



The British  
Chamber of Commerce  
in Hong Kong  
香港英商會

## **Investing for the Future and Strengthening Business Competitiveness in a Vibrant and Liveable Hong Kong**

### The British Chamber of Commerce in Hong Kong 2017/18 Policy Address Submission

We set out below the British Chamber's priority policy recommendations for the new administration, reflecting the priorities set out in the Chief Executive's election manifesto.

#### **Diversified Economy, Better Jobs**

##### **Financial Markets**

###### **- Capitalising on New Economy Opportunities**

Our capital markets are failing to service the opportunities arising from the new economy. Increased Government support is needed for Hong Kong to take a leadership role in the financing of, and providing a supportive environment for, Belt and Road projects, the adoption of Fintech, new shareholding structures, Green Finance and Block Chain. Working with the Financial Services Development Council, Government should fast track the implementation of new strategies to capitalise on these new economy opportunities.

###### **- Creating a Broad and Liquid Bond Market**

Hong Kong lacks a domestic bond market to complement our well-developed equity capital markets and should aim to develop as the regional hub for fixed income trading and investment, building on the strong local institutional demand to hedge Hong Kong risk. Government should issue long yield-curve Bonds to set a benchmark, encourage the formation of local rating agencies, and the creation of supporting financial services infrastructure and jobs.

###### **- A Timeline for Hong Kong's First Green Bond**

To demonstrate Hong Kong's support for green finance, Government should commit to a timeline for issuing the city's first sovereign green bond. Further support should be given to the development of the green finance market infrastructure in Hong Kong by improving market efficiency, including endorsement for the adoption of ICMA Green Bond Principles and best market practice.

##### **Addressing the Labour Shortage**

Hong Kong has almost full employment. The need for a sufficient well-educated, trained and skilled talent pool is paramount. We recommend:

- the early introduction of a limited and targeted labour importation scheme to meet immediate labour and skills shortages;
- for the longer term, Government to ensure that Hong Kong remains an attractive educational centre for the region, attracting top talent that can then be selectively retained in the workforce.

##### **Stronger Support for Small Medium Enterprises (SMEs)**

SMEs are the backbone of our economy. But many SMEs find navigating through the many Government departments and agencies burdensome. To ensure the most supportive environment possible for SMEs and start-ups we recommend:

- a single point of policy responsibility within Government to identify and bring together relevant cross-Governmental policy initiatives;
- a single point of delivery for Government services to SMEs and start-ups – an easy to access one-stop-shop.

##### **Championing Innovation in Construction and Infrastructure**

Elsewhere, we see major technological advancements in the construction industry, with the adoption of new materials and processes including BIM, prefabrication, modularisation, robotics, AI, and 3D printing. Government should introduce an adaptive and flexible regulatory environment where industry is encouraged to embrace these changes; and its own procurement practices should reflect best international practice to promote high quality design, safe construction, and cost efficient building life-cycles.



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### **More Strategic, Effective, and Efficient Land Use**

The availability and affordability of land are major constraints on business and our city's economic growth. We recommend Government prioritises the redevelopment of brownfield land to meet Hong Kong's development needs through the accelerated compilation, and open publication, of an inventory of such sites by mid-2018 and the introduction of updated and fast-track planning conventions before the end of the next administration to quickly bring these back into economic use. Greater Government clarity on post 2047 lease renewal would encourage more long term investment; and a long term solution to the allocation of new housing land in the New Territories would simplify supply options.

### **Working to Create Business Opportunities within the Greater Bay Area**

With continued cross-border economic integration, the opening up of the Greater Bay Area, and the establishment of new Free Trade Zones, Government should ensure Hong Kong companies have every support to capitalise on the emerging business opportunities and to compete on a level playing field with Mainland businesses. This needs to be both through a strengthened CEPA that really works for local companies and more proactive Government to Government engagement to specifically define and open project opportunities for Hong Kong enterprises.

### **Professional-led Quality Education**

The Chamber welcomes the proposed comprehensive review of the Hong Kong education system.

#### **Improving Coordination Between the Business Community and Education Sector**

The future workplace will change dramatically with the impact of technological change. Business will have different needs and our young people will need a different skill set to compete. Government should work with the business community to identify and plan for the skills the economy needs in the future workforce.

### **Stronger Support for STEM Education**

The forthcoming review should add more focus on STEM subjects in education, starting from primary school, and in particular encourage increased female participation and attainment levels.

### **Improved English Language Capability as a Key Competitive Factor**

English language proficiency is an essential part of Hong Kong's competitive positioning, if we are to function as a global financial centre, as a super-connector for the Belt and Road initiative, and in the high-tech and start-up sectors. A comprehensive five year strategy, led and championed at a senior level in Government, should be introduced, including a root and branch review of the teaching of English language in schools, revamping the NET system and a sustained programme to improve the standard of teachers' English.

### **Home Ownership, Liveable City**

#### **A More Liveable City**

There is a need to increase the quantity, quality and utility of spaces in urban areas with more room for people and continued investment in public transport links to make the city more open and liveable. Short term initiatives could include the more rapid and extensive implementation of urban greening; pedestrianisation; the creation of vibrant mixed use urban open spaces; improving public access to, and the revitalisation of, Victoria Harbour, drawing on both public and private sector capital and thinking.

### **Improving Air Quality Standards**

Early in the new term, Government should accelerate the phasing out of older commercial vehicles to ensure that all vehicle emissions performance standards are comparable to Euro V or above. Government should push forward the implementation of enhanced Pearl River Delta Emission Control Area regulation in partnership with Mainland authorities.

### **Implement Smart City Initiatives**

Smart City initiatives that will reduce road congestion and carbon emissions and improve the efficiency of local traffic flow and logistics services should quickly be introduced. Implementing a smart road pricing system for road usage, with variable charges according to demand (i.e. congestion charging) will strongly contribute to economic efficiency as well as promoting Hong Kong's liveability.



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## **Building a Caring, Inclusive Society, Improving People's Livelihood**

### **Encouraging Boardroom and Leadership Diversity**

Greater diversity of skills, experience, gender, ethnicity and age in the workplace is important to Hong Kong's future competitiveness. Despite 2013 changes to the Hong Kong Corporate Governance Code on "comply or explain" board diversity policies, little substantive progress has been made. Government should establish a tripartite working group with Hong Kong Exchange and business representatives to consider options for securing progress, including:

- the appropriate reporting obligations on large companies in respect of the gender composition of their boards;
- whether there is a case for the introduction of quotas;
- whether there should be maximum limits to tenure periods for INEDs, so as to encourage greater turnover in boards.

### **Attracting, Retaining, and Investing in Talent**

In order to attract and retain the best talent and encourage foreign investment including the establishment of regional headquarters, family leave rights and visa options need to remain competitive with neighbouring countries. Government should form a cross industry review group to consider:

- a more pragmatic application of visa requirements to extend to partners of overseas employees in same sex relationships the same rights as opposite sex spouses;
- increasing maternity leave on equal or better terms than regional competitors; and the potential to introduce shared parental leave and adoption leave.

## **Enhance Governance, Streamline Administration**

### **Define the Benefits of Change Before Introducing Additional Regulation**

Government should introduce within the next two years a system of Regulatory Impact Assessments (RIA), now widely used in most developed economies. Crucially, in respect of new regulation the process should explain clearly what Government is intending to do and why, and ensure that the regulatory burden and associated costs for the economy are properly assessed and minimised before change is introduced.

### **Breaking Down Silos and Encouraging Innovation within Government**

Reluctance to take more risk and innovation in Government is out of step in a region which is adept at embracing change, technology and innovation, and accepting the disruption that sometimes goes with this.

We encourage:

- a substantive initiative to ensure that 'joined-up' Government is able to more effectively work across departmental and bureau boundaries and implement new and innovative practices and ideas;
- a step-change in the digitisation of Government services, drawing on best practice in other jurisdictions.