

The Honourable Mrs Carrie Lam Cheng Yuet-Ngor
Chief Executive of the Hong Kong SAR
Chief Executive's Office
2 Tim Mei Avenue, Tamar
Hong Kong

26 July 2021

Dear Chief Executive,

2021 Policy Address Submission

I have pleasure in enclosing the British Chamber of Commerce 2021 Policy Address Submission for your and your Administration's consideration.

Our theme for this year's submission is "Building Back Better" and we focus on the policy actions that we believe will best position Hong Kong as it emerges from the COVID pandemic and as it looks forward to an expanded role in the GBA. We also acknowledge the priorities that you have set for Hong Kong and those set out in the National 14th Five-Year-Plan.

We look forward to an early re-opening of borders, recognizing the COVID pandemic control issues that are at stake. We have been strong supporters of your vaccination campaign and believe in a public-private approach to encouraging community vaccination. We do, however, urge the Administration to give early credit for fully vaccinated individuals to permit freer border crossing preferably with no quarantine but with necessary testing if this is required.

The success and vitality of the SME sector, as we emerge from the pandemic, will be critical for the fullest economic recovery for Hong Kong. The Administration has been generous with its support schemes. We encourage continued support, particularly for the hardest hit businesses in this sector, and propose some amendments to exiting schemes.

Financial and professional services have, for the most part, successfully navigated their way through the pandemic. However, the disruption has focused on necessary changes to operating models and we must not be complacent. We propose a number of Consultations to ensure that our financial markets are "fit for purpose", particularly as we respond to the opportunities to support start-up companies, through our public equity markets, green finance, ESG reporting, infrastructure financing (including PPPs), trade finance, digital asset trading, inter alia.

Hong Kong can be proud of its world class logistics and marine sectors. We believe that there is an opportunity to ensure we can continue to provide these services with best-in-class sustainability standards and propose a number of initiatives.

You are aware of the thought leadership, amongst international chambers, that the Chamber has provided in respect of the GBA. We are strong believers in the business opportunities for the GBA and believe that Hong Kong can take an expanded role in realising this potential whilst recognising some of the challenges. We will continue to raise the profile of the GBA internationally and amongst our Hong Kong membership and will continue to promote business friendly policies that will benefit not just Hong Kong but the GBA as a whole.

Looking forward, Hong Kong has the opportunity to accelerate a number of large construction and infrastructure projects and to develop its Smart City capabilities to a fuller potential. This will require

retasking the way land is made available for development, ensuring sustainable and the most innovative construction practices are followed, partnering with the private sector in PPPs to allow for financing this development programme and focusing on housing as a priority. We include a number of recommendations to achieve these aims.

The COVID pandemic has put health and healthcare at the top of Government policy agendas around the world. We believe that Hong Kong is well positioned to develop its capabilities in this segment, working closely with the private sector in the fields of Digital Healthcare, Cancer Care and Mental Health and we include a number of policy recommendations.

For many of our members, Hong Kong has become our home. Addressing and promoting Hong Kong's "liveability" is as important personally as it is in our professional lives so that Hong Kong can continue to attract the best international talent. We include a number of recommendations for enhancing the environment, addressing our children's educational needs and for ensuring that Hong Kong can be a leader on diversity and inclusion matters.

Finally, we look forward to working with your Administration in relation to the recently proposed Business Confidence Campaign and are arranging for a fuller briefing and discussion with our members. The international reputation of Hong Kong needs rebuilding and retuning. The proposed Campaign is well timed and welcomed.

The Chamber stands ready to help with its expertise and experience as we move to the next stage of Hong Kong's development. We would welcome the opportunity to discuss the attached paper, or any particular aspects of it, with you directly and with your respective Secretaries and Bureaux at their convenience.

Yours sincerely,



Peter Burnett

Chairman

The British Chamber of Commerce in Hong Kong

Cc:

Mr John Lee Ka-chiu, SBS, JP, Chief Secretary for Administration

Mr Paul Chan Mo-po, GBM, GBS, MH, JP, Financial Secretary

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

Mr Michael Wong Wai-lun, JP, Secretary for Development

Ms Doris Ho Pui-ling, JP, Head of Policy Innovation and Co-ordination Office

British Chamber 2021 Policy Address Submission

Building Back Better – An Expanded Role for Hong Kong Business in the GBA and a More Liveable City as Our Home

The focus of this Policy Address Submission from the British Chamber of Commerce is **Building Back Better** – a revitalised Hong Kong, an expanded role in the Greater Bay Area (GBA) and a more liveable and inclusive city as our home. Our recommendations, focussed around 8 key areas, are set out in detail below.

Both in selecting our themes, and coming up with our recommended actions, we have had regard to Hong Kong’s positioning as presented in the National 14th Five-Year-Plan, particularly around enhancement of the four traditional sectors and development of the four emerging sectors.

Rebuilding Our Economy

(COVID measures, Support for SMEs, Financial Markets, Revitalising our Ports)

Supporting Vaccination, Reopening Travel and Relaxing Social Distancing Requirements

A significant increase in vaccination rates, enabling travel for business and leisure and reopening borders, as well as allowing social distancing restrictions to be relaxed, is going to be critical in rebuilding Hong Kong’s economy. In this regard:

- We were pleased to note recent relaxations in relation to quarantine restrictions for fully vaccinated travellers. We were also encouraged by the statements at the recent IBC meeting by the Chief Secretary and the Under Secretary for Food and Health in relation to the Administration’s ongoing work on further relaxation measures. The ambition should be to get to a point where those who are fully vaccinated and have a requisite antibody test (available on arrival in Hong Kong) should be subject to no more than seven days quarantine (with further reductions over time) in a designated hotel or (preferably) at home. Allowance should also be made for unvaccinated children returning to Hong Kong. We recognise that this is a bold ambition given the current climate but is critical if Hong Kong is to maintain its status as Asia’s World City and its international attractiveness.
- In that regard, we encourage the Administration to continue working with business Chambers and the wider Hong Kong and scientific community to develop a transparent roadmap for the opening up of the Hong Kong economy and its borders, with clear criteria and timelines for each step. This is critical to rebuilding our economy.
- Whilst we must remain vigilant, in particular for new variants emerging in the coming months, some residual risk should be accepted. Borders should be progressively reopened, not only to the Mainland but also elsewhere. This is essential if we are to

encourage inward investment and spending in Hong Kong but also if we are to fully take our place in the GBA.

- Noting the recent announcement by the Administration, we recommend that the Administration should take early action to recognise the emerging (and potentially permanent) requirement to have vaccine passports for all travellers entering and leaving Hong Kong, by reviewing and implementing available biometric passport technologies for virus control. These should combine the adoption of a preferred internationally recognised biometric solution with a combination of rapid antibody and PCR/diagnostic technologies for all arrivals in Hong Kong.
- We would also encourage the Administration to continue to review and revise its social distancing measures, particularly as it affects the F&B sector which has been very hard hit by the pandemic. Currently, there is very little evidence of COVID within the local community and this would point towards a further simplification and relaxation of the current social distancing requirements which still place operational challenges on the F&B sector. Feedback from the Chamber's members indicate that the current arrangements (around categorisation, testing requirements and paperwork) are complex and difficult to operate in practice, resulting in many establishments being unable to take full advantage of the relaxations. Some simplification would be appreciated together, again, with a clear roadmap and transparent criteria for further relaxations so business can put in place appropriate plans.
- Finally, we support the Chief Executive's Early Vaccination for All campaign as set out recently in the letter of 31 May and note the encouraging signs that the vaccination rate is increasing. We would encourage the Administration to continue to work with business and the wider community to increase the take-up of vaccination. Not only should a choice of vaccines continue to be available beyond September, but further financial, travel and quarantine incentives (and consequent disadvantages for those who have not been vaccinated) should be put in place; clear and substantive "credit" should be given to those who are vaccinated in terms of quarantine requirements and other social distancing restrictions.

Support for SMEs

SMEs are an essential part of the Hong Kong economy. Further COVID relief measures are required, especially for sectors worst hit by the necessary social restrictions (for example, Retail and Hospitality), to see business through this continuing difficult period. Whilst we recognise the support that the Administration has provided to-date, some issues have arisen in relation to implementation. Accordingly, our proposals include:

- Streamlining the grant application process for all Government grants by introducing an integrated application process for multiple grants to speed up the application, provide greater transparency on the status of the application and reduce complexity.
- Providing greater flexibility for personal guarantee requirements under the existing 100% Guaranteed Loans Scheme. The Hong Kong Mortgage Corporation (HKMC) currently requires personal guarantees from applicants to underpin loans issued under the Scheme. Personal guarantees will frequently encompass the guarantors' private residence and we encourage the Administration to consider amendments to the Guaranteed Loans Scheme to reduce the risk of foreclosure on homes, including:
 - Examine the ways in which family homes could be excluded as security for a personal guarantee if sufficient collateral can be proven elsewhere.

- Cap the amount of loan recovery at a maximum of, say, 20% of the outstanding balance of a guarantee facility once the proceeds of business assets have been fully claimed.
- Encouraging further support from FIs to extend funding to SMEs in sectors that cannot access the guarantee schemes. The Chamber recommends variations to the Government's Guaranteed Loan Scheme be introduced to encourage FIs to lend to asset-light businesses, or newly incorporated enterprises with which have limited business history, including:
 - Speed up the process by which the HKMA Sandbox can be utilised to allow lending to those SMEs who would not normally be able to access traditional forms of finance for a lack of track record or assets.
 - Open a dialogue with FIs about offering guarantees at the portfolio level for their SME lending. By guaranteeing SME loan portfolios, the the Administration will alleviate FIs from part of their regulatory capital requirements, and thus allow them to engage in new SME finance operations.
 - Establish Enterprise Capital Funds (ECFs) by using Government funding alongside private sector investment to develop venture capital funds that provide equity finance to high growth potential SMEs. ECFs can be managed by commercial fund managers with a capped Government contribution to any single ECF.
- Exempting SMEs from audit requirements in specific circumstances. Currently all companies, no matter how small, are required to undertake an annual audit of their accounts. We recommend that the Administration reduces the overhead on SMEs and uses exemption from audit as a mechanism to drive adoption of the HKMA's proposed Commercial Data Interchange for at least a suitable period of time, and encourage FIs to explore alternatives to traditional credit scoring.

New programmes are needed to support business creation, company start-up, initial cash-flow support and growth financing, all with Government agencies working together with the private sector:

- The focus of the Government support schemes over the past eighteen months has correctly been on supporting existing companies to deal with the impact of COVID. However, given the number of SMEs that have closed over the period, and the contribution the SME sector makes to the economy, there is a need to provide an ecosystem of support to encourage the next generation of entrepreneurs to open new businesses and address the gap.
- There are several best practice schemes globally that could be replicated in Hong Kong. Most offer grants through mainstream lenders for a range of start-up and innovation ideas. These schemes involve unsecured loans guaranteed by the Administration, a blend of loans and grants, or vouchers to access external expertise, facilitates and equipment. This differs from Hong Kong, where grants tend to be linked to occupancy in hubs like the Science Park or Cyberport or the ability to demonstrate substantive existing business. The Chamber would be happy to explore options with the Administration about what such schemes might look like in the context of Hong Kong.

The availability of trade finance for SMEs will be a critical success factor as the Hong Kong economy emerges from the COVID pandemic. We refer to the paragraphs under the Financial Markets section below in respect of expanding trade finance availability for SMEs.

Financial Markets

Our GBA recommendations for Financial Markets are set out below in the Section entitled “An Expanded Role in the GBA”. Recommendations here relate to non-GBA specific matters:

- We recommend a formal review of how the Administration raises fiscal revenues with a view to diversifying its sources of income. We believe that a critical advantage of Hong Kong remains its low tax regime. However, the reliance today on income from property – specifically through land premium – has had a disproportionate impact on real estate and affects the provision of housing for the lower and lower-middle classes and young people, in particular. We believe the Administration should look at taxes on investment income, capital gains and the possibility of a sales tax as a means of diversifying revenue sources without changing the SAR’s status as a low tax regime. Accordingly, we would recommend the establishment of a dedicated task force with representation from business and community stakeholders to look at revenue diversification and would be pleased to participate.
- We urge a review of the way the Financial Markets, and the Hong Kong Stock Exchange in particular, might be better able to cater for the needs of equity issuers with particular attention paid to those of the size that have been affected by the recent changes in the eligibility criteria for the Main Board:
 - This review should also consider how GEM could be better positioned so that it might serve its original purpose as a “stepping stone” to the Main Board.
 - The review should include proposals made in the Exchange’s 2017 New Board Concept Paper for a professionals’ only board to cater for issuers from the “new economy”, that are pre-revenue/ pre-profit and issuers which have weighted voting rights structures. This proposal should be seen as part of an overall “holistic” review of the needs of the Hong Kong equity market.
 - We would suggest that such a review should draw at an early stage on expert input not only from Hong Kong but also internationally, and that consideration be given to the formation of an expert group to assist in the process of formulating any proposals. We would be happy to assist in that process.
- Hong Kong has a major opportunity to become the pre-eminent hub in APAC for Green and Sustainable Finance, with a proper framework for accreditation, transparent standards and first class ESG reporting. This should be a priority both before and after the COP26 meeting in November, which is expected to signal greater efforts to tackle climate change from nations and businesses alike. Specific areas of focus should cover:
 - Working to achieve an international harmonisation of a green finance taxonomy. In this respect, we applaud the HKMA’s and SFC’s contribution to the Common Ground Taxonomy by joining the International Platform on Sustainable Finance.
 - Working with international standard setting organisations (for example, the IFRS) to develop a common international framework for disclosure which will be mandatory for Hong Kong registered and listed companies.
 - Contributing to “policy action” on scaling green finance, including establishing market mechanisms on carbon pricing where Hong Kong should take a lead in APAC.
 - Catalysing green capital by making Hong Kong the international centre in APAC for “blended green finance”, combining capital and insurance from multinational and national development institutions with private sector capital.
- Hong Kong has an opportunity to establish itself as the preeminent marketplace for ESG reporting with a view to including, for example, mandatory reporting on greenhouse gas emissions for financial institutions. Recommendations by the Green and Sustainable

Finance Cross-Agency Steering Group could, in our view, be more ambitious, perhaps moving from “comply or explain” to mandatory compliance.

- Real Estate Investment Trusts (REITs) are now an important part of the real estate economy in Hong Kong. Hong Kong should now consider regulating for “Business Trusts” to allow the REIT model to develop accordingly and to include, for example, Infrastructure REITs. In this regard, we support the FSDC’s recent report on “Revitalising the REITS market” issued on 18 May 2021.
- The Administration has a large pipeline of infrastructure projects (HKSTP, hospital facilities, transitional housing solutions, aged care facilities, and including longer term Lantau Tomorrow Vision, etc.) To complete this programme, the Administration needs to attract and expand Public Private Partnership models. We urge a review of the way infrastructure projects are analysed, developed and awarded to ensure there is sufficient flexibility to permit such partnerships. We also urge a consultation to be launched to review the alternatives and the current barriers to ensure that Hong Kong is at the cutting edge of this model.
- The International Chambers of Commerce have established an Advisory Group to examine the ways that trade finance is made available for all trading companies but with a particular focus on SMEs. At the Chamber, we applaud this initiative. Hong Kong needs to examine how its financial service industry can best position itself to go beyond the traditional trade finance model (collateral based pledges) and look at (a) tech-based credit-scoring models, (b) real time transaction data and (c) machine learning methods, inter alia, to improve trade finance availability and access. A Consultation with the HKMA would be warmly welcomed.
- Digital-asset trading has expanded significantly since 2017 with its total market capitalization reaching over USD1 trillion in early June 2021. The Administration is encouraged to work with banks and FIs to develop advanced digital-asset infrastructure to bring about lower barriers to entry, more consistent with a leadership position in the global blockchain industry.

Revitalised Ports and Marine Sector

Hong Kong needs to ensure the long-term sustainability of the container shipping sector, by enabling ‘Smart Port’ development and other measures to enhance competitiveness. In this regard, we would recommend:

- Ensuring a sufficient supply of labour through customized training programmes to meet port needs, as well as considering importing labour in the short term. Incentives to enable automation efforts to help address these issues should be offered in the longer term.
- Continued growth and access to trade/ shipping line network services through Hong Kong’s accession into the Regional Comprehensive Economic Partnership (RCEP) to access trade opportunities; the provision of incentives (for example, tax incentives) to attract new shipping line network services or to encourage shipping lines/logistics companies to set up headquarters/ regional offices in Hong Kong; and protecting Hong Kong’s advantages as an international transshipment hub with the support of the cabotage rule.
- Unlike the Hong Kong International Airport, Hong Kong Port does not have a unified Port Authority – this is highly unusual and places it at a disadvantage with its competitors. There is no single entity to handle the multifaceted issues the port and shipping community faces in a cohesive and integrated fashion - planning, marine, land-use,

environment, resilience, digitalisation, regulation, policy, etc. A Hong Kong Port Authority should be established and vested with the necessary powers and resources to make a difference. The Port Authority should sit within a dedicated Transport Bureau focused on transport and logistics (all modes), rather than being linked with housing policy matters.

- Greater coordination in infrastructure development and use of infrastructure – ensuring better coordination among the ports in the GBA to improve long-term competitiveness. We should develop a single market for logistics services in the GBA, focusing on market-based competition with common environmental standards.
- Sustainable transport is an emerging priority if Hong Kong is to retain a leading role in the logistics and marine sector and it is an increasingly important business concern. The Administration should support the transition to lower emissions fuels for shipping to determine what the requirements would be for Hong Kong to remain competitive, such as LNG Bunkering (or perhaps ultimately hydrogen) for long distance ships and should also engage the air transport sector to develop concrete suggestions for more sustainable air transport.

An Expanded Role in the GBA

(Re-opening Borders, Free Movement of Capital, People, Data and Goods, Arts Hub)

The Chamber welcomed the opportunity to meet with you and your colleagues from the Administration on 16 September last year, following on from the submission in June of our first paper with policy suggestions to help grow business opportunities across five key sectors in the GBA. We subsequently submitted a further paper in December last year, highlighting opportunities in a further eight sectors and have since followed up with our GBA Summit on 17 June this year which you kindly opened. We would welcome a second meeting with you and your team to discuss these additional opportunities as soon as this can be arranged. By way of short summary of a number of the points we have made earlier in our submissions, with some additions to reflect developments, we would recommend the following:

- The first priority is to open the boundary for travel again and reinstate the connectivity for Hong Kong with the rest of the GBA. The Mainland – Hong Kong boundary should be prioritized, as soon as health conditions allow and vaccination rates have improved, with a mutually recognized mechanism implemented to allow Hong Kong and Mainland residents to travel across the border without mandatory quarantine.
- We believe that there are four overarching frameworks which need to be put in place to enable our city to capitalise to the full extent on the opportunities from the GBA. The 'connect schemes' have shown what can be achieved in one area - the movement of capital. Further policy mechanisms can also be developed on the cross border movement in the four areas below:
 - a) *Free movement of capital* will enable residents to enjoy better financial services and more products than were available before. Less restrictions mean more efficiency in industry players' cross-border transactions when they serve customers.
 - Supporting capital and other financial transactions, Hong Kong should be positioned as the international corporate treasury centre for Mainland and multinational corporations operating in the GBA. In the same way, Hong Kong should be positioned as a centre for dispute resolution of GBA contracts.



- Efforts should be made to strengthen Hong Kong's contribution and role in the GBA Green Finance Alliance by promoting research and incubating green investments and leveraging greater green demand in Guangdong and green finance capabilities in Hong Kong. We should unlock greater talent by increasing mandated ESG and sustainable finance training for workers, leaders and participants in the banking sector and corporations.
- b) *Free movement of people* will make it easier for businesses to make investments and expand their presence in the region. Personal movement will increase exchange and communication within the region, leading to more innovative ideas and business opportunities. Every effort should be made to leverage the potential of a larger combined talent pool and job market. The proposal for a "GBA Card" similar to the "APEC Card" to allow visa free movement across the boundary would be fully supported by the business community.
- c) *Free movement of data* will be an important component in connecting Hong Kong service providers with customers in the rest of the GBA (and vice versa). Data localisation has limited insurers' ability to provide post-sales services for customers residing in other markets. As one example, the Administration is recommended to agree on a joint regulatory framework that allows Hong Kong insurers to establish post-sales service centers in Mainland GBA cities. These facilities will enable the industry to provide better services to Mainland customers, underpinning Hong Kong's role as a regional insurance hub. In this regard:
 - We suggest establishing a GBA Big Data Platform, which could evolve into a well-established marketplace for essential data across the GBA. The Administration should consider the smooth sharing of data among GBA cities, starting with cross border pilots for the less controversial basic data needs GBA residents have for their daily living, whilst carefully addressing the challenges of local differences in practice relating to data security, privacy, related regulations and IP protection etc.
 - The Chamber supports the newly formed GBA IT Association in its objectives and the potential projects which are to follow. In addition, we would also suggest an 'opt-in' approach to data gathering from GBA frequent travellers, both for vaccine passports and for vaccine and health records, with appropriate data protection safeguards.

We recognise that the free movement of data across the GBA is a difficult policy. The questions of data privacy and data ownership will need to be addressed without undermining the uniqueness of Hong Kong's approach to the regulation of personal data.

- d) *Free movement of goods* – although there have been some improvements, much more needs to be done in the harmonisation of logistics across the GBA, including aviation, container shipping, distribution, and cross border freight. The Administration should continue to strive for greater alignment in customs and administrative processes and standards, and facilitate greater digitisation in the logistics sector, building on Hong Kong's unique strengths in the logistics sector to leverage the larger GBA opportunities. We also see great value in promoting Sustainable Aviation Fuel (SAF) technology development, through investment in supply chain logistics and SAF production in the GBA, with the goal of making GBA a global hub and showcase for sustainable aviation.
- We see considerable opportunities in relation to Financial Services in relation to the GBA:



- The latest draft PBOC circular on the Wealth Management Connect scheme has already addressed several key asks from the industry (including removal of in-person account opening, 1-1 pairing between Mainland and Hong Kong banks etc). We appreciate that the regulators would like to take an incremental approach towards the scheme. Below are some suggestions for the future expansion of the scheme:
 - a) Expand the investment scope of Wealth Management Connect (currently only “non-complex”, low to medium risk, SFC registered Hong Kong domiciled funds are eligible).
 - b) Increase aggregate and individual quota, and further expand the scope of eligible clients.
 - c) Relax the sales and marketing restrictions.
- In relation to other Connect Schemes, we would recommend a) expanding the scope of Stock Connect to include IPO Connect, and b) considering a GBA Commodity Connect.
- In relation to treasury and cash management, we would suggest lowering the threshold for company eligibility for cross-border RMB sweeping structures in the GBA (for example, by removing the eligibility requirements on minimum sales turnover, remove quota control on inflow and outflow funds).
- In relation to offshore bond issuance, we would recommend simplifying the approval process for offshore bonds issuance for Mainland enterprises in the GBA (for example, by establishing a whitelist for eligible enterprises).
- In relation to account opening, rules should be established to elaborate requirements on cross-border digital account opening in the GBA, including cross-border customer communications, channel management, KYC/ identity verification etc.
- In relation to Insurance Connect, we believe that the key reasons why Mainland customers purchase insurance from a Hong Kong insurer are a) access to the medical system of Hong Kong (i.e. medical assessment, drugs); b) brand and higher degree of trust in the sales person (with oversight from the HKIA and having gone through some form of examination); and c) comprehensive and more innovative products (i.e. better coverage and lower premium critical illness products). Against this background, we recommend the Administration to focus on the key levers that make Hong Kong insurers attractive and establish a regulatory environment that allows and encourages:
 - a) Collaboration with GBA regulators to seamlessly integrate cross-border processes to drive customer experience and convenience, for example the ability to submit a medical exam on the Mainland for pre-screening; the ability to use a GBA medical card to pay for medical expenses; the ability to get support from service centres set up on the Mainland; and the ability to pay premiums using CN digital wallets.
 - b) Development and enhancement of online self-service platforms to serve policy holders where transparent and up to date customer information is stored.
 - c) A consistent omni-channel and dynamic customer experience within the GBA (especially claims and medical support).
- In relation to legal service, Hong Kong should reinforce its status as leading international legal and dispute resolution hub by leveraging its strong judicial and legal foundations. With recent implementation allowing Hong Kong enterprises registered in Qianhai to apply Hong Kong law in their civil and commercial contracts, the Administration is

encouraged to take the lead in discussions with Mainland authorities to extend such practice to the other cities in the GBA to further solidify its position.

- Finally, we would support a suggestion made by you when we met last September to strengthen Hong Kong as a Centre for Arts and Culture within the GBA. Specifically, we suggest:
 - Establishing an ArtsGBA initiative with GBA cities that includes formalised week-long cultural exchanges (e.g. Hong Kong Philharmonic with Guangzhou Symphony, Opera Hong Kong with the Guangzhou Opera House, Orchestral Conductor exchanges and student performing arts exchanges, with the Administration to provide matching sponsorships for cultural educational exchange programmes within the GBA.
 - Expanding the ArtsGBA initiative to link other global centres would allow a series of recorded concerts that are shown at venues in another city within 24 hours of being shown in their host city. That could bring the LSO online to concert halls in Shenzhen, Guangzhou, Hong Kong, Macau etc.

Building Land and Development Pipeline

(Infrastructure, Land Supply, Lantau Tomorrow Vision and Other Development Opportunities)

We believe that this continues to be one of the major challenges facing Hong Kong and urgent action needs to be undertaken to build the pipeline of development land for both residential and commercial development. In particular, the long waiting lists for public housing are a challenge for social cohesion and a rapid solution is needed for access to the housing ladder for young people, affordability, rent to buy and other initiatives. We see an opportunity to develop more transitional housing in the next year or two; and for the Administration and the private sector to come together to create a long term well managed sustainable product. We make a number of suggestions below on building the land and development pipeline, including much-needed infrastructure projects:

- Given the scale of anticipated future construction as reflected in the infrastructure pipeline, we recommend the establishment of a private sector- government partnership task force that can work together to prioritise and accelerate projects, develop ways to unlock financial arrangements to pay for these and ensure fair and value-for-money procurement.
- The Chamber welcomed the work of the Land Supply Task Force 2018 and contributed a submission to the public engagement process. We made a series of detailed recommendations on the specific options presented by the Task Force (and some that were not), but it seems that many of these points are not yet moving forward in a fast enough manner. It is clear that no single option will provide the land that we need; a combination of options or parts of options will be needed and it will be essential that a holistic view is taken across a range of options, rather than each be pursued individually. For example, the development of private agricultural land, the redevelopment of brownfield sites, poorly used military areas and the creation of New Development Areas are all interlinked in the New Territories. The proposals to improve land supply need to be better interlinked and presented as a holistic solution.
- Moreover, we believe that the Administration already has most of the tools it needs to increase existing land supply more quickly – rezoning, land resumption, land swaps, land

lease modification – and it seems that it could use them more effectively and on a much faster basis. The land acquisition and development process needs to be streamlined to encourage private sector development, especially for small-mid sized developers.

- The Chamber is following with great interest the Lantau Tomorrow Vision (LTV) project. Further to our submission to the Development Bureau on 23 May 2019, we again highlight the opportunity to do things differently and innovatively in respect of the LTV, from an environmental, smart city and planning policy standpoint, as opposed to just following the 'business as usual' traditional land use and town planning approach. This would make a strong statement about Hong Kong taking truly innovative approaches to this crucial next stage of its development, reflecting the Administration's welcome emphasis on innovation. Our suggestions have drawn on the wide range of experience and expertise across the Chamber membership and we would welcome discussing them with you and your team.
- In terms of the current situation concerning 2047 leases, the market is waiting for clear and concrete understanding of how these can be extended so that the market can correctly price in business risks and opportunities and we can push for more sustainable building development / better building quality at each step.
- We strongly suggest that, for all major infrastructure projects, a VALUE based approach be adopted, rather than COST based, including the two-envelope tender approach, to give the opportunity for both public access/ use and ground breaking design to feature as strongly in evaluation of proposals for redevelopment as much the price paid for the land.

Building in a Better Way

(More Modern and Sustainable Building Designs and Codes, Construction Innovation and Project Management)

Besides ramping up the pipeline of land for development, significant changes need to be made in the way in which we construct buildings. In addition, there needs to be more focus and flexibility on building out what the city needs, rather than simply following Building Guidelines which in a number of cases are more than 50 years old. In this regard, we would highlight:

- We encourage more continued active international participation to improve the technological and building standard of new developments and appreciate regular interface with the Buildings Department to drive the updating of the Building Regulations to encompass acceptance and approval of more innovative construction technologies. The Chamber has notable expertise in this area and would be keen to work closely with the Administration to achieve this.
- One area needing considerable work is to develop and implement more sustainable building design and construction techniques for the private and public sectors to reduce both waste and the carbon intensity of building – something that will become more important as we drive for carbon-neutrality in our city. It is important to drive cost and carbon reductions in Government contracts at the design stage by including a life cycle carbon assessment and targeting reductions during the design process. The Administration should revisit specifications for minimum cementitious quantities in concrete to enable innovative, lower carbon concrete mixes to be developed with the same performance parameters. We should also consider promoting a Hong Kong rating

system for buildings according to their carbon footprint, perhaps in line with overseas best practice such as the NABERS system.

- We appreciate the Administration continuing to push for construction innovation, with the enhanced use of Building Information Modelling (BIM), Design for Manufacture and Assembly (DfMA) and Modular Integrated Construction (MiC) etc., supported by a major revamp of the building regulations. A broadening of the definition of MiC is encouraged, to allow incentives such as GFA concessions to be applied to a broader range of DfMA methods including “kits-of-parts” using off-site manufactured components, perhaps in the GBA. In particular, the introduction of the Buildability Design Appraisal System (B-score) for building approvals would be a positive step for the industry and would herald an acceleration in the wider adoption of modern methods of construction using offsite manufactured components.
- We suggest continuing the roll-out of the most suitable version of NEC contract forms, including target cost opportunities, and expanding their use to Government owned, and statutory bodies, and the private sector. In addition, Buildings Department and other regulatory procedures for building should be digitised at the earliest possible opportunity.
- The Administration should introduce the Security of Payment Legislation (SOPL). This has been on the legislative agenda for six years but has still not progressed. We understand that the Development Bureau is now suggesting that it will roll out some of the SOPL measures by way of contractual amendments to public contracts. This is a piecemeal approach and will lead to a bifurcated industry which is not conducive to effective and efficient management of the industry. Ultimately, legislation is necessary, as it is unrealistic to expect main contractors to be able to police the sub-contract chain.
- With the large number of both public and private infrastructure projects coming up in both Hong Kong as well as the GBA coupled with an aging workforce, the need for both skilled labour and project management professionals will become a critical factor in the success of these projects in the near future. A more holistic approach to safety is essential, rather than just increasing fines or fining directors. The Administration and the private sector need to jointly promote a safety culture from the workers up and off-site construction should be encouraged and supported.
- We are broadly supportive of the recommendations made in the Final Report of the Commission of Inquiry into the Construction Works at and near the Hung Hom Station Extension under the Shatin to Central Link Project, concerning a) the need for single point of responsibility within the Administration for major projects, b) greater adoption of technology in the construction industry, and c) creating a more collaborative culture between the Administration and contractors to achieve more successful project outcomes, with the Administration taking a leading role and more specifically encouraging the Buildings Department to be more proactive and collaborative as a partner in the construction process as well as the gatekeeper.

A More Digital, Smarter City

(Smart Logistics, Government Procurement, Smart Payment)

Creating a smart and digitised vision for a small highly urbanised international city like Hong Kong is a very natural opportunity. However we need to move faster to ensure we do not fall behind regional and international “competitors”. We make a number of suggestions here to accelerate progress:

- *Smart Logistics.* We should ensure that Hong Kong is properly positioned to benefit from the growing strength of e-commerce trends and emerging technologies. We should expedite efforts in digitization for documentation to simplify customs procedures for businesses, and to speed-up domestic and cross-border e-commerce and general logistics capabilities. In addition, there is the need to ensure adequate supply of land for modern logistics facilities at key locations, in alignment with the demand projections from the Transport and Housing Bureau's study on land requirements for modern logistics and port backup facilities. The Administration should provide incentives for industry to identify opportunities for the application of 5G technology in logistics and to encourage logistics vehicle fleets to convert to lower/ zero roadside emissions vehicles.
- *The Administration's own role.* There is a strong need for the Administration to engage and take the lead because it is the biggest purchaser of goods and services in Hong Kong. It should adopt the IT procurement process for digital transformation and a faster pace of change. The Administration is one of the largest buyers for technology-enabled services but processes still call for facsimile transmissions and the use of CD-ROMs. This is not consistent with Hong Kong's desire to be a leader in Smart City development. Before releasing a formal commercial tender to the public, the Administration should consider an SME sandbox environment that is timebound, has a budget carved out, and a specific goal for the end of the sandbox. For example, instead of requesting technology services through a traditional tender process, with rigid requirements, run a sandbox that provides the opportunity for start-ups to propose innovative alternatives to address the technology need. This requires some investment in the short term but can create long term benefits in building a true start-up ecosystem and enable the Administration to test ideas at a small scale before investing in large digitization initiatives. One option would be to extend the regulatory sandboxes set up by the Administration for FinTech; opening up all technology initiatives to start-ups, so they can co-innovate with the Administration, makes sense.
- *Smart payment.* Smart payment options should be a mandatory option in all taxes, not just for the hygiene reason but also for the data collection purposes and the Administration should partner with payment owners to use the data collected to aid Smart City development as well as planning for emissions reduction.

Building a Healthier City

(Developing a Digital Health Strategy, Oncology, Drug Provision, Mental Health, Private Healthcare and Staying Healthy)

The health of Hong Kong has taken on an added dimension and urgency in light of the COVID pandemic. Whilst we would in general applaud the Administration's success in managing the outbreak, it has meant that other priorities have been pushed to second place and work urgently now needs to get underway to tackle these issues.

Community care (delivered on- and off-line) should be the first line of defence for illness, not hospitals.

We want to acknowledge the response we received to our letter of 20 October 2020 on Oncology and appreciate the ongoing work in this regard. Notwithstanding this, and more generally, we would have the following specific recommendations:

- The Administration is recommended to continue to develop a digital health strategy for Hong Kong (and, by extension, for the GBA). This will considerably alleviate the growing pressure on Hong Kong's public health system, promote the development of new industries and enhance Hong Kong's reputation as a technology hub in the region. The Chamber published a paper on digital health at your request in December 2020 and would welcome the opportunity to discuss further.
- Oncology is a priority in our ageing society. The Administration should take more concrete measures to implement the cancer strategy which it announced in 2019, focussing on the introduction of more cancer screening programs by utilizing District Health Centres (DHC) to improve compliance to screening and vaccination by enhancing public education and awareness, as well as leveraging Public Private Partnership (PPP) programs with Electronic Health Records (EHRs) to employ population-wide mammography screening. Screening programs for the other highly prevalent cancer types like liver and lung cancer should also be developed.
- The Administration should improve the cancer registry, especially on the quality and timeliness of cancer data disclosure, for example with the stage of diagnosis and treatment data including but not limited to surgery, radiotherapy and systemic therapy, analysis by cancer stage, etc.
- Whilst recognising the efforts that the Administration has made in relation to improving patient access to therapies, another urgent priority remains the streamlining of the drug registration and reimbursement processes. The Department of Health should consider one Certificate of Pharmaceutical Product (CPP) for areas of unmet medical needs, such as Breakthrough Therapy, Orphan Drug and Advanced Therapy Designation by reference countries. We recommend increasing the meeting frequency of Drug Management Committees to prioritise inclusion of drugs into the safety net from twice to four times a year. We recommend relaxing the criteria to enlist more innovative cancer drugs for reimbursement into the safety net in line with other advanced economies and that the Administration and the Hospital Authority should proactively develop this policy using real world experience for drug review.
- Mental Health is another important priority, as we begin to better understand the impact of COVID and other social/demographic trends in our city. The Administration should allocate resources more broadly to properly recognize, detect, and treat mental health conditions in society and encourage and facilitate employers to provide health insurance that covers mental illnesses, which will provide better mental health support and relieve the pressure on the already over-stretched public health system. As one of the largest employers in Hong Kong, the Administration in its own right should be a role model in supporting the mental health of employees during these difficult times, showing its support to its employees through promoting campaigns such as Shall We Talk and Joyful@Healthy Workplace.
- Children's mental health must be incorporated as an integral part of the Administration's mental health focus, offering a rapid solution by adopting a community-based service with a PPP approach to enable the private sector to provide support to minimize delays in diagnosis and treatment in child mental health issues.
- We welcome the recent advertising campaign on physical health but much more needs to be done to increase participation in daily exercise, sport and a healthier diet. This includes more Government support for sports and a continued development of sporting facilities. Increasing physical activity will help with both physical and mental health.
- Last but not least, the Administration is recommended to consider allowing a tax deduction under salaries tax and personal assessment for qualifying premiums paid by individuals as a policyholder of a critical illness and life protection insurance policy. Tax

deduction is expected to encourage and incentivise individuals to afford sufficient protection to their lives and loved ones. Over time, as the private sector plays a more active role in filling in the health protection gap, the burden on the public sector would be eased.

A More Liveable and Inclusive Hong Kong (Climate change and Environmental challenges, Education, Diversity and Inclusion)

For many of the Chamber's members, Hong Kong has been our home, often for many decades. We therefore suggest a number of important policy initiatives for a more liveable and inclusive Hong Kong.

On Environmental Issues:

- We support the Administration's announcement of our city's ambition to achieve carbon neutrality by 2050. The Administration should publish clear and ambitious sector by sector plans for Hong Kong to reduce carbon emissions in the new version of the Climate Action Plan before COP26 in November this year, engaging SMEs and the general community in particular what they can do to reduce emissions and helping to build in the business community a stronger awareness of local and regional sustainability issues, as well as best practice standards for ESG matters.
- We urge the Administration to work with and support the two power companies, who are responsible for around 60% of Hong Kong's carbon emissions, to further decarbonise the electricity supply with the objective of reducing their carbon emissions by around 80% (over the 2005 baseline Hong Kong has adopted) in the 2030s and to achieve close to zero by 2050. This early reduction would facilitate the decarbonisation of other parts of the economy using low-carbon electricity, including transportation, construction and other sectors.
- In parallel, the Administration should continue to develop proposals for improving the energy efficiency with which all fuels are used in both new and existing buildings. To receive GFA concessions, higher standards for energy and waste management should be required (best in class energy efficiency, life cycle carbon assessment, zero waste building design and facilitating better waste separation and sorting in buildings) and there should be more flexibility in the building regulations to allow the use of innovative/sustainable materials. For buildings in general, further clarification should be provided to facilitate waste separation and proper recycling in major developments.
- Notwithstanding the efforts made in carbon reduction, climate change represents a significant physical risk to our city, from rising sea levels, more violent typhoons and warmer temperatures. The Administration should publish risk assessments and set out clear priorities for public and private investment to mitigate these risks.
- We suggest that the Environmental Protection Department provide more transparency on the Administration's Environmental Impact Assessment process to help businesses better assess the carbon impact of new infrastructure projects.

On Education:

- We suggest creating a dedicated team within the Education Bureau – as a centre of excellence – exclusively responsible for the general regulation and oversight of schools offering a non-local curriculum. This would allow the Bureau to differentiate and strengthen existing relationships with the international education sector and facilitate

the development of domain specific expertise to allow the Administration to make decisions that are specifically relevant to these schools. Their needs are not only different to local schools, but there are also great differences between the needs of non-local curriculum schools as well. This could also support the regular gathering of representative views from a highly valued group known to offer significant value to the business community.

- Many of the poorer families do not have access to computers/ Wi-Fi at home and at times during COVID, children were not able to learn effectively. The Administration needs to consider how best to help those families receiving social assistance also meet these needs.
- We would also ask the Administration to note our submission below in relation to STEM education.

On Diversity and Inclusion:

- Continued progress needs to be made on social inclusiveness and gender equality. The Administration is encouraged to take the lead in promoting diversity, equality and inclusion policies, for example for public sector employees or statutory and Government funded NGOs. It should also work closely with business to support the publication of similar commitments by the private sector.
- In relation to boardroom and leadership diversity, the Chamber supports diversity of skills, expertise, experience, gender, ethnicity and age. We recognise and welcome the recent proposals by the Stock Exchange of Hong Kong (SEHK) to improve the diversity of listed boards. However, we would also recommend that, in order to have a wider impact on boardroom and leadership diversity, the Administration should consider establishing a tripartite working group with the Administration, SEHK and business representatives to review and make recommendations on topics such as annual reporting obligations, measures to enhance the number of women on boards and to review tenure periods for INEDs.
- In relation to equalised parental leave rights, the Chamber recognises and welcomes the Administration's recent improvements in maternity leave. However, the Chamber recommends that the Administration forms a working party to take a broader and more holistic review of its legislation regarding family-related leave. This working group should consider, inter alia, the introduction of shared paid parental leave to be taken by parents irrespective of gender and whether or not they gave birth or adopted.
- In relation to flexible-working and mental health, during the past 18 months, Hong Kong has proven that it can work flexibly and remotely whilst still being productive. Flexible working, including part time working, can allow women to return to the workforce more easily and creates more opportunities for older workers to continue to work for longer or to return to work. Accordingly, we would suggest that the working party we referred to above also consider the introduction of legislation in relation to flexible working, including potentially around tax incentives.
- In relation to gender pay gap, in recent years there has been an increased focus on gender pay equality in the workplace driven in part by the UK Government's introduction of mandatory annual reporting obligations in respect of the gender pay difference since 2017. The Chamber would recommend that the Administration reviews its approach to this topic to keep up with international equality standards.
- In relation to women in STEM, we recognise the progress that has been made in Hong Kong but believe that this requires continued focus in order to take full advantage of the growing technology and innovation start-up hubs within the GBA. In this regard, the Chamber recommends, for example, further encouragement to female teachers to take

up teaching positions in STEM subjects at all levels of the school system; introducing a grant for women that elect to study STEM degrees at university in Hong Kong; and donating resources and funding to encourage women and girls into STEM subjects at all levels of education, beginning at primary schools.

- There are two further points which we would encourage the Administration to consider as part of developing an inclusive society:
 - *Recognition of same-sex marriage:* Hong Kong has made important progress in recognising same-sex marriage as a valid marriage. However, the Administration is encouraged to consider taking further steps to ensure that same-sex couples enjoy all the same benefits and rights as other couples.
 - *Mandatory retirement age:* Hong Kong, no different from other OECD economies, is undergoing rapid population ageing with people aged 65 years or above amounting to over 18% of the population. Amongst this background, we would encourage the Administration to consider its approach to mandatory retirement clauses in employment contracts, which have already been banned in a number of jurisdictions. The operation of such clauses potentially discriminates on the grounds of “age” and could lead to the exclusion of an important element of the talent pool.

A Revitalised Brand Hong Kong

(Refresh of “Asia’s World City”, Focus on I&T, Promotion of Arts and Culture)

As part of Rebuilding our Economy, it is essential that Hong Kong considers its branding proposition both domestically and particularly for the international marketplace.

In this regard, we were pleased to note the presentation in relation the upcoming Business Confidence Campaign by the Information Services Department (ISD) at the recent IBC meeting on 15 July and are in the process of arranging a further meeting between ISD and members of the Chamber to discuss the Campaign in more detail. We would hope on that occasion to provide our input into the Campaign and any follow up. We hope that this Campaign is the catalyst for a full rebranding.

In the meantime, we would note the following points:

- We have noted the reference to Hong Kong as having a reputation for innovation in the Campaign. As envisaged in the 14th Five-Year-Plan, we are of the view that Hong Kong should develop itself as an international innovation and technology hub (I&T), jointly with its counterparts in the GBA. This should be reflected in the rebranding of Hong Kong alongside its traditional strengths in, for example, financial services.
 - I&T has been a major focus for Government policy for some years, with significant investment into development of world class facilities and programmes operated by HKSTP, Cyberport and others. Within the context of the GBA, it is important that Hong Kong has a clear positioning in the I&T space, complementing Shenzhen and not competing with it or seeming secondary. Within Hong Kong, I&T is a major driver of job creation and is key to retaining talent within the city.
 - The strategic messaging framework and supporting campaign should, amongst other areas, demonstrate Hong Kong’s leadership position in the I&T sector and its vision for the future. In this regard, the campaign needs to play to different audiences; the

- international I&T sector, the wider international business community and the Hong Kong general public.
- The HKSTP organisation should be more clearly positioned and rebranded as a facilitator of globally pioneering collaboration and innovation, and continued development of regulatory sandboxes should help expedite I&T development in the city.
 - As envisaged by the Campaign, we strongly believe that Hong Kong should increase its promotion activities. This requires more Government promotion of Hong Kong as an attractive place to visit, live and work with a broad and inclusive society, together with increased promotion of Hong Kong's role within the GBA, wider Mainland China, Asia and globally.
 - Again, as envisaged by the Campaign, we agree that Hong Kong should look at diversifying its offerings beyond the current focus on it being a hub for financial services and logistics by promoting our culture and the arts. Recognising the importance of this sector, the Chamber has recently established a Creative Industries Committee and looks forward to working with the Administration to help promote this sector within the community and we believe this will be an important pillar in the rebranding of Hong Kong.

26 July 2021