how this is to be financed.
- Greater employment of women across an increasingly wider spectrum of employment.
- Working lives extended to older ages.
- Revised attitudes to social welfare.
- Different retail patterns.
- The need for wider recreational and cultural opportunities, which are suited to the older age groups.
- Improved retirement schemes.