

The Hon. Mrs Carrie Lam Cheng Yuet-Ngor, GBM, GBS
Chief Executive
Office of the Chief Executive
Hong Kong Special Administrative Region
People's Republic of China
Tamar, Hong Kong

19th July 2019

Dear Chief Executive,

2019 Policy Address Submission

It gives me pleasure to submit the British Chamber of Commerce's 2019 Policy Address Submission.

The Chamber is one of Hong Kong's strongest international business organisations. Our members include some of the biggest investors and employers here. The Chamber is a champion of Hong Kong, a supporter of One Country Two Systems, and a strong and active advocate for the city as the best place in the region to do business.

Events of recent months have clearly had a major impact on Hong Kong, including on its international reputation. They make it all the more important to uphold the special characteristics Hong Kong enjoys, including its high degree of autonomy, rights and freedoms, and rule of law. They, together with the use of English language as an official and business medium, are unique competitive advantages.

In the response to the events, it will also be important to develop further the competitiveness of Hong Kong as a place to do business, and its attractiveness as a place to live. Our submission sets out a number of specific recommendations in this respect.

The free flow of international trade, investment and capital are vital to Hong Kong's economic success. In the light of the reputational impact of recent events, a key recommendation is that the administration draws on the best of private sector expertise to help develop and then communicate a compelling strategic vision for Hong Kong internationally, working with senior business and other key opinion formers.

In this regard the annual 'Hong Kong week' in London in October will provide a vital opportunity to convey this strategic positioning, with one of the city's biggest business and trade partners. We think the message of confidence building in Hong Kong as a place with ongoing unique advantages for business in the APAC region would be greatly enhanced by the inclusion of business representation in the London programme and we would willingly provide assistance.

The Greater Bay Area (GBA) offers a major new opportunity for the city. This Chamber has taken the lead in establishing, with the British business organisations on the mainland, a GBA

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British Business Network, to better coordinate our work on this. One element will be to consider policy recommendations on how the initiative can work best for business. We will be communicating separately with the government on this.

We would welcome the opportunity to discuss the ideas set out above with you and your administration, and to work with you to carry them forward.

More widely, at a time when there is a need to rebuild confidence in Hong Kong's future, especially with young people, and a need for innovative and energetic approaches to be taken to tackling longer term structural issues, including housing, education, and inequality, I hope you and your administration will regard the Chamber, and the expertise and experience of its members, both as a partner and as a resource.

Best regards,

Peter Burnett
Chairman

Cc: Mr. Paul Chan Mo-po, GBM, GBS, MH, JP, Financial Secretary, HKSAR

Mr. Edward Yau Tang-wah, GBS, JP, Secretary for Commerce and Economic Development Bureau, HKSAR

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Rebuilding Trust and Business Confidence: The British Chamber of Commerce in Hong Kong's 2019/20 Policy Address Submission

Business Confidence; and Hong Kong's International Business Reputation

Events concerning the introduction of the Fugitive Offenders Ordinance have had a significant impact on Hong Kong's reputation as an international business centre. Key institutions proved their resilience: there was little if any capital flight, no currency sell off, no collapse in the Hang Seng Index. Business systems and public services operated normally. But the medium to long-term position of Hong Kong as an international business gateway needs to be reinforced and repositioned. Confidence in Hong Kong's ability to maintain its distinguishing identity under One Country Two Systems has been weakened

There is wide recognition that part of the response to the events is the need to restore confidence and hope in Hong Kong's future, particularly among young people. Part of this concerns rebuilding confidence in the safeguarding of the city's distinct way of life and rights and freedoms under One Country Two Systems. But innovative and energetic approaches to underlying structural and social issues including housing supply; tackling inequality and improving social mobility; education and healthcare, also deserve to be part of the response. As part of the Hong Kong community, we have a strong interest in these issues and would welcome working with the Government to help address them.

In respect of its business positioning, Hong Kong has a unique set of assets: its distinct status under One Country Two Systems, including the rule of law, and its freedoms; its positioning at the centre of international trade and capital flows with the mainland and in the region more widely; top quality public and private infrastructure, a world-class professional services sector, one of the global centres of finance, leading-edge logistics – all supported by hard-working, outward looking and entrepreneurial people. To rebuild international business confidence, to repair the reputational damage Hong Kong has suffered, and to leverage these capabilities, we believe:

- To help tackle the damage to Hong Kong's reputation Government should invest significantly in strengthening the Hong Kong brand internationally as a competitive and safe global city to do business. A specific senior official should be tasked with this and have the authority to work across government departments.
- In this, we suggest Government develops and communicates a clear and compelling vision for our city's place in the world and the key opportunities it offers regionally and internationally, as well as specifically in the Greater Bay Area (GBA) and Belt & Road initiatives. It should highlight our core strengths in a targeted way to different audiences – for example as Asia's key centre for financial and professional services and for logistics as a global sourcing and trading hub. The Chamber would welcome engagement with Government on this. High quality strategic messaging is key and in no way should we attempt to hide the events of last months.
- To have the necessary impact, we strongly recommend that the Government employ and draw on the best of private sector expertise to help define and communicate Hong Kong's strategic positioning and develop a communications strategy, to get the Hong Kong brand across, including to senior business and other key opinion formers. This needs to be done quickly and done well. Simply saying Hong Kong is "open for business as usual" will not be sufficient.
- Just as important is ensuring that Hong Kong's key differentiators as a place to do business are respected and, indeed reinforced, in the coming months. Critically, the rule of law and Hong Kong's rights and freedoms need upholding, in actions as well as words. Any policy or actions which might have, or be seen to have, an impact on confidence in the rule of law needs the most careful consideration and reflection.
- Moreover, steps should be taken to reinforce the attractiveness of our city as a location to start, grow or relocate businesses. New initiatives and incentives in finance, labour, innovation/tech or taxation, could be introduced to underpin the rebranding exercise noted above – so that Hong Kong gets attention for all the right reasons. We are happy to develop a number of specific proposals with Government on this.



- We see a need for more transparency and communication to engage with business and allow business to better understand the direction the Administration is taking, earlier in the process of policy formulation. This should include better publicised consultations, with enough time for meaningful responses from wider sections of the community. Greater communication and engagement between policy bureaux on cross-government transformative issues is desirable to ensure further progress in breaking down barriers and preventing operation in silos – a point you have often mentioned before.
- In this context, we believe the role of the International Business Committee (“IBC”) could be made more meaningful. The IBC has been an effective forum for discussion between the Government and international business representatives on matters affecting the business environment and perceptions of Hong Kong. However we believe that the functioning of the IBC could be reformed to provide more meaningful dialogue on how to address business confidence and improve the business environment. We have a number of suggestions in this regard which we would be pleased to discuss with Government
- The international business community represents a large proportion of Hong Kong’s business activity and is a significant employer in the SAR. Many of us have deep roots in our headquarter countries and would be more than willing to share best (and worst) practice that we observe in overseas jurisdictions.

In this submission, in addition to the broader points above, we give below a number of specific suggestions for action to strengthen Hong Kong’s competitive edge, which we see as needing urgent attention.

Developing and Growing our People as a Priority

Resolving Labour Shortages

The logistics, health and construction sectors are facing critical labour shortages, impacting the efficiency and competitiveness of the business environment. We recommend proceeding with limited and targeted labour importation schemes on an appropriate scale to address the specific needs of these sectors, with the premise that local workers’ priority for employment will be safeguarded. We acknowledge efforts to alleviate the shortage of healthcare manpower but call for streamlined approval processes to enable foreign trained practitioners in the medical, nursing and allied health sectors to practice in the private sector.

Skills

Given the global competition for talent and an ageing population, it is vital to develop and retain local people with the right skills to compete in the global economy; and in the process help ensure young people have the skills they need to succeed. Shortage of talent is already a major constraint, particularly in the new economy areas which the Administration has identified as priorities: digital, innovation and technology, the creative sector, fintech and the start-up economy. Hong Kong should participate in the skills map of Asia, as other jurisdictions are doing, and conduct a city-wide survey to understand which skill areas require additional investment, and reform education curricula and vocational training programmes to better deliver these. It should also consider mainstreaming the development of 21st century skills in all classrooms; and ensure that English is learnt by all students to a high enough level to equip them to compete in the global economy.

STEM

If Hong Kong is to leverage the technology and innovation capabilities within the Greater Bay Area and partner with Shenzhen to become a real competitor to Silicon Valley, STEM education is critical for future generations to understand, and be equipped to take advantage of, the potential of success in a technology-driven society. Schools need the support and partnership of the Government, academia and the private sector to do this, and the focus on STEM needs to start at primary school. There is a need to increase the participation and attainment levels of women and girls in STEM subjects. We recommend Government considers targeted campaigns to encourage female teachers to take up teaching positions in STEM subjects, as role models. Performance indicators in both of these areas should be published



regularly. Initiatives that could be used or serve as a model to encourage female participation include *SheLovesTech* or *Agorize*.

Attracting and Retaining Diverse Talent

To attract and retain the best international talent and encourage foreign investment, Hong Kong's diversity, and family leave rights and laws must be competitive. To encourage women to remain in work and take leadership positions whilst having families, we recommend that the Government convenes a taskforce with business to take a broad and holistic review of legislation regarding family-related leave and working arrangements. We suggest this working group considers, inter alia:

- The introduction of shared paid parental leave to be taken by parents irrespective of their gender and whether they gave birth or adopted; and
- The introduction of a legal right for employees to request flexible working, subject to the employer's right of rejection on statutory grounds, as with the flexible working laws in the UK and Australia.

Gender Equality and Leadership Diversity

To promote greater transparency in relation to pay and equality between the genders in the workplace, we recommend the Government consults on the introduction of mandatory annual reporting obligations on large companies (250+ employees) on the gender pay difference at all employee levels. We welcome the 2019 changes to the Listing Rules to promote greater diversity on listed boards. But we recommend that, to have a wider and more immediate impact on boardroom and leadership diversity, Government should establish a tripartite working group together with senior Hong Kong Exchange and business representatives to consider the introduction of mandatory annual reporting obligations on large companies in respect of the gender composition of their boards and senior level leadership committees; as well as the potential impact of quotas for women on boards and the introduction of maximum tenure periods for INEDs to encourage board turnover.

Non-discrimination of Sexual Minorities

We consider the Administration should urgently amend the anti-discrimination legislation to cover discrimination on the grounds of sexual orientation. That organisations in Hong Kong can legally choose not to employ someone based on their sexual orientation is fundamentally incompatible with its role as a modern global city; and is a barrier to the full range of talent that Hong Kong needs. To set an example we recommend the Administration adopts an anti-discrimination charter, including sexual minorities, for all public businesses.

Developing a Healthier City

Disease Prevention and Early Access to Innovative Care

Addressing our city's complex healthcare problems will take time. But as an immediate priority to realise benefits from policies already introduced and the funding allocated, we recommend:

- Raising awareness and adoption of preventive care, especially for mental health and key chronic diseases and cancers, with better promotion encouraging the public to take action in a targeted and action-oriented campaign. Health-screening programmes should be significantly stepped up, using a public-private partnership approach, with subsidies for enhanced accessibility by all sections of the community.
- That this should be accompanied by much faster access to innovative treatment. Managed Entry Agreements (MEA) to enable early access to innovative drugs and treatments to address critical medical needs should be introduced to speed up adoption by the Hospital Authority (HA), together with streamlined evaluation and adoption of innovative therapies for the different drug committees within the HA.

E-prescriptions

Specialist Outpatient clinics under the HA are inundated with patients seeking repeat prescriptions resulting in unnecessarily long waiting times for new and more urgent patients. We propose that the FHB immediately considers:



- The tendering of a limited number of “ePharmacy licenses” (like the recent process of awarding the virtual banking licenses).
- Allow patients to have basic tests outside the specialist outpatient clinics and, subject to medical review, qualify for e-prescriptions which ePharmacy license holders would fulfil, with reimbursement from the DoH/HA, without the need for repeated patient attendance at these clinics.
- The tendering process would necessitate applicants to propose operational protocols and describe their fulfilment processes, matched with KPIs to determine their performance.

Data Transparency and Ownership

Access to anonymised clinical and operational data from the public sector health systems is currently restricted to universities and the HA. We strongly recommend making this data more widely accessible so that others in the health system can develop innovative solutions based on a better understanding of current issues (e.g. waiting times, readmission rates, length of stay etc). Such access will not only galvanize the intensity of health-tech innovation in Hong Kong, but also motivate institutions to strive for better clinical and operational outcomes.

A Built Environment Fit for the 21st Century

Given the significance of the potential development projects to be undertaken in the next few years (including Lantau Tomorrow Vision) and the pressures around land availability, now is the time to ensure our procedures and regulations are suitable and effective for the job at hand, and to move beyond a business as usual model. The LTV needs a fresh developmental approach, as the Chamber has recently highlighted to the Development Bureau, but in the shorter term the provision of adequate land (including fast-tracking the redevelopment of brownfield sites) could be enhanced by innovation in Government’s own land production procedures and policies.

How We Design and Build

We believe that a complete overhaul and streamline of the regulatory environment is required to drive and allow innovation in the construction industry, creating continuous improvement that takes on board lessons learned, and delivers a flexible approach to adopting innovative solutions and best practice:

- Government should modernise the entire buildings approval regime, particularly the codes and approval approach taken by Buildings Department to structural and engineering design. These outdated building codes are decades old; are a major inhibitor of innovation in design and construction; and are widely seen as responsible for driving up the cost of development.
- As lead agency, PSGO should conduct a holistic review of the current public works project management systems to better coordinate inter-departmental efforts, embrace new technology and innovation, all of which are needed to drive better cost and lead time public sector project performance. Embedding a culture of strong project governance would improve budget and programme performance as well as quality and safety issues, all of which have recently aroused widespread public concern.
- Moving capital works projects to an approach focused on proactive project governance rather than passive project administration, adopting best value asset management solutions rather than lowest tender cost, and embracing innovation and technology will all drive down long-term ownership costs, whilst securing programme targets.
- A critical issue is the continued improvement of design and construction procurement practices to international best standards, promoting high quality design, safe construction and greater productivity. We highlight the need to continue to promote and rollout modular integrated construction (MiC), the use of innovative techniques and materials, as well as early contractor involvement to improve safety and buildability. The promotion of offsite fabrication of prefinished volumetric construction would result in less waste in Hong Kong, improved safety, faster construction and less disturbance to neighbours.



Green Building Regulations

Although Hong Kong has been promoting the construction and renovation of more sustainable and energy efficient buildings, more could be done, particularly for our existing building stock. We recommend Government leads the way by adopting an operational building performance rating scheme for all Government buildings initially, with the intention that the scheme eventually applies to all buildings. Such a scheme would need to measure actual impact (not just design intent) and present a comparative tool. The National Australian Built Environment Rating System (NABERS), which is also being trailed in the UK, would be a good reference. Government should explore increasing the requirement for obtaining the 10% GFA concession to delivery and ongoing maintenance of a minimum Gold BEAM Plus rating.

Recycling and Waste

With countries introducing stricter waste importation regimes, we must ensure our own policies are up to standard and capable of dealing more effectively with this critical issue. We believe the Blue Print for Sustainable Use of Resources should be critically reviewed and updated, and Government should set up a Waste Authority, combining the responsibility of FEHD and EPD, to implement the Blue Print. New approaches to separation at source are needed, as well as a bottom-up policy that focuses on education, and invests in a city-wide scheme to ensure innovative recycling solutions. Government should allow non-accountable GFA for sufficient collection, sorting and recycling space in terms of a combined system of centralised refuse areas and recycling spaces on each floor, for all new buildings, together with making this a prerequisite to achieve the 10% GFA concession.

Grow an Innovative, Digital and More Sustainable Smart City

Digitalisation in Logistics

The absence of harmonised and unified technology systems severely compromises the efficiencies of our trade and logistics sector. Businesses currently need to submit and process as many as 50 declarations, manifests and license requirements, to various Government departments and B2B stakeholders, many of these being required as hard copy documents.

To increase the efficiency of the flow of goods and people, the Administration should digitise transport and logistics ecosystems by:

- Taking the lead in promoting the harmonisation and unification of the digitisation of trade transaction requirements and implementing common information technology platforms.
- Implementing in full the Trade Single Window to streamline trade handling processes and facilitate standardised information exchanges across the sector. The digital platform and associated systems should be versatile enough to accommodate future requirements such as enhanced security screening and distributed ledger technologies such as blockchain.
- Linking initiatives like ERP and better traffic flow with a wider Smart City initiative to make it easier to bring more trade through Hong Kong.

Lower Carbon City

Progress in electrifying transport has been slower than in many other GBA and international cities, resulting in higher carbon and air emissions than necessary. Government should review its policy to support the introduction of electric private vehicles, as sales have stalled; set out a timetable for the transition to a zero-emission public bus network; and revise the Pilot Green Transport Fund to support bus companies financially to undertake this transition. Many cities are moving to set objectives for reducing overall carbon emissions by mid-century. Hong Kong should provide a long-term roadmap and predictable pathway to allow businesses and the wider community time to support to support decarbonisation in a practical and responsible way.