

15 May 2017

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Policy Priorities for the Fifth Term HKSAR Administration

As Hong Kong's leading business association, may we warmly congratulate you again on being elected Hong Kong's next Chief Executive.

I believe I speak for all HKGCC members, as well as the broader community, when expressing the hope that the appointment of a new Administration will provide an opportunity to heal the divisions that have developed in our society in recent years, and herald a new era of conciliation and cooperation between citizens, businesses and Government, for the mutual benefit of Hong Kong's society and economy as a whole.

We are therefore encouraged that many of the policy priorities as outlined in your election manifesto have been formulated with the goal of unifying and strengthening Hong Kong in mind. While all of your proposals are important in this regard, we would like to share with you our thoughts on the policy priorities, as set out in the attached, from our perspective as a business association.

I take this opportunity to again reiterate the HKGCC's commitment and support to your Administration in realising the vision and aspirations for a happy, healthy and harmonious Hong Kong.

Yours sincerely,

Stephen Ng
Chairman

Encl.

Policy Priorities for the Fifth-term HKSAR Administration

Submission from the HKGCC

A New Style of Governance: Public Participation and Discussion

1. We have frequently heard the criticism in recent years that the Government seems detached and remote from the daily lives of ordinary citizens. Similarly, in the business context, some of our members complain that they have been faced with a “brick wall” when trying to explain their concerns to policy-makers, and that the Government’s decision-making processes lack transparency. In other words, there is in their view insufficient engagement between the Government and the Community. We are therefore pleased to see that one of your key priorities is to address this very important issue.
2. We would recommend one very important way of achieving this objective of greater engagement and transparency. Every major public policy intervention, whether in the form of proposed legislation or otherwise, should be open to a full public consultation. The consultation paper should be accompanied by a full explanation of what the Government is proposing to do and why, in the form of a regulatory impact assessment (“RIA”). RIAs are now a standard practice - indeed a compulsory practice - in many countries across the world (including all OECD members) and accepted as a necessary part of good governance. While RIAs have been carried out for some proposals in Hong Kong, the experience has been sporadic and inconsistent. For example, no RIA was carried out or provided for recent proposals to change the listing regime, to extend the anti money-laundering legislation, and to require companies to ascertain the identity of their ultimate beneficial ownership.
3. A case in point is the trio of recent Government planning documents – Hong Kong 2030+, Smart City and Climate Action Plans – that, in and of themselves, represent an ambitious vision. It is not clear, however, how the building and infrastructure projects in the first two can be achieved within the carbon constraints set out in the last. In order to translate such visions into action, the business community needs to understand the direct impact on the built environment, and a clear, transparent and predictable upscaling of building energy regulations is required to achieve the objectives of a smart and resilient city.
4. RIAs should also be conducted for existing regulations, to assess whether they are still “fit for purpose”, or can be scaled-back or removed. By ensuring that intervention is made only where necessary, RIAs will reduce unnecessary “red tape” and costs for businesses, a particularly important issue for our SMEs. Finally, RIAs will protect Hong Kong’s international reputation for light-touch regulation which, as noted in your manifesto, is one of Hong Kong’s greatest strengths.

Streamlining Government

5. In the same vein of improving efficiency, we welcome the proposal to look at ways of streamlining the Government's structure. Some of our members complain that they are often unsure which Government department to approach on a particular issue, that responsibilities appear to overlap, and that it takes a long time to obtain a decision. Any proposals which would streamline decision-making, and make sure that policy decisions are consistent, both with each other and with Hong Kong's ultimate objectives, are therefore to be welcomed.

Public Private Sector Interaction

6. Although Hong Kong has always prided itself on having a "small" government, this is not exactly true if statutory and government-subsidised bodies are also taken into account. It would therefore be useful to re-assess services currently provided by the Government such as those in healthcare, water supply and landfills, among others, on their suitability for transfer to the private sector.
7. There have been initiatives in the past to outsource certain government services, but these appear to have faded into obscurity for reasons that are not entirely obvious. More should be done to capitalize on existing channels to promote greater private participation through such means as public tenders, trading funds, *en bloc* and sectoral privatization of services (estate management services being a successful example of the latter). In addition, bureaus should be tasked to undertake regular, possibly annual, budgetary reviews to consider which services currently provided by the Government can be hived off without compromising the quality and integrity of such services.

Labour Shortage

8. The sustained streak of full employment in Hong Kong is a mixed blessing. On the one hand, the pressure to create jobs is less intense compared to other economies but on the other, employers struggle to fill vacancies. Complaints on hiring difficulties are quite widespread and unless remedial measures are taken Hong Kong will suffer.
9. We cannot emphasize enough the need for effective policy measures to address the problem of labour shortages over the near to longer term. The situation is likely to worsen as Hong Kong's population ages. Although some enhancements have been made to the Supplementary Labour Scheme for the importation of foreign workers, these are manifestly inadequate and fall far short of market needs. As a result, positions go unfilled, sometimes for protracted periods as in the case of the construction, healthcare and hospitality industries. The problem of chronic shortages has been further compounded by narrow interests that have continued to resist the idea of imported labour. This is clearly unsustainable and, if allowed to continue, can have dire consequences for the timely and on-budget completion of infrastructure projects, not to mention the knock-on effects on other sectors and Hong Kong's long term economic performance. The new Administration must

therefore take decisive and concrete action to resolve the issue of labour shortfall, which is throttling growth. This will involve making difficult but necessary choices that are ultimately beneficial to Hong Kong's development.

Vocational Education and Training

10. Talent availability in Hong Kong has been a major concern expressed by our members. We must equip our young people not just with academic qualifications but with practical problem-solving and other skills necessary to integrate well into a working environment, so that they can take advantage of new job opportunities as they arise. We therefore welcome the emphasis that your manifesto places on improving vocational education and training. To the extent that overseas talent is needed to fill any skill gaps, we must make Hong Kong an attractive place to relocate to, as compared to other cities such as Singapore- hence we also welcome your proposals to make Hong Kong a more "Liveable City", as discussed below.

"Liveable City"

11. Hong Kong has fallen to 29th place in ECA International's global liveability rankings in 2017, and is only the 15th most liveable location in the Asia Pacific region. There are therefore strong reasons for the Government to step up efforts to manage waste and mitigate pollution, and to consider some smart city solutions to facilitate green economic growth, so as to make Hong Kong a more "liveable city". In short, this will not only improve the health and well-being of our citizens, but it will also maintain and enhance our attraction as a tourist destination, and make Hong Kong an attractive place for overseas nationals to live and work, thus filling any skill gaps in our economy. We recommend the adoption of a market-driven approach to deal with environmental challenges, with the Government taking the lead in trial running new green technologies to facilitate both the supply and demand sides of the market.

Facilitating the Growth of SMEs

12. SMEs are the backbone of Hong Kong's economy, accounting for over 98 per cent of all businesses. We therefore welcome the proposals in your manifesto to facilitate the growth of SMEs. In particular, the introduction of a two-tier profits tax structure will be a relatively simple and fair way of achieving this objective, and we would urge the new Administration to implement this proposal as soon as possible. Avoiding and eliminating unnecessary regulations by conducting RIAs (as advocated above) will also do so, by reducing unnecessary compliance costs.

Tax Competitiveness

13. Hong Kong has always prided itself on having a low and simple tax regime. We suggest that this should be further augmented so that our tax system can be sufficiently *competitive*, a quality that is becoming increasingly important if Hong Kong is to remain attractive as an international business centre. To that end, a two-

tiered approach to the taxation of profits is a step in the right direction. Efforts to enhance our tax competitiveness should not end there however.

14. The Chamber has long called for the implementation of Group Loss Relief and Loss Carry-Back. We believe that such a concession would have the desired effect of raising and strengthening Hong Kong's reputation as a place to do business. It would be especially conducive to the setting up of group operations including Regional Headquarters, which were mentioned in your manifesto. We look forward to other initiatives as and when these are put forward by the incipient Tax Policy Unit proposed recently by the current Administration.

Cross-border Collaboration

15. Hong Kong enjoys the unique advantage of being a premier commercial and financial gateway between Mainland China and the rest of the world. This is a benefit that cannot be easily replicated elsewhere. Conscious efforts by the Central Government to include Hong Kong in its development blueprint have and will also be helpful in sustaining Hong Kong's value proposition. It is therefore of paramount importance that we do our utmost to capitalise on initiatives such as CEPA and, more recently, the Belt-and-Road Strategy and the Lok Ma Chau Loop by bringing our core competencies into play. Premier Li Keqiang's announcement to push forward with a Guangdong-Hong Kong-Macau Greater Bay Area (GBA) at this year's Two Sessions also deserves attention and support by Hong Kong.
16. The concept of a synergistic GBA is welcome given that it provides a clear impetus and concrete framework under which the respective authorities in the key cities can work together to pursue common socio-economic objectives such as spatial development and quality of life issues. We believe that by capitalising on the strengths and capabilities unique to the three places, the benefits and opportunities accruable from the collective whole of a GBA would far exceed the sum of the individual parts acting in isolation of each other, which is more or less the case now.

Financial Services

17. The financial services sector is one of the more important pillar industries in Hong Kong and, as such, there should be continuous efforts and investments to nurture and support its growth. In this regard, Hong Kong should continue to play an important and integral part in Mainland China's economic growth and financial reforms. The depth and breadth of experience that Hong Kong possesses in the development of China's financial markets is unrivaled – our open and free financial markets, common law legal framework, and modern regulatory oversight have been instrumental in helping promote confidence among international investors when holding RMB assets.

18. There are other areas where Hong Kong can contribute to the Mainland's development while consolidating our position as an international financial centre, one of which concerns the fulfillment of the Belt and Road Strategy. As pointed out in an earlier Chamber submission, we can and should be actively pursuing private financing opportunities for major infrastructure projects across the more than 60 countries that fall within the meaning of the national initiative. In that connection, we should seek to differentiate ourselves from other financial centres by capitalising on our intrinsic strengths and comparative advantages as mentioned above in developing Hong Kong into a preferred debt financing centre for Belt-and-Road projects while continuing to support the Mainland's objectives of RMB internationalization and financial liberalization. This would also have the positive effect of securing our standing as a vibrant and world-class global financial hub.

Innovation and Technology

19. The recent emergence of innovation and technology as a new engine of growth for Hong Kong is a welcome development. One of the areas where notable headway has been made is in the area of FinTech. Since then, this has given rise to increased awareness and investments into other technologies such as RegTech, artificial intelligence, virtual reality, and the Internet of Things, among others. Developments such as these have contributed usefully to building a foundation for fostering technology and innovation in Hong Kong.
20. However, this is not enough. The Government has to make a conscious decision on whether it wants to take an active role in promoting activities in the technology and innovation economies. Technological leadership witnessed in countries such as the United States, Korea, Israel and Germany is a result of the strategic well funded network of state agencies that are able to attract expertise and drive change by working alongside the private sector but more often than not by spearheading it. The experience of these places suggests that government intervention especially through funding is critical because private financing is too risk-averse to engage with industries characterized by high technological and market risk. This means tax incentives may not work so well unless these are sufficiently generous to create an impact. As well, there needs to be a rethink of our immigration policies to ensure that these are sufficiently accommodating, inclusive and welcoming to lure technicians, engineers and scientists from around the world.

Land Supply

21. Land is crucial to Hong Kong's success and prosperity. Presently, the lack of developable land is a cause for social discontent stemming from prohibitive housing prices and high costs of doing business. We appreciate that the Government has taken a multi-pronged approach in enhancing land supply in recent years to meet diverse land use purposes although these have been fraught with problems.

22. We are not averse to reclamation or the rezoning of green belts but consider these to be a last resort only after all options of finding new land supply have been exhausted. For example, the re-purposing of brownfield sites represents a viable alternative although there are challenges associated with land resumption. Furthermore, it has been suggested that Hong Kong's building design codes are too restrictive and our planning, zoning and land use codes are out of date compared to other jurisdictions such as Singapore. These have had the effect of deterring investments in flatted factories and other underutilized spaces that could otherwise be freed up to meet market needs.

Conclusion

23. In conclusion, the policy priorities as outlined in your manifesto, we believe, give the Administration a mandate to implement measures which will do much to heal the current divisions in our society and to promote economic growth, for the mutual benefit of Hong Kong as a whole. We are ready and willing to provide whatever input we can from the business community to achieve this common objective.

HKGCC Secretariat
15 May 2017

第五屆香港特別行政區政府的政策重點

香港總商會建議書

新管治方式：公眾參與及討論

1. 近年，我們不時聽到有聲音批評政府「離地」，對市民的日常生活缺乏理解。同樣地，從商界的角度，部分會員曾表示當嘗試向決策者解釋他們的關注時，猶如面對一道高牆，而政府的決策過程亦缺乏透明度。換句話說，他們認為是政府與社區之間溝通不足。因此，我們很高興看到您的首要工作之一，是處理這項至關重要的議題。
2. 為了實現加強溝通和提高透明度這個目標，我們建議採用一個十分重要的方法。但凡作出重大的公共政策干預，無論是擬議立法或其他形式，都應公開諮詢公眾。諮詢文件應包含規管影響評估，以充分解釋政府所提出的建議和原因。在全球許多國家（包括所有經合組織成員國），規管影響評估已成為一個強制的標準做法，而且被視為良好管治不可或缺的一環。儘管港局有就部分建議進行規管影響評估，惟這些都只是零散的經驗，有欠一致。例如，近日的上市機制改革、擴大打擊洗錢條例，以及要求企業核實客戶最終實益擁有人的身分等建議，皆未有進行規管影響評估。
3. 這方面的例子更可見於政府近日推出的三份規劃文件，包括香港 2030+、聰明城市及氣候行動計劃，這些建議本身都體現著一份積極進取的精神。然而，首兩份文件中的建築工程和基建項目，如何可在最後一份文件所訂的排碳限制下完成，仍然是未知之數。要實現有關願景，商界須了解這些建議對建築環境的直接影響；而要打造一個聰明、靈活應變的城市，當局亦須以清晰、具透明度和可預測的方式，擴大建築物能效法規的適用範圍。
4. 規管影響評估亦應針對現有的法例進行，以評估它們是否仍能「切合所需」，抑或可予以削減或撤銷。透過確保只在必要時作出干預，規管影響評估將可減少不必要的官僚程序和營商成本，這一點對中小企尤為重要。最後，規管影響評估將可維護香港在實行「最低程度規管」方面的國際聲譽，正如您的政綱指出，這是香港最大的優勢之一。

精簡政府架構

5. 承接提升效率這一議題，本會欣見閣下提出探討如何精簡政府架構。有會員抱怨，他們往往不清楚應就某一特定議題接觸哪個政府部門、部門之間的職責有重疊之嫌，以及決策需時甚久。因此，我們歡迎任何能夠簡化決策程序，並確保政策決定相互一致、符合香港最終目標的建議。

公私營互動

6. 雖然香港素以「小」政府而自豪，但若把法定和政府資助的機構一併計算在內，這個說法並不完全正確。因此，重新評估現有的政府服務，如醫療、供水、堆填區和其他等，以探討是否適合轉為私營，將會有所助益。

7. 過往，政府曾把某些服務外判，但不知何故最終不了了之。當局應多加利用現有的渠道，透過公開招標、貿易基金，以及部門和整體服務私有化（成功例子有物業管理服務）等途徑，以促進私人參與。此外，各決策局應定期或每年進行預算審查，以研究哪些現有的政府服務可被獨立分拆出來，而又不影響有關服務的質素和誠信。

勞工短缺

8. 香港持續全民就業，既是祝福亦是困擾。與其他經濟體相比，我們迫切要創造職位的壓力相對較低。另一方面，僱主填補空缺亦很頭痛。企業埋怨招聘困難的情況相當普遍，除非政府採取補救措施，否則香港需付上沉重代價。
9. 我們已反覆強調有需要引入有效的政策措施，以應對短期以至更長遠的勞工短缺問題。本港人口老化很可能令此問題加劇。儘管當局已就輸入外勞的「補充勞工計劃」推出優化措施，惟有關措施明顯不足，遠遠未能滿足市場需求。結果，職位空缺仍舊遲遲未能填補，建造、護理和酒店業尤甚。面對為維護狹隘的利益而反對輸入外勞的聲音，更令勞工持續短缺的現象進一步惡化。顯而易見地，這個情況不能持續下去，若問題得不到解決，除了會直接令基建工程未能按時且在預算成本內竣工，還會引發連鎖效應，為其他行業和香港的長遠經濟表現帶來衝擊。因此，新政府必須採取果斷、具體的行動，以應對勞工短缺，因為此問題正窒礙增長。這需要作出艱難而又必要的抉擇，以惠及香港發展。

職業教育及培訓

10. 本會的會員一向關切香港的人才儲備情況。我們需要裝備好年輕一代，讓他們不只具備學歷，亦擁有實際的解難技巧及其他技能，以融入職場的大環境，並讓他們在時機來臨時可以迅速抓緊新工作機會。因此，我們對閣下在參選政綱中強調要發展職業教育及培訓深表歡迎。當利用海外人才補充任何技能短缺時，我們要讓香港在與新加坡等其他城市相比下，成為理想的移居工作地點——故此我們亦歡迎閣下主張發展香港成為「宜居城市」，詳細討論如下。

「宜居城市」

11. 香港在 2017 年 ECA International 國際宜居排名中跌至第 29 位，在亞太區宜居地點中也只排名第 15 位。故此政府實在有迫切理由全力減廢及減排，並採納部分聰明城市方案，以促進綠色經濟增長，讓香港成為更「宜居」的城市。總的來說，這不但可改善市民的身心健康，亦可提升我們作為旅遊勝地的吸引力，並讓香港更能吸引海外人士居留及工作，從而填補我們經濟中的技術短缺。為此，我們主張通過市場主導的方式，來應對環境挑戰。政府可通過帶頭試行新綠色科技，來促進市場供應及需求。

促進中小企發展

12. 中小企是香港經濟的支柱，佔企業總數超過 98%。因此，我們歡迎 閣下在政綱提出促進中小企的發展，尤其是引入雙層利得稅制的建議。這將會是一個相對簡單和合理的達標方式。我們呼籲，新一屆政府應盡快落實這項建議。透過進行規管影響評估（如上提倡），避免和取消不必要的規管，從而減少不必要的合規成本，亦對中小企的發展有所幫助。

稅務競爭力

13. 香港一向以奉行簡單低稅制而自豪。我們認為，這項優勢應進一步加強，令我們的稅制更具競爭力；要維持香港作為國際商業中心的吸引力，這個因素已變得日趨重要。為此，雙層利得稅制是邁向正確方向的一步。然而，政府仍需繼續提升本港的稅務競爭力，不應就此結束。
14. 長久以來，總商會一直提倡引入「集團虧損寬免」及「本年虧損轉回」安排。我們認為，這些優惠可一如預期提升和加強香港作為營商大本營的美譽，尤其有助吸引企業集團來港開設業務，包括設立地區總部，而 閣下的政綱亦有提及這一點。我們期望現屆政府近日提出成立的稅務政策組，會制訂和推出其他稅務措施。

跨境合作

15. 香港作為中國內地與世界各地之間的主要商業和金融門戶，其獨一無二的優勢其他地區著實難以複製。中央政府把香港納入其發展藍圖，亦有助維持香港的價值定位。因此，我們必須設法善用 CEPA 及較近期的「一帶一路」戰略和落馬洲河套等措施，發揮本港的核心能力。總理李克強於今年兩會期間宣布推進建設粵港澳大灣區（大灣區），亦值得香港注意和支持。
16. 一個融合性的大灣區概念值得予以肯定。它可促進區內主要城市當局，在社會及經濟議題如土地發展及生活質素等事項上尋求合作，並提供一個鞏固框架。我們相信三地如能善用各自強項及獨特之處，一個綜合性的大灣區與現在近乎各自為政的情況相比，自能帶來更大好處及機遇。

金融服務

17. 金融服務是香港最重要的支柱產業之一，故有需要持續推動及投資以促進其茁壯成長。就此，香港應持續在中國內地之經濟增長及金融改革上擔任一個重要且不可或缺的角色。香港在中國金融市場的發展上，擁有既深且廣、無可比擬的經驗——我們全方位開放的自由金融市場、普通法法系，以及現代化的監管制度，是維持國際投資者持有人民幣資產信心的重要一環。

18. 香港在鞏固本身作為國際金融中心的地位之餘，亦有其他地方可以為國家的發展作出貢獻，其中之一是參與「一帶一路」戰略。正如在總商會早前之建議書所述，我們既可以亦應積極在國家策略所覆蓋之超過 60 個國家中，尋求為主要基建項目進行私人融資業務的機會。同樣地，我們應利用上述之內在強項及比較優勢，與其他金融中心分別開來，讓香港成為一帶一路項目之最佳債權融資中心，同時支援國家的人民幣國際化及金融市場開放政策。這將大大有助我們維持作為一個充滿活力及世界級的環球金融樞紐。

創新科技

19. 近年，創新科技已冒起成為本港增長的新動力，有關發展值得鼓舞。金融科技是其中一個取得最大進展的領域。上述趨勢促進了市場對監管科技、人工智能、虛擬現實和物聯網等其他技術的認識和投資。這些發展有助建立一個基礎，促進香港在創新科技方面的發展。
20. 然而，我們不應滿足於此。政府要決定是否擔當積極的角色，以推動創新科技經濟活動。美國、韓國、以色列和德國等國家在科技領域享有領先優勢，全因國家機構之間建立了完善的策略性資助網絡，透過與私營界別合作及提供指引，從而吸引專業人才，並推動變革。從這些地方的經驗可見，政府干預（尤其是通過資助）至關重要，因為對於涉及高技術和市場風險的行業而言，私人融資的風險甚高。這意味著稅務優惠未必可行，除非十分吸引。此外，本港需要檢討入境政策，確保符合便利、包容和好客的原則，以吸引世界各地的技術人員、工程師和科學家來港。

土地供應

21. 土地是香港成功和繁榮的關鍵。本港目前缺乏可發展的土地，令樓價和營商成本被推高，是社會不滿情緒的根源。我們欣見政府近年已採取多管齊下的方式，增加土地供應，務求滿足不同的土地使用目的，縱然不少問題依然存在。
22. 我們不反對填海或改劃綠化地帶，但這些都應是最後手段，只有當所有尋找新土地供應的方案都已用盡，才迫不得已地採用。例如，改劃棕地用途是切實可行的替代方案，雖然仍面對與收地相關的挑戰。另有意見指，與新加坡等其他地方相比，香港的建築物設計守則限制太多，而規劃、分區和土地使用守則亦已不合時宜。這些情況都窒礙了市場對分層工廠大廈和其他未被充分利用的空間進行投資，以致未能釋放土地資源來滿足市場需求。

總結

23. 總括而言，我們相信 閣下政綱所列的政策重點將引領政府推出措施，以修補社會撕裂，並推動經濟增長，令整個香港受惠。我們樂意並已準備好提供商界的意見，以實現這個共同目標。