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 Chief Executive's Office  
 Tamar  
 Hong Kong

31 July 2023

Dear Chief Executive,

**2023 Policy Address Submission –  
 A Ten Point Plan for a Brighter Hong Kong**

I have pleasure in enclosing the British Chamber of Commerce in Hong Kong's 2023 Policy Address Submission for your and your Administration's consideration.

Following our conversation earlier this year, the Chamber has made significant changes in the way we have focussed our ideas, with 5 key short-term issues that we think should form an immediate priority for Government in the next 12-18 months and 5 key medium term issues which we think will determine Hong Kong's success over the next 3-5 years, listed below.

<u>Short Term: Action Needed Now</u>	<u>Medium Term: Get these moving, soon</u>
<ul style="list-style-type: none"> <li>• Provide more housing, fast</li> <li>• Assembling resources needed to deliver Government's KPIs</li> <li>• Building momentum for businesses to enter/grow in the GBA</li> <li>• Getting the economy moving and cutting red tape</li> <li>• Hong Kong, where business gets done (and you can have a great time!)               <ul style="list-style-type: none"> <li>- The Hong Kong Brand</li> <li>- Repositioning our image</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the housing &amp; land supply deficit</li> <li>• Financing Growth               <ul style="list-style-type: none"> <li>- Broadening the tax base</li> <li>- PPP</li> </ul> </li> <li>• Decarbonisation: the roadmap</li> <li>• Education &amp; Talent</li> <li>• A healthier Healthcare sector</li> </ul>

With the extensive expertise of the Chamber members, actionable proposals have been included and the Chamber would be pleased to work with your Government on their further development and implementation. We have consulted our members extensively while we prepare this submission and we received many excellent ideas and suggestions for moving our city forward around mainly two key areas: policy and delivery for Healthcare and Financial sectors. Given the breadth and depth of our proposals, we will make separate submissions on Healthcare and another detailed series of suggestions for the budget to the Financial Secretary.

The next 2-3 years will be a critical period for Hong Kong and business community. We are so pleased to note all the steps Government has taken in the past months to provide more affordable housing in quicker manner and we know that this still remains at forefront of the Government agenda. The Chamber suggests that more centralised future pipeline be disseminated and communicated with the public and the private sector, this enables more effective delivery as businesses can plan ahead for resources and offer expertise to aid the process of delivery. With



the ambitious infrastructure plan in place, more integrated approach should be adopted to review the progress of delivery, we also suggest measures to make land bank more available.

As we move on from Covid, further streamlining regulations and cutting red tape would assist trade, investment and talent in Hong Kong, to build momentum for businesses to enter in the GBA. It is also crucial for Government to develop long term initiatives to reposition Hong Kong to ensure Hong Kong maintains its status as a global city for travelling, working and living. The Chamber supports Government's Climate Action Plan 2050 and suggests some specific areas such as retrofitting, sustainable revitalisation of ageing building stocks and decarbonisation of logistics, as these developments will be determining factors for Hong Kong to drive positive changes in the international climate change field.

In the medium term, we also make suggestions for healthcare and education sectors, as well as enhancing the city's commitment in promoting innovation and technology developments, arts and cultural elements. These are areas showcasing the competitive edges of Hong Kong and the reasons why many of our Chamber members love about Hong Kong. All these policy items will require significant resources, as such, we also put forward ideas to ensure financing to support long time economic growth and establishments.

We strongly support your determination to ensure your Administration is result-oriented and solution-driven and we believe the business community can add great value in assisting to deliver these outcomes. To facilitate the workflow of Government to devise pipelines, we look forward to continuing early communication of Government's long term planning and structured investment priorities by Government alongside streamlined procedures and efficiency.

We look forward to hearing from you and would welcome the opportunity to discuss the attached paper, or any particular aspects of it, with you directly or with your respective Secretaries and bureaux at your/ their convenience to see how we can supplement. The Chamber is planning its Annual Summit again in October at St. Regis Hotel, themed as 'Hong Kong Rebound' which aligns with this Policy Address Submission. This will be a forward-looking event focussed on Hong Kong's prosperity and we look forward to having your presence.

Yours sincerely,

Ir Dr Anne Kerr  
Chair

The British Chamber of Commerce in Hong Kong

Cc: Mr Paul McComb, Executive Director, The British Chamber of Commerce in Hong Kong

Mr Jim Taylor, Chair of Business Policy Unit, The British Chamber of Commerce in Hong Kong

Ms Christy Ng, Business Policy and Corporate Relations Manager, The British Chamber of Commerce in Hong Kong

## **British Chamber 2023 Policy Address Submission**

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### **A Ten-Point Plan to Build a Brighter Hong Kong**

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Following on from the Chief Executive’s ground-breaking first Policy Address last year, Charting a Brighter Tomorrow for Hong Kong, the British Chamber of Commerce in Hong Kong (“The Chamber”) is pleased to have the opportunity to provide input for Government and warmly welcomes the extensive initiatives led by the Chief Executive himself to reach out to the international business community, both here and overseas.

This year, we highlight five key issues that we consider should form an immediate priority for Government in the next 12-18 months and five strategic medium term issues which we think are critical for Hong Kong’s success over the next 3-5 years, where work also needs to start quickly in order to promote Hong Kong’s strategic advantages. Therefore we have themed our submission as “A Ten Point Plan to Build a Brighter Hong Kong”, and provide our comments and suggestions as follows:

<b>Short Term: Action Needed Now</b>	<b>Medium Term: Get these moving, soon</b>
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We begin this submission with a focus on what we feel are some of the most pressing issues facing Hong Kong and where we feel that if immediate action can be taken as suggested, it will have a material impact on our city, in terms of liveability and how it is perceived locally, regionally and internationally.

## Short Term: Action Needed Now

### Provide More Housing, Fast

- ***Need for action***

With nearly a quarter of the population living around or below the poverty line and more than 200,000 people living in subdivided units, adequate provision of affordable housing quickly is key to improving children's educational outcomes, community health, social inclusion and economic prosperity in the city. Whilst Government has taken steps to increase the supply of transitional housing (including Light Public Housing), the public has voiced concerns around the location, design and temporary nature of some of these solutions. We suggest enhanced engagement with local communities on these issues and that transitional housing should provide sufficient privacy and a suitable layout that support modern work mode (such as work from home environment with WiFi connectivity and available workspace for Zoom/ TEAMS meetings at nearby community centres).

- ***Repurposing quarantine facilities***

The speed with which land was made available for quarantine facilities shows what can be achieved. However, we suggest that as the units are of a modular construction and can easily be re-used elsewhere, they should be relocated to smaller scale sites across the city where they can be quickly connected to existing infrastructure and communities.

- ***Faster building times***

Prioritising the use of Design for Manufacture and Assembly (DfMA) as a proactive design approach which focuses on enabling offsite manufacture of high-quality construction components and efficient assembly of the components on site is essential. Coupled with Modular Integrated Construction (MiC), whereby free-standing integrated modules (completed with finishes, fixtures and fittings) are manufactured in a prefabrication factory and then transported to site for installation, will enhance safety, speed and focus on best practice modern construction techniques in Hong Kong.

### Assembling resources to deliver Government's KPIs

Short term action is needed to assemble the immediate resources to enable the delivery of Government's main short term policy priorities. In this section we focus on faster and more efficient infrastructure delivery and the finance needed to fund it efficiently.

- ***We must reinvent infrastructure delivery models***

Conventional delivery models have relied on developer-led funding. We support the active engagement of private sector investors and lenders as a source of infrastructure funding. We suggest to expand

Government asset-backed securitisation initiatives in Hong Kong to provide meaningful capital for reinvestment in our infrastructure pipeline and promote institutional investment – for example leveraging MPF funds and the Government Exchange Fund, as well as promoting the growth of Infrastructure REITS to recycle capital from existing infrastructure assets in Hong Kong.

- ***We need a more transparent long-term pipeline of infrastructure projects***

The Chamber welcomes the increased sharing of pipelines of projects with the market and notes the increased engagement across sectors. We welcome more updating of the plans being shared with local and international business communities to allow the private sector more flexibility and clarity for longer term planning. The Chamber would be pleased to engage and support Government with a focus on engaging new market entrants to bring different ways of delivering projects (e.g. Integrated Delivery Partners) to accelerate project delivery and devise the right “risk-sharing” payment mechanisms.

- ***We need better coordination of Infrastructure procurement***

Different parts of Government procure infrastructure projects from the private sector in different ways. We suggest the development of a centralised pipeline of infrastructure or development opportunities and reassigning responsibility for the oversight of infrastructure procurement or NDA development amongst Government bodies to a central development agency, to act as a subject matter expert in the drafting of tender documents and the procurement of infrastructure projects which are delivered in partnership with the private sector would enhance sharing of best practice and embed innovations.

By moving towards multi-project value-based framework contracts, we trust that will encourage contractors to invest in long term strategic relationships and support the growth in the pool of international and Mainland contractors available for Government to draw from in Hong Kong to deliver the ambitious infrastructure programme. Integrated Delivery Partner models used overseas such as the Sydney Metro in Australia and the National Health Programme in the UK are good examples of framework type approaches which can deliver mega projects and address these points, as well as talent shortages and other programme challenges. More clarity of the future pipeline is a critical driver of re-invigorating the pool of contractors in Hong Kong as it provides flexibility for bidders to add value and refine project specification, providing contractors with business case to invest in the HK market. Pipeline should also be disseminated widely to include Chambers of Commerce so that Chambers could engage with prospective bidders.

- ***The Green Bond programme should be expanded and directed to infrastructure projects***

Develop a pipeline of green and sustainable infrastructure projects that are reviewed and qualified by the HKQAA to support Hong Kong’s 2050 Net Zero commitment. This can also provide greater clarity on the means through which Hong Kong will achieve 2050 commitments.

- ***Affordable housing should be funded and delivered in collaboration with private sector***

The Chamber is delighted to learn from 2022 Policy Address that Government aims to introduce a pilot scheme to encourage participation of private developers in building subsidised sale flats. We think that

Government should also consider integrating affordable housing within private housing developments to promote social cohesion which can be delivered by the private sector. There are multiple international delivery models that form a basis for doing so, including Public-Private-Partnerships (PPP), which see developers offering a certain proportion of units at a discounted and affordable level to qualifying individuals.

## **Building momentum for businesses to enter/ grow in the GBA**

The GBA will prove most effective if the closer economic cooperation allows the freest movement of Goods, People, Capital and Data across boundaries. Restrictions on transfer of personal data across boundaries within the GBA have provided a particularly difficult challenge for international institutions.

- ***Goods***

Progress continues to be made in the alignment of customs and other procedures necessary to enable smarter cross-border logistics but we need to pick up the pace, especially in the adoption of more common system parameters and digitalisation. In this submission we highlight another major barrier which urgently needs attention – that of materials for recycling. With the phasing out of landfills in Hong Kong, it is imperative that Hong Kong works with GBA partners for a comprehensive waste management strategy. There should be a facilitated dialogue between the GBA cities to identify collaborative waste solutions and allow high value recyclables to be transported to key recycling/ reuse facilities within the GBA. As an example, we understand that larger batteries reaching the end of their working lives have to be sent to Europe for recycling as they cannot be sent into the Mainland under current legislative guidance, even though the Mainland has some of the most efficient and effective recycling facilities in the world for these products.

- ***People***

We embrace Security Bureau's recent effort in exploring cooperation with Shenzhen authorities to speed up immigration procedures for I&T professionals. To allow more effective labour mobility and the development of a broader living area for Hong Kong people in the GBA, proposals could be brought forward, for example, to simplify China visa requirements for foreign nationals' business visits to GBA cities, provide enhanced financial and other support for Hong Kong talent working in the GBA/ for talent of other GBA cities working here and to allow the payment of dependent parent and grandparent allowances even when individuals are residing in the GBA rather than in Hong Kong. We also suggest enhancing the recognition of more Hong Kong qualifications, particularly in the legal, construction and insurance sectors, broadening out the current CEPA process. Mainland authorities should be approached to further enhance the existing China IIT treatment for Hong Kong people working in the GBA, for example by expanding the current scope of the China IIT subsidy to young graduates working in the GBA under the Youth Employment Scheme (YES), as well as allowing flexibility for employment contracting arrangements to minimise the current administrative burden. We also suggest establishing an employment matching programme for local STEM graduates with employers in Hong Kong and the GBA.

- **Capital**

As a unique feature of the GBA, develop tailored special localised GBA 'Connect' schemes to facilitate cross-border capital movement. These may be modelled on the existing connect schemes but have enhanced terms or special sectoral focus, and which are *available only to residents or businesses headquartered in GBA cities*. In other words, a special set of schemes tailored to the target growth industries and needs of the GBA, specifically. We also suggest the further alignment of tax rules and regulations with the policy objective of encouraging Hong Kong businesses to invest into and expand within the GBA. This includes lobbying Mainland authorities to allow the set-up of branches of Hong Kong entities in the GBA with a unified Hong Kong tax rate at 16.5% (instead of 25%), for a period of at least 5 years, providing tax depreciation allowances on fixed asset investments located in the GBA and enhanced tax deductions to cover R&D activities undertaken there.

- **Data**

The Chamber is pleased to hear about the memorandum signed between Government and Cyberspace Administration of China (CAC) in June, as well as the action plan being developed by Hong Kong and Mainland authorities to make cross-border data transfer involving banking and personal care information easier in the GBA. Restrictions on transfer of personal data across boundaries within the GBA remains a real concern for international institutions to transfer personal data of clients to and from Hong Kong to the Mainland, and also for international transfer or secondment of staff where healthcare records need to be accessed for insurance purposes. The Chamber recommends that the Secretary for Innovation, Technology and Industry engages in more depth with international business community to try and find a pathway for companies and institutions to navigate this increasingly complex environment, for example by introducing "sandbox" schemes to pilot cross-boundary transfer of personal data in key industries e.g. in financial services such as insurance and healthcare.

- **Healthcare - an example from the service sector**

For the healthcare sector, the GBA presents a very significant economic opportunity. We suggest Government to further extend tax incentives for the purchase of private life and health insurance for both Hong Kong residents and our citizens living in the GBA and to increase the number of GBA cities and designated healthcare institutions covered by Hong Kong policy to meet urgent clinical needs. In particular, the policy should be extended to cover more tier-three hospitals providing advanced or specialised care to meet the strong need for patients to receive life-saving treatments. We recommend greater transparency in Government's collaboration and communication with the Guangdong Provincial Medical Products Administration (GDMPA) and to take a more proactive approach in information sharing for GBA healthcare policies and facilitate medical insurance (including private insurance and voluntary health insurance schemes) to cover Hong Kong citizens residing in the GBA. Mobility could be increased by establishing a clear code of practice and medical indemnity coverage for healthcare professionals practicing across the border. We also suggest expanding the use of Hong Kong drugs and medical devices in the GBA to include more than those for "urgent clinical use" and make these available under approved and transparent guidelines and, with patient consent, extend electronic health record sharing systems to cover top tier



hospitals in the GBA to ensure continuity of care across the border for Hong Kong citizens living or working there.

We also encourage Government to continue to engage with the private sector on the development, refurbishment and outsourcing of healthcare projects in Hong Kong. The private sector has much to offer, from operational expertise through to capital and development propositions that could accelerate the delivery of healthcare infrastructure. We are pleased to see the growing public-private collaboration with respect to managed healthcare services. We would encourage Government to further explore value-based contracting in the refurbishment of hospitals, for example, contracts should focus more on promoting innovation and improved outcomes for patients. Ultimately this will allow private sector resources to better deployed to the benefit of patients.

### Getting the economy moving and cutting red tape

- ***Focussing resources and accountabilities***

In order to reduce red tape, we strongly recommend the establishment of a Maritime and Port Authority as a statutory body vested with the necessary powers and dedicated resources to provide the required long-term strategies for the maritime and port-related sector to help Hong Kong maintain its status as an international transshipment hub. Its creation will strengthen the maritime and port-related sector, just as the creation of the Airport Authority has done for air-based passenger and freight transit.

- ***Data-driven solutions***

The Chamber recognises the significant progress made with iAM Smart and we believe more could be communicated to the public through the lens of Smart Cities. We suggest fast-tracking citizen-centric smart city digital implementation innovations in the transportation, healthcare and construction sectors, as well as the greater use of open data and data platforms. Improvements to *Government to citizens and businesses digital services* (G2C and G2B) should be a priority. For example, access to many Government facilities, or public tenders to Government still require the use of almost obsolete forms of technology, such as CD-ROMs, or facsimiles (fax). We also recommend Government pursue initiatives to make open data more accessible to businesses by improving on the measures of open data currently deemed 'poor' according to the Hong Kong Open Data Index, including releasing datasets under an open license which is presented in an explicit manner, granting permission to access, reuse, and redistribute and providing metadata and documentation to explain the context of the data for analysis.

- ***Cyber help for SMEs***

Almost 50% of all cyber-attacks are targeted at SME's and only about 15% of all SME's have effective cyber security protection. Statistically 60% of all SMEs fail within 6 months of a successful cyber-attack and this is a significant risk to the business community in HK. Other countries like the UK, Singapore and Australia have already taken action so we recommend a Government-subsidised Cyber Security Qualification be established for SMEs to use approved vendors to perform audits, develop recommendations and implement



cyber policies that will allow SMEs to get certified as Cyber Secure. This could give them automatic access to a low-cost cyber security insurance and also to allow these SMEs to bid for public sector work with Government knowing that the SME vendor is of no risk from a cyber security perspective. This would match the Cyber Essentials initiative in the UK, Essential Eight in Australia and the similar approach now being adopted in Singapore.

## Hong Kong, where business gets done (and you can have fun!)

The borders are now open and both businesspeople and casual visitors are again coming to Hong Kong. However, overseas media stories highlight that our city is not seen to be as attractive as before. We see the need for immediate and significant investment in a targeted branding, marketing and public relations initiative to highlight the fact that Hong Kong is one of the best places to get business done anywhere in the world and a fun and interesting travel destination.

- ***The Hong Kong Brand***

While campaigns including 'Hello Hong Kong' and air ticket giveaways aim to attract visitors back to Hong Kong, these are short term exercises, and we urge Government to take a sustained, longer-term perspective to redefine the marketing of Hong Kong globally to embrace the two goals of keeping our city as a relevant and appealing as a tourist destination, while also strongly promoting Hong Kong for business. These need not be two completely different campaigns but could be tackled through a single branding initiative (or branding refresh) similar to the Asia's World City initiative in 1999. It is time to renew the identity of Brand Hong Kong to keep it relevant for the coming decades.

- ***Repositioning our image***

Hong Kong needs to significantly improve on its promotion, so that both locals and international travellers (business/ tourists) can rebuild their trust in our image and see the attractiveness of Hong Kong – not just from a business standpoint but also as a place to live. Many of the key brand attributes have always been present and should be further amplified, for example, Food, Culture, Nightlife, Faster Career Development, Low Taxes, Fantastic Public Transport, Digital Connectivity, Travel Hub and The Great Outdoors. This is the opportunity to diversify our offerings not just as hubs for Financial Services, Supply Chain, Logistics etc.

Fast-growing Arts capability should also be promoted with the arrival of more Music, Theatre, Art, Galleries, Museums etc.. Singapore has announced that it is going to host international music act concerts such as Coldplay, Taylor Swift, Blackpink etc. to attract more people as a form of 'cultural tourism'. It not only targets to promote itself as a place for business but as a performing/ cultural stage, further strengthening the appetite for choosing Singapore as a major stop in Asia for arts and performance. Increased promotion, using a fact-based approach and transparency of our city's role within the GBA, wider Mainland China, Asia and Globally is essential as well as twinning programmes with other global cities, promoting not just tourism but also trade opportunities.

## Medium Term: Get these moving, soon

Besides these short term priorities for Government's next 12-18 months, we would like to highlight a number of key strategic issues, where we believe that action needs to be taken quickly to get things moving if the proper foundations are to be laid for solid medium term growth by the end of the Chief Executive's first term.

### Reducing the Housing and Land Supply Deficit

The Chamber is pleased to see significant progress being made by Government in stimulating further housing development for both public and private sectors by reducing the timeframe for development of land and reducing red tape, for example with acceleration of private subsidised sale flat and public housing initiatives in Hong Kong. In order to further improve the flexibility of land use & further streamline approval processes to promote innovation, investment and efficiency in land supply, there are some critical steps need to be taken soon. We recommend that Government continue to use all of the existing measures available to it in law actively, such as those around land resumption, land swaps and other development tools to clear barriers to the development of a more effective land bank. New developments should also be inclusive, accessible and provide a positive social impact, for example, the Northern Metropolis and other new development zones present Government and its agencies with an incredible opportunity to showcase this to the world.

- ***A holistic streamlined approach to land supply***

End-users, real estate developers and innovators are redefining new ways of business that do not easily meet old definitions and land uses. There is a clear requirement for change in approving land premiums, designs, licences and permits. We therefore suggest an increase in clarity and speed in assessing land premia, lease modifications and submission of redevelopment plans to facilitate investment and development. Faster timelines for processing applications will help. We recommend expanding the current 'Standard Rate' land premium system and potentially to integrate AI to facilitate initial land premium price range guidance within 4 weeks of application to encourage early interest from developers and investors, together with increasing inter-departmental engagement so policies, processes and interpretations are aligned on land matters. Performance pledges could be introduced by Government departments issuing licences as there are many complaints of undue delays to process and approve applications.

- ***Upcycling of empty schools and other real estate***

With a considerable number of empty old schools and other public facilities, real estate should be quickly upcycled to provide training centres for local and foreign workers to help address the massive labour supply shortage in the hospitality sector following the pandemic. The spaces can also be used to encourage heritage, culture, arts and sports camps, driving youth and community engagement to activate and repurpose these spaces for the local needs. Hong Kong has made some advances in liberalising the repurposing of industrial real estate but where theoretical flexibility exists, for example through waivers from the Lands Department on designated use, a disconnect between commercial reality and

bureaucratic procedures often prevents active development. The Lands Department has said that a waiver can only be applied for, at unknown cost in land fees, after a lease has been signed. In practice this impedes waiver applications by potential new tenants, given the considerable risk of an unknown cost and unknown outcome in such a leasehold situation. While there are potential issues with land resumption, the quickest and probably optimal way to free up land is the utilization of brownfield sites without reclamation or taking over land from the periphery of country parks.

- ***Land lease extension***

The proposed land lease extension beyond 2047 has been well received. Extension without premium but a rateable tax of 3% is seen as positive and provides investors with more certainty. To build on this momentum, once approved, Government can showcase this to the wider international investment community (versus other key cities) and further amend key measures to provide additional confidence. For example, the proposed legislation states that owners will be notified within 3 years of the lease expiry, which is too short a notice period. Government could consider amending the notice period to an early indication given 10 years ahead and gazetted 7 or 5 years in advance. It could also list any sites unlikely to be renewed 10 years in advance on a negative basis to provide more clarity and enable sufficient time for resolution as real estate development can take many years to plan. In addition, further clarity of what constitutes “public interest” in terms of granting a lease renewal is required.

- ***Improve affordability and supply in the residential sector***

It is essential to improve affordability to promote home ownership for permanent residents and encourage people to see Hong Kong as their home, especially those who have not yet purchased to buy a home for self-use, building on the measures now being taken by Government to attract new talent to our city. Stamp Duty measures should be enhanced to facilitate home buyers to upgrade. Government should provide more clarity on longer term residential land supply with a 5-year horizon so home buyers and developers can plan more effectively. For homeowners upgrading for self-use, we suggest implementing:

- i. Further *Deferred Stamp Duty* payment and/or;
- ii. *Staged-Payment Stamp Duty* mechanism, with a maximum timeframe of 24 months.

The Chamber is pleased to note the announcement in July around the relaxation of mortgage rules, giving affordable homes for first-time homebuyers and easier sales. As and when market conditions permit, the reduction and eventual removal of SSD & BSD should be facilitated in a staged manner.

We also suggest Government to continue to build on the *Private Subsidised Sale Flat – Pilot Scheme* to encourage more PPP to speed up affordable housing development and supply.

## **Financing Growth**

We would like to highlight three key initiatives which we think are going to be important to ensure financing to underpin long-term economic growth: managing Government finances for the future, broadening the tax base and strengthening PPP in financing the city’s economic development.

- ***Reducing the costs to Government of a rapidly ageing society***

Rising social welfare and healthcare costs are going to place a major burden on public finances. The public pension (Pillar I of the World Bank pension model) is designed as a minimal payment to alleviate poverty and, as a Pay as You Go system, is highly vulnerable to demographic changes. Workplace pensions (Pillar II including the MPF) have excellent coverage but the average balance of each MPF member is only around HKD250,000 – clearly inadequate to maintain living standards in retirement. We therefore strongly recommend greater efforts to encourage residents to make voluntary occupational or personal pension contributions (Pillar III). People putting aside their own funds sufficient for their retirement years will ease pressure on Government’s budget in future. This should not only consider the accumulation phase of retirement finance (saving for retirement) but also the decumulation phase (classic pension products like annuities which can be used to fund the retirement years). We strongly suggest that Government engages industry and professional expertise in establishing a retirement financing taskforce within the next 12 months to undertake a root and branch review of retirement protection in Hong Kong. The Chamber has much expertise in this area and would be very keen to contribute.

- ***Building supply-side resources to meet Government’s longer-term infrastructure development plans***

The Chamber understands that Government is aware of challenges in terms of talent to deliver the significant infrastructure plan in Hong Kong. The Chamber would be keen to discuss with Government ways and incentives to keep and attract more investment and talent going forward.

- ***Take an integrated approach to real estate development to align with an I&T blueprint in the Northern Metropolis***

With the designation of key areas across Hong Kong for I&T expansion (for example in the Northern Metropolis with the San Tin Technopole), Government has made positive strides with the proposal for land granting and other mechanisms for developers/end-users. However, more clarity and speed as to how the private sector can participate is required given high land prices and difficult access to talent make R&D and other life science/digital economy facilities sometimes hard to justify.

## **Broadening the Tax Base**

Hong Kong’s tax base is heavily skewed towards revenues (in one form or another) from land. That means our land (and therefore housing) is some of the most expensive in the world, which has social as well as economic consequences. Government will need to consider carefully what is needed in terms of housing affordability, and what changes in land supply and/or land tax might mean for Government revenues as these are based on high land premia and high land prices. Although land taxes are relatively cheap and easy to collect, the issue is not just the level of revenue collected from land/ property but also how it is collected. Too much is tied to one-off land premia, rather than recurrent or more sustainable land-based taxes. The Chamber therefore calls for Government to undertake a broad-based strategic review of the tax system, considering a wide range of options and involving a wide range of stakeholders, not simply jumping to a VAT/ GST approach as a solution. The

Chamber would be very pleased to participate in such a review.

## PPP

The Chamber welcomes the specific manifesto remit to explore the options for PPP models and financing options relating to the Northern Metropolis and other infrastructure projects. Following the Chamber's [PPP submission](#) in April 2022 and [Land Supply Submission](#) in May 2023, we would appreciate further dialogues with the Financial and Development Secretaries on this point and explore how the Chamber can work more closely with Government going forward.

## Decarbonisation: The Roadmap

The Chamber supports Government's Climate Action Plan 2050, published in October 2021. As with all long-term targets, we appreciate the need for detailed implementation planning but since then little detail has emerged of the initiatives and programmes which need to be developed and implemented. The Chamber would therefore like to make a number of specific suggestions on a number of key areas, focussed around the revitalisation of Hong Kong's building stock to improve energy efficiency, decarbonising road vehicles and the aviation sector.

- ***Encourage the sustainable revitalisation of Hong Kong's ageing building stock***

We understand that there are more than 20,000 buildings aged 30 years or older and close to 10,000 buildings aged 50 years or older. Whilst the URA continues to revitalise areas, the impact is still relatively limited and more needs to be done. We suggest that a subsidy be introduced for owners to perform a "Life-cycle Assessment Study" on buildings to determine sustainable retrofit options and whether retrofit or redevelopment is the most sustainable course, at around HKD50,000-100,000 per approved application. We also recommend that investors be encouraged to buy whole older residential buildings for sustainable retrofitting by removing Stamp Duty for these purposes AND removing the Special Stamp Duty on resale to facilitate faster marketing and re-sale of those properties renovated to an appropriate standard. To support this, a 'green loan development facility' could be provided by Government as a percentage of the retrofit costs for aged residential buildings, perhaps on a sliding scale depending on the project with a rebate mechanism to Government in the event of a future sale. Buildings Department could certify older buildings retrofitted to an adequate standard giving them a new lease of life (a "green re-set date") with increased land lease tenure, supported by the ability to mortgage the property given its 'new' life to stimulate end-user buyers/ occupiers. Mortgage Loan to Value ratios for retrofitted residential buildings could be rebased on the "green re-set date" as opposed to the original occupation permit date. Government could expand fund initiatives and schemes for retrofitting, such as CLP Power's 'ECO Building Fund', to cover more residential, commercial and industrial buildings in the same way.

- ***Retrofitting inefficient buildings will be important***

The energy efficiency of buildings is imperative for the decarbonization of Hong Kong, with a clear need

for Government to create a business environment that incentivises businesses, developers and homeowners to retrofit inefficient older buildings. It is suggested that Government formulates a holistic policy framework by tasking the Environment and Ecology Bureau to work with the Buildings Department and professional institutes to promote a retrofit certification scheme. Mandatory Energy Audits should be compulsory every 5 years (currently 10) and Government should ensure that the best prospect energy management opportunities are actually implemented, perhaps by requiring work that would bring the building up to, say, the next quartile of overall Hong Kong Buildings performance for a specific attribute (e.g. lighting, lifts or HVAC) before the next mandatory audit is due. In addition, more disclosure for commercial buildings with a benchmark on the energy intensity should be introduced as well as to provide funding or low-cost loans for small businesses and residents to facilitate investment in retrofitting buildings and replacing carbon-inefficient appliances. PPP could be supported with enabling work from Government to support private green finance on large retrofits and Government should continue to take the lead on enhancing the energy efficiency of public building management and operation by adopting retro-commissioning practices, applying carbon energy efficient end-use appliance technology, as well as introducing embodied Carbon control on the procurement of public buildings.

- ***Decarbonising road transport***

Hong Kong's Climate Action Plan 2050 highlighted the importance of decarbonising road transport including goods vehicles. Depending on the vehicle model, currently batteries contribute to 10-20% of total payload weight. The heavier powertrain means that they can only carry a lower cargo weight than comparable ICE vehicles. This acts as a payload penalty, decreasing their commercial appeal. We strongly recommend Government follow the UK Government regulations in this respect, which provides for a gross vehicle weight (GVW) limit increase of 2.0 tonnes for certain zero-emission vehicles (ZEV). Therefore, to encourage EV adoption in medium goods vehicle ("MGV") and heavy goods vehicle ("HGV") for climate and air quality co-benefits, such a payload concession should quickly be made for EV batteries.

- ***Decarbonising the aviation sector***

For Hong Kong to retain and maintain its position as a global aviation hub, it is important that it supports the aviation industry's drive towards net zero carbon emissions by facilitating the use of Sustainable Aviation Fuel (SAF) at the HKIA. This aligns with the Civil Aviation Administration of China's (CAAC) 14<sup>th</sup> five-year plan for Green Development of Civil Aviation which was submitted to the International Civil Aviation Organisation (ICAO) in September 2022, outlining actions to accelerate the establishment of a SAF certification system and supporting major airports in the construction of SAF infrastructure and uptake. We recommend that Government leads a task force to steward delivery of a Hong Kong aviation zero emissions and SAF roadmap. Similar working groups are already up and running in the UK (Jet Zero Council) and in Singapore (International Advisory Panel). We further suggest Government to work with partners in the GBA to develop a SAF supply chain, by providing funding to support the commercialisation of SAF plants and fuel testing, facilitating early-stage trials and introducing a SAF mandate equivalent to at least 10% of jet fuel to be made from sustainable sources by 2030, with incentives for early uptake.

## Education & Talent

Hong Kong has built up a good mixture of private and international schools in recent years. As the local birthrate falls and we see increased emigration overseas from the local population, Government should take steps to assist the education sector to promote opportunities for students from the GBA, the rest of the Mainland and developing countries in SE Asia to come and study here, just as the UK, Canada and Australia have been doing in their own markets.

- ***Reconfirming the status and cultural independence of top-class schools in Hong Kong***

We would suggest that the status of Private and International schools are clearly set out in the plans for Hong Kong's long term development and international global vision and that opportunities to support GBA development should be taken through the facilitation of cross-border travel for staff and pupils for sporting and cultural events in Guangdong. At present, challenges and hurdles for non-Chinese nationals discourage ease of contact and interaction. Support should be given for the continued use of English as the common language of inclusion for schools here to access and participate in educational, cultural, and sporting events across the city, facilitating the successful integration of international and private school sectors.

- ***Better meeting the needs of young people and disadvantaged students***

There needs to be more access to Government working groups and committees for young people. We recommend that Government devise and adopt new talent schemes for local graduates and young talent, such as internships, scholarships, subsidies, work placements, continuing education and development programmes, career planning and training sessions, to help them get their career started locally, provide the support that they need and help them adapt to the evolving new industry landscape and environment, so that they need not look outside Hong Kong but can stay and grow within our city. According to latest census data on Employment [Table 3.1](#) (June 2023), Social and Personal Services has the largest labour shortage out of all 15 listed industries. Disadvantaged young people and traditionally marginalised members of the community such as ethnic minorities and people with disabilities seem to lack the opportunity for best practice training and easily accessible information about potential career opportunities and this needs to be addressed. Government can partner with organisations to provide training opportunities, as well as funding for companies to offer internships or apprenticeships, which may also help to address the labour shortage in key industries such as Social and Personal Services.

- ***Recruitment is a particular challenge for SMEs***

The requirements to sponsor an expatriate in Hong Kong are quite onerous for genuine SMEs even though they face a talent shortage. Start-ups with, say, fewer than 10 employees or less than HKD10m in revenue find it especially difficult. Those with no designated office location for example, although not seen as a "credible sponsor" could still be a very attractive employer in the eyes of foreign talent. Government should therefore consider reduced requirements for the smallest SME companies to be seen as a "credible sponsor and employer", especially if the employee was of high calibre.



- ***Increasing policies to support diversity in the workforce to attract and retain talent***

Many of our Chamber members have been enhancing their diversity, equity and inclusion (DEI) initiatives but the public sector should do more to take the lead in pushing for high DEI standards. There are also a number of steps that can be taken to make Hong Kong more attractive from a talent perspective which are common in other developed economies, such as better recognition of same sex marriage, creating equity around parental responsibility, equal pay for equal work and a supportive framework for flexible working requests from employees.

- ***Growing Hong Kong's ESG talent pool a priority***

As a result of rising awareness of climate change in the business field and the wider community, coupled with more corporate sustainability data disclosures and green finance products, demand for ESG professionals in Hong Kong is far outpacing supply. Importing talent can help fill the current gap particularly for middle and senior management functions and the new top talent pass scheme should be helpful in this respect. Further amendments to immigration rules should be considered, such as prioritising ESG talent when allocating Category C top talent passes for recent graduates more limited experience, extending the scheme beyond the top 100 universities for ESG expertise and extending the definition of ESG on the talent list for the Quality Migrant Admission Scheme beyond specific *finance-related* roles. ESG consultancies should also be encouraged to locate in HK, as Singapore has done very successfully. In the longer-term, strengthened local university curricula, subsidies and standards can help ensure a robust future pipeline of ESG talent and the importance of ESG should be demonstrated in school curricula as well as to embed ESG training in Economics, Finance and Accountancy Courses and Continuing Professional Development. Government can also expand existing subsidies to training recommended by associations such as the International Society of Sustainability Professionals and support the development of professional qualification boards aligned with global standards.

## **Promoting Hong Kong's Strategic Advantages**

In this section of our suggestions for the forthcoming policy address, we highlight two strategic development areas for consideration – Hong Kong as a Smart City and projecting 'Soft Power' through cultural exchange.

- ***Making Smart City Blueprint 2.0 a reality***

Our Smart City Blueprint 2.0 identifies 6 smart areas, supported by around 130 published initiatives. The initiatives are often well chosen and practical, with some progress, but many are simply policies which each bureau had to hand when pulling this initiative together and the results are now being lost in communication. At a strategic level, the feedback the Chamber hears is that Hong Kong is lagging behind many others in communicating Hong Kong's Smart City progress and in setting more ambitious goals. Moving forward, we suggest Government to create a City 'test-bed' of programmable, digital infrastructure to test and trial multiple communications technologies and enable smart city research, development and innovation. For example, the City of Bristol created a ['Bristol is Open' network](#) which has allowed startups, SMEs, Universities to develop, test, and operate new technologies related to communications (e.g. hardware,

software protocols, use cases). This can lead to new products, services and IP in areas such as Software Defined Networking (SDN), Next Generation Mobility, Internet of Things (IoT), Big Data Analytics, Artificial Intelligence (AI) and Machine Learning (ML) as well as High Performance Computing (HPC) and strengthen community spirit in Hong Kong's neighbourhoods.

- ***Projecting Soft Power as a cultural hub***

The National 14<sup>th</sup> Five-Year Plan positioned Hong Kong as an East-meets-West centre for international cultural exchange. While Hong Kong has many major performing arts groups only nine of those receive significant Government funding. Others of considerable merit rely on a mixture of smaller grants, individual and corporate sponsorship money, and funds raised through performances. Performing arts, including the HK Ballet, HK Philharmonic Orchestra and the Chung Ying Theatre Company, are strong cultural ambassadors for our city when they perform internationally or when international stars perform with them here. It is suggested that Government expand the current nine centrally funded arts groups to increase the number of high-quality performing arts groups and support them in overseas performances so they can become strong cultural ambassadors for Hong Kong.

## **A Healthier Healthcare Sector**

All developed nations are facing higher healthcare costs, with the problem is especially acute in rapidly ageing cities like Hong Kong. In this section we present a number of recommended initiatives to focus more investments on prevention rather than paying the much higher Government costs later for on-going or critical care. Government should continue to push for progress on physical health – increasing participation in sport, access to better facilities etc. We will be putting together a broader, more holistic submission on Healthcare in the coming months.

- ***Digitalisation of healthcare services***

This will help reduce costs through early diagnosis, better management of illness, and innovative ways to prevent the onset of lifestyle diseases such as diabetes and hypertension. We therefore suggest a centralised electronic medical record platform which can connect all medical providers (clinics, diagnostic and imaging lab, private/ public hospitals) and payers (insurers) together. Some neighbouring countries (e.g. Thailand) have already started on this. We also recommend a centralised electronic medical record platform which can connect all medical providers (clinics, diagnostic and imaging lab, private/public hospitals) and payers (insurers) together. Again, Thailand is in the process of establishing a centralised system via Big Data storage where patient-related data can be stored and shared between healthcare facilities and insurance companies. Around 100 Thai hospitals are part of the network and there are datalinks with further 800 hospitals to help improve healthcare services provided for patients.

- ***Mental health a growing priority***

The Chamber appreciates increasing Government attention on mental health and recognizes its obligation to provide multidisciplinary and cross-sectoral services to people with mental health needs. More

Government promotion is needed on what programmes are in place to provide support, how they can help, tactics to deal with pressures/ feelings. We suggest Government to offer help for companies operating in Hong Kong to have their own (or a partner) organisation with accessible/ anonymous mental help support centres for their staff. Government should further encourage policies that support those who are struggling with mental health - paid medical leave etc. and the Chamber also welcomes Government's proposed ten enhanced measures to provide more comprehensive support to individuals in mental recovery. Mental health conditions span a spectrum of severity across severe mental illness (SMI), common mental disorder (CMD) and the general population but as 77% of all psychiatric specialist outpatient clinic patients have CMD, we recommend Government to allocate resources to care for patients with CMD, not just SMI.

The Chamber also suggests that Government expand the scope of specific groups to include homeless people as it currently covers low-income and ethnic minority families. Research shows that prevalence of depression and anxiety among homeless people was much higher than general population<sup>1</sup> and as estimated by academics at least 3,000 people live on the streets compared against 1,564 registered homeless in public record<sup>2</sup>. We suggest that "Care Teams" leverage expertise of and collaborate with existing NPOs more to enhance mental wellness of homeless individuals more effectively.

- ***Capacity needs boosting, resources better coordinating and reducing waiting times***

Reduction of waiting list times to access healthcare is needed through the more frequent outsourcing of surgical procedures to the private sector through PPP, encouraging higher levels of uptake of capacity by the HA offered from private hospitals, coupled with increased outsourcing of radiology to imaging centres through the existing PPP mechanism. All this must be supported by increased public education to improve the awareness of outsourcing. These recommendations will in turn have implications for healthcare system capacity constraints, since the disease burden will increase as more diseases will be diagnosed as waiting lists for preventative screening are shortened, so it will also be critical to not fall further behind the treatment curve at this stage. In this respect, Government should consider outsourcing some services within the GBA - for example, the waiting list for hip replacements in some areas of the GBA is significantly shorter than that in HK. The HKU Shenzhen hospital could be used to outsource services from Hong Kong to the GBA, directly reimbursing the work from this city's healthcare budget.

- ***Better primary carer and drug availability***

The Chamber supports the newly formed Primary Care Office's objective of having a family doctor for all. In our view, the longer-term objective should be for patients to have a single primary care provider as the key source of access to public healthcare services (like the UK GP system). It will be especially important to increase collaboration with the private sector through the Primary Care Office to assist in capacity

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<sup>1</sup> <https://research.class.cityu.edu.hk/largest-territory-wide-survey-on-mental-health-of-homeless-people-in-hong-kong/>

<sup>2</sup> <https://www.scmp.com/news/hong-kong/society/article/3200772/hong-kong-homeless-numbers-increase-resources-not-enough-cope-problem-audit-commission-warns>

utilization and increasing preventative care. Moreover, we suggest to automatically list drugs approved for use in Hong Kong by the DoH on the Hong Kong drug formulary (even if it is for self-pay) while the Drug Advisory Committee continues to conduct evaluation and to create a faster track for approval of drugs on the self-pay list for reimbursement in the drug formulary.