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Helping Business since 1861

The Honourable John K C Lee, SBS, PDSM, PMSM
Chief Executive
Hong Kong Special Administrative Region
Central Government Offices
Tamar
Hong Kong

Dear Chief Executive,

Policy Address Submission 2022-23

In anticipation of your first Policy Address next month, the Hong Kong General Chamber of Commerce (the Chamber) is pleased to present for your consideration our thoughts on the challenges, opportunities and policy measures that we believe will help Hong Kong's recovery and future development. These proposals are the result of extensive discussions with our industry-specific committees and experts, as well as views expressed by members in three brainstorming forums. The Submission is attached herewith for your review.

Following years of severe disruptions as a result of the pandemic and growing geopolitical conflict, Hong Kong's economy has had to face unprecedented challenges to uphold its status as an international financial and business center. While we have implemented strict quarantine control regulations and kept our borders closed, the world has already fully opened up. We are not only losing our business to competitors, but also our talent along with their valuable expertise and skills.

A change in leadership offers an opportunity to take a fresh look at the direction that Hong Kong is heading in, the challenges we are facing and the actions that we need to restore our competitive advantages. Events at home and abroad have changed our previous way of life forever. It is crucial that we provide the best operating environment for the economy to grow and prosper, and more importantly, for Hong Kong to remain a world-class city and premier business hub.

We stand ready to assist and support you and your Administration in creating a positive, harmonious, and prosperous Hong Kong for all.

Yours sincerely,

Betty Yuen
Chairman

Encl.

HKGCC Submission to the 2022 Policy Address

Executive Summary

1. Relaunch Hong Kong

It is important that a timetable be published for rolling back Covid-related restrictions to enable the public and businesses to plan ahead. Unless unfettered travel including that to the GBA resumes, it would be difficult for the local economy to recover. To protect public health and lives, stronger efforts should be made to achieve a higher vaccination rate amongst vulnerable groups. We also suggest that the Government's pandemic response be based on the severity of cases rather than the volume to ensure that the local healthcare system is not overburdened.

2. Human Capital

To address Hong Kong's human capital needs, a whole-of-government response is needed. This could involve the introduction or updating of legislations and administrative arrangements to facilitate labour importation, and providing incentives such as temporary subsidised housing and fast-tracked residency. On the home front, cultivating an adequate and diversified pool of local workers who are VPET trained, and boosting the Female Labour Force Participation Rate are also necessary. At the same time, barriers to working in GBA should be addressed to facilitate people flows between Hong Kong and the region.

3. GBA

Hong Kong companies have a keen interest in contributing to the overall development of GBA. There are however market barriers preventing them from operating on a level playing field relative to their Mainland counterparts. To capitalise on the advantages and opportunities of an enlarged common market, there should be policy coordination between Hong Kong and other mainland GBA cities in the strategic areas of energy, ports and data to create a synergistic partnership that is mutually beneficial to all.

4. Land & Housing

The proposed solutions, both strategic and technical, put forward by the Chamber focus largely on short-term measures or "quick wins" that the Government could implement expeditiously to effectively increase supply, restore affordability, and shorten public housing waiting time. In terms of strategic measures, these would involve cultivating a change in government mindset to reduce red-tape and the revival of the House Committee to serve as an overall project manager to coordinate and ensure the timely delivery of medium to large scale housing projects. As to technical Issues, our recommendations include allowing the transfer of plot ratio, reaffirming the Government's role as the primary provider of infrastructure, adopting and broadening the use of a standard

premium, providing certainty on the processing period, and reviewing Comprehensive Development Area zoning for effectiveness. The Government should also look at measures over the medium to long term by harnessing the benefits of Public Private Partnerships, re-examining its policies on green belts and securing supply through reclamation.

5. Innovation and Technology (I&T)

To further develop Hong Kong as an I&T hub, we suggest that the Government (1) lead by example by proactively applying technologies in its operations, (2) adopt a risk management approach to optimise operational resiliency and promote public trust, (3) implement a preferential procurement scheme to support startups, (4) encourage the adoption of innovative solutions across industries by broadening the scope of the FinTech Proof-of-Concept Subsidy Scheme to other sectors, (5) task the recently established Digital Economy Development Committee with introducing new digitization initiatives and capitalizing on the Northern Metropolis as a pilot for smart city transformation and smart mobility development, (6) accelerate data sharing on city planning and transport operations to build a cross-industry and cross-boundary big data platform, (7) expand Hong Kong's role as a data and technology super-connector between the Mainland and the rest of the world, and (8) promote IP trading and IP-backed financing in Hong Kong.

6. Financial Services

Continued efforts should be made to strengthen our role as the preferred financial gateway between the Mainland and the rest of the world by capitalising on Hong Kong's unique characteristic as a SAR. In that regard, we have identified a number of areas where the Government should be focusing. These include consolidating Hong Kong's capital markets whether in terms of IPOs or enhancing and expanding existing Connect Schemes, promoting Hong Kong as the leading offshore RMB centre, attracting talent, and facilitating the use of a Central Bank Digital Currency.

7. Retail & Tourism

Hong Kong's consumption and tourism-related sectors such as retail, accommodation, and food services have continued and will continue to struggle as long as travel-related restrictions remain in place. Over the medium to long-term, Hong Kong must re-invent itself as a tourism destination to cater for a market that has been reshaped by the pandemic and evolving consumer demands. These include placing more emphasis on the development of local tourism, creating synergies with GBA destinations, and supporting businesses by facilitating their operations and helping their digitization efforts.

8. Liveable City

The Chamber welcomes and supports the Government's "Hong Kong's Climate Action Plan 2050" to achieve carbon neutrality before 2050. To achieve such an objective, concerted efforts are required from the community and across both the private and public sectors. To

reduce and ultimately eliminate Hong Kong's carbon footprint, attention should be given to two key sources of emissions, namely, buildings and transport. Consideration should also be given to the production process and types of input used to curb emissions. For such a green transition to succeed, financial support is critical. Given the significance of financial markets in fostering environmentalism, Hong Kong is in a strong position to reap the benefits of a transition toward a low carbon economy given our intrinsic strengths as a leading international financial centre.

9. Port, Transport and Logistics

As a pillar industry, the port, transport and logistics sector is an important component of Hong Kong's economy and in creating jobs. However, the Port of Hong Kong is facing an ever-changing and increasingly challenging global environment. Our recommendations to sustaining Hong Kong's competitiveness as an international port include (1) preserving the existing cabotage arrangement with the Mainland, (2) implementing a Smart Port digital platform, (3) creating a Port Authority, and (4) setting up a Land Bank for Warehouse and Industrial Use.

HKGCC Submission to the 2022 Policy Address

1. Relaunch Hong Kong

- 1.1 We welcome the relaxation of restrictions since the new term government took office. These included the removal of the circuit breaker system on flight suspensions and the reduction in compulsory hotel quarantine stay to three days with the balance of four days spent under medical surveillance. That being the case and as pointed out by the Secretary for Health, this is *“by no means a relaxation because arrivals are (still) subject to stringent testing requirements¹.”* It is therefore imperative that a timetable be published for rolling back these measures to remove any lingering uncertainties associated with such restrictions and to enable the public and businesses to plan ahead. The stop-gap stimulative initiatives that include the disbursement of consumption vouchers are useful but not sustainable given their nature. Unless unfettered travel resumes, it would be difficult for many sectors such as retail and tourism to recover, which would in turn impose a drag on the overall economy.
- 1.2 As a leading international business and financial centre, Hong Kong is home to many financial institutions and regional business headquarters. To uphold our standing and appeal, the Government should facilitate people entering Hong Kong for business purposes under appropriate pandemic mitigation measures to balance the risk of a pandemic outbreak while maintaining international travel and mobility of business personnel.
- 1.3 We share and support the Government’s overriding goal to protect public health and lives, and, in that context, would suggest that stepped up efforts be made to achieve a higher vaccination rate amongst vulnerable groups that include those with chronic conditions, the elderly and the very young. We also suggest that the Government’s pandemic response should not be so much contingent on the number but severity of cases as this would be more sensible approach in ensuring that the local healthcare system is not imperiled while also managing the impact on our economy.
- 1.4 Re-instating and then improving connectivity in the Greater Bay Area (GBA) is important to get Hong Kong’s economy back on-track. It is therefore important to re-open the border with the Mainland and, as such, the Government should finalise negotiations with the Mainland authorities, as soon as health conditions allow and vaccination rates have improved, with the implementation of a mutually recognised testing and vaccination mechanism to allow Hong Kong and Mainland residents to travel freely without the need for mandatory quarantine. This should also apply to key contractors and other specialist resources from the

¹ https://www.news.gov.hk/eng/2022/08/20220813/20220813_132103_614.html

Mainland needed to support construction and infrastructure projects in Hong Kong.

- 1.5 We believe in the future success of Hong Kong and are confident that we will overcome current challenges just as we have weathered previous ones. Following the difficulties caused by the pandemic, further efforts are needed to re-energise the economy, shore up the confidence of both local people and overseas businesses based in Hong Kong, and create hope for the younger generation.

2. Human Capital

- 2.1 Despite the lack of natural resources, Hong Kong has risen to and remained at the top of the competitiveness league over the years by leveraging on its human capital. However, Hong Kong's labour pool is under threat due to such worrying trends as an ageing population, negative population growth, and, more recently, Covid-related measures and a sharp increase in emigration. We urge the Government to address this as a matter of urgency and priority by adopting a whole-of-government response that addresses critical issues such as training, labour importation, living quarters and other factors of note. In this connection, we believe that the recommendations that were put forward in our response² to a 2014 Public Engagement Exercise on Population Policy, which includes the setting up of a dedicated agency to steer policy on manpower issues, continue to remain very relevant. The following serves to supplement the points made in the foregoing submission.
- 2.2 Dire shortages of professionals and other experienced labour will adversely impact our ability to fulfil plans for the timely delivery of critical infrastructure and housing. In the short term, the Government should introduce policies to ensure there is an adequate supply of overseas professional and skilled labour that can be brought into Hong Kong to meet market/project needs over the next few years. This would necessarily involve the introduction of legislation and administrative arrangements (e.g. larger quotas). Consideration should also be given to incentives, such as temporary subsidised housing and fast-tracked residency status similar to that in Singapore where a 5-year work visa is granted to skilled personnel who can then obtain full residency thereafter, to attract more people to come or return to Hong Kong including those who have emigrated.
- 2.3 Given the importance of digitalisation and technological development to an economy, the Government should continue to strengthen STEM education and enhance the attractiveness of the engineering, construction and infrastructure sectors to young people, not only in supporting VPET education but helping to strengthen and fund the development of more apprenticeships, internships and graduate recruitment schemes in Hong Kong and GBA, to help young people get started with their careers.
- 2.4 As part of the GBA, Hong Kong offers considerable opportunities for those looking to develop their careers or work for themselves. However, the qualifications of certain professionals such as engineers are not formally recognised in China, which has the effect of creating barriers for Hong

² [https://www.chamber.org.hk/FileUpload/201402271724521780/Population_Policy\(Feb_2014\).pdf](https://www.chamber.org.hk/FileUpload/201402271724521780/Population_Policy(Feb_2014).pdf)

Kong companies and their staff from conducting business on the Mainland. In this regard, the Government should lobby the Mainland Authorities to recognise the qualifications and experience of Hong Kong engineers, who wish to work in the GBA, by building on the accreditation regimes granted to other professions under CEPA. Conversely, the Government should work towards establishing a framework to recognise the broad range of engineering licences and qualifications granted by Mainland institutions to facilitate the import of Mainland talent, which would be critical to the delivery of major infrastructure and development projects in Hong Kong over the coming decades.

- 2.5 According to the Equal Opportunities Commission, the Female Labour Force Participation Rate (FLFPR) in Hong Kong in 2020 was 49.6%³. This compares to the 61% in Mainland according to 2020 estimates by the International Labour Organization, 64.2% in Singapore as of December 2021, and the OECD's average of 52.4 in 2021⁴. To tap into such a latent workforce, the Government could consider a blend of policies and incentives to promote gender equality and helping women find or return to work. This could include (1) organizing free seminars by professionals to educate employers on how to set up relevant policies and execute them; (2) setting up incentive programmes such as funding schemes to subsidize companies that are willing to provide part-time roles and flexible working hours to women in need; (3) promoting such incentive programmes to employers by using various social media platforms, which are preferred recruitment channels; (4) encourage diversity and inclusion to accommodate candidates who have taken time off from their professional careers; normalize work-from-home practices to save time and cost on commuting to work, and optimize flexible work hours; (5) increase the number of day care centres and helpers; (6) introduce a "Free Care Hours" programme that would entitle eligible applicants to 15 to 20 free care hours per week depending on their income level; (7) relax visa requirements for domestic helpers and workers in the childcare, elderly care and healthcare industries to facilitate the import of such manpower to relieve women and allow them to rejoin the workforce; (8) provide transitional support such as coaching, training and mentoring to women on such issues as rebuilding confidence, identifying key strengths and transferable skills, interview tips and creating a 'return to work' action plan.

³ <https://www.scmp.com/news/china/politics/article/3169726/gender-equality-work-how-do-hong-kong-mainland-china-singapore>

⁴ <https://stats.oecd.org/index.aspx?queryid=103872>

3. GBA

3.1 Hong Kong companies have a keen interest in contributing to the overall development of GBA through investments in strategic areas such as energy infrastructure and services industries. However, Hong Kong companies are still regarded as “foreign” enterprises in many business aspects. To facilitate Hong Kong’s integration in the national initiative, we propose that the Government engage the Mainland authorities to grant Hong Kong companies operating in the GBA similar treatment as Mainland enterprises. The following are our recommendations to facilitate GBA implementation.

3.2 Market Barriers

3.2.1 **National Treatment:** An engineering licence (工程資質) is required for companies to operate construction projects (civil, electrical, mechanical, etc.) on the Mainland. To qualify for such a licence, local job references and engineering capabilities are required. Although Hong Kong companies have strong engineering capabilities and solid track records in the SAR, they do not qualify for an engineering licence in China. To address this, we suggest that the Government canvass Mainland Authorities to recognise Hong Kong companies’ capabilities and undertakings in the SAR for the purpose of qualifying for an engineering licence to operate in the GBA.

3.2.2 **Merchandise Trade:** As with all overseas products sold to the Mainland, Hong Kong-made products are required to go through a registration procedure, which is becoming more cumbersome and stringent. Even with a duly registered product, there is the import process, which is another hurdle that companies in Hong Kong have to take into account when selling to the Mainland/GBA. To address this, we suggest (1) establishing a competent Mainland authority to register and accredit Hong Kong factories, which would enjoy the same status as their Mainland counterparts with products being treated as products made in China, and can therefore be freely distributed in the Mainland / GBA; (2) setting up a green channel at points of entry (ports, airports and border crossings) for qualified products; (3) formulating a VAT process for payment of such a tax on products originating from accredited Hong Kong-based factories for sale on the Mainland.

3.3 **Energy:** Regional collaboration with GBA is key to supporting the transition to a zero carbon energy sector in Hong Kong. As there is limited land available for renewable energy development in Hong Kong,

decarbonising the city's electricity supply will need a regional approach. Just as London or New York cannot become carbon-free by only working with resources within the confines of their cities, it will be difficult for Hong Kong to become carbon neutral on its own. Currently, nuclear energy import from Daya Bay Power Station in Guangdong province reliably provides about a quarter of Hong Kong's electricity needs. To bring cleaner and cost-competitive energy to Hong Kong, this would be contingent on providing more zero-carbon energy to our power companies through regional cooperation. Government support is therefore crucial in accelerating the import of clean energy import to Hong Kong to meet the challenge of decarbonisation while ensuring affordability and a reliable supply.

- 3.4 **Ports:** Over the years, the Port of Hong Kong and its counterparts in the GBA have developed into an important cluster, each with its own distinctive role and positioning. That being the case, continuous efforts are still required to coordinate terminal capacity in the GBA to achieve a proper balance between supply and demand to meet evolving market needs. In the GBA, the Port of Hong Kong should seek to strengthen its role as a transshipment and import hub, with the Shenzhen port serving as an export hub, and the Guangdong port as a domestic hub. As such, the Port of Hong Kong should focus on competing against other international transshipment markets, such as Singapore, Malaysia, Taiwan and South Korea, which are all very keen to assume the mantle of Asia's leading transshipment hub. To achieve such an outcome, the Government should work with its GBA counterparts to better coordinate the function and roles of ports in the region so as to avoid unhealthy competition among themselves.
- 3.5 **Data:** In addition to the flow of people and goods, data is another key component in the integration of Hong Kong in the GBA. Creating data connectivity within the region is especially important to foster a recurring pipeline of market-oriented and competitive products, which are developed through data-driven research and analysis. Relaxation of cross-border data transmission also allows Hong Kong companies to better understand local market characteristics and better serve customers on the mainland. Enhanced data connectivity would also mean an increase in mutual trust, relaxation of the restrictions on cross-border data transmission (while maintaining proper standards on security), as well as improvement in the use of relevant data to enable companies to provide high-quality products and solutions with better cost performance. To enable such flows, clarity with, harmonization and relaxation of cross-jurisdictional regulatory frameworks will be required.

4. Land & Housing

- 4.1 Housing has been and continues to dominate the city's policy agenda as a livelihood issue. Despite countless efforts over the years, the challenge of providing adequate land and housing remains a recurring problem. Although it is recognized that there are certain administrative and legislative hurdles involved, these are not necessarily the only contributing factors to chronic property shortages in Hong Kong regardless of use types (residential, commercial and industrial).
- 4.2 In formulating its recommendations, the Chamber drew on the work conducted by various bodies both in the public and private sectors. The proposed solutions, both strategic and technical, as set out in this paper focuses largely on short-term measures or "quick wins" that the new term administration could implement expeditiously to effectively address the issue of increasing supply, restoring affordability, and shortening public housing waiting time – outcomes that are consistent with the CE's pledge to make housing supply a policy priority.
- 4.3 We do, however, fully recognise the need to plan ahead for a sustainable housing supply, not least because of the long lead time between site identification and occupation. We have therefore also included preliminary thoughts on mid to long term measures.

Strategic Recommendations

- ***Promote attitudinal and systemic changes within government***

- 4.4 The seemingly intractable problem of land and housing boils down to the need for a systemic and predictable approach to addressing policy and administrative inefficiencies. As noted by the Development Bureau in its March 2022 Legislative Council ("LegCo") paper on proposals to streamline development-related statutory processes ("the Paper"), existing procedures for obtaining development approvals can no longer fulfil contemporary social needs on the provision of land and housing. We welcome the direction to streamline the statutory process as outlined in the Paper to reform the planning and development regimes. At the same time, we call on the Government to adopt a rigorous cost-benefit analysis approach to assess new policies and review existing regulations with the objective of ensuring that these are relevant and fit for purpose. The advantages offered by a regulatory impact assessment ("RIA") are that these are fact-based, transparent, regular, and facilitates public engagement. In the land and housing space, RIAs could bring considerable benefits by untangling red tape and unclogging administrative bottlenecks that affect the timely delivery of housing projects. We believe that an RIA

framework could be implemented fairly quickly by capitalising on and enhancing the existing “Be a Better Regulator” programme. In that regard, consideration could be given to the measures as put forward by the Chamber in its recommendations to the 2017/18 Policy Address. Moreover, RIA should include a full review of administrative, as well as statutory processes, such as the compression of lead time for planning and engineering studies, reduction of multiple rounds of public consultation, and conduction of internal procedures in parallel. For example, urban redevelopment could be accelerated by lowering the threshold for compulsory sale, revisiting the ambiguous definition of “house”, and facilitating transfer of plot ratio.

- 4.5 We also strongly advocate reinstating the Housing Committee (“HOUSCOM”) or creating the equivalent of such, a body akin to a project manager that would be charged with coordinating and ensuring the timely delivery of medium to large scale housing projects. As land and housing projects always involve multiple departments, the mission of the proposed HOUSCOM would be to smooth over or pre-empt any regulatory or administrative kinks that could give rise to project delays while minimising compliance burden and regulatory costs to the private sector. The erstwhile HOUSCOM worked well because it (1) was chaired by officials at the most senior levels of government, namely, the Chief or Financial Secretaries, (2) comprised the relevant bureau chiefs and heads of departments as members, (3) operated on an accountable basis with the organization of regular meetings to keep track of progress with projects, (4) was made incumbent on senior professional officers at the operational level to bring to the attention of senior officials issues affecting the delivery of housing projects, and (5) was empowered with executive authority to intervene as and when necessary. We believe that by virtue of its design and structure HOUSCOM would be more effective in bringing about requisite changes compared to existing initiatives such as the Development Bureau’s Development Projects Facilitation Office, which has, despite well-meaning intentions, been unable to live up to its brief of facilitating approval applications for large-scale private residential sites due to the lack of authority and accountability. To ensure its effectiveness, HOUSCOM should have oversight for public and private housing projects involving not less than 500 units, or 200 units if practicable, to maximize the chances of them being completed on schedule.
- 4.6 We welcome the establishment of a Steering Committee on Land and Housing Supply, which is similar in responsibilities and structure to our proposal for a HOUSCOM. Having said this, there are distinct and material differences in their scope of responsibilities – the former would be tasked with the strategic planning while the latter would be concerned with the

actual delivery of housing projects. HOUSCOM should not be or be regarded as adding another layer of bureaucracy to the development process. Rather, its brief would be to provide a clear, transparent and predictable framework for the completion of housing projects by addressing procedural/policy inconsistencies (or conflicts) within the Administration. Administratively, the proposed HOUSCOM could best be incorporated into the Steering Committee.

Technical Considerations

- ***Plot ratio***

4.7 We suggest enabling the transfer of plot ratios as an immediate and cost-effective solution to increasing housing supply over the short term. While such an approach is currently limited to the conservation and enhancement of cultural heritage areas, the Chamber believes the scope for such an application could be extended to harness underutilized non-urban areas by reassigning unused plot ratios to urban areas and new towns, which would in turn benefit from an increase in floor area and number of units. Transferral of plot ratio for appropriate premia also provides an effective incentive for developers in the New Territories and for urban renewal projects. Sources of surplus plot ratio that lend themselves to such an arrangement include Village-type Development Area (“V”-Zone) in the New Territories where low plot ratios continue to be in force for historical reasons, as well as certain locations on Hong Kong Island where transport constraints contribute to low plot ratios.

- ***Infrastructure as a government responsibility***

4.8 Permissibility in the transfer of plot ratios alone is however insufficient. It must be accompanied by the provision of utility and transport infrastructure or an expressed undertaking by the Government to do so. In this connection, we note that in recent years it is common practice to exempt from planning permission, otherwise required under existing Outline Zoning Plans (“OZP”), land or buildings intended for temporary use (of less than five years). These waivers are typically granted to non-governmental organisations (“NGOs”) or private sector developers that have been charged with delivering Government/Institution/Community (“GIC”) projects for short term tenancy needs. At the same time and under conditions of such a waiver, NGOs and/or developers are obliged to conduct site preparation works, which include the conduct of impact assessment (“IA”) studies (such as those for traffic, drainage and sewerage, and the environment), as well as the design and building of infrastructure – responsibilities that would normally rest with the Government. The time, effort and resources associated with conducting IAs are fraught with risks

for the private sector mainly because the right to develop and manage a site is not assured despite such upfront investments.

- 4.9 Another example concerns situations where the Government is in the process of securing funding from LegCo for the implementation of public infrastructure programmes. In the event developers were to press ahead with private developments pending such funding outcomes, they will have no alternative but to provide such infrastructure at their own cost or suffer delays in bringing their projects to market. In a land-use planning context, such a “voluntary” provision of infrastructure by developers is classified as “planning gains”. As a matter of practice, the Town Planning Board (“TPB”) are favourably disposed to planning gains and applications incorporating such stand a better chance of being approved. However, the costs incurred by developers for providing such infrastructure – whether in the form of a reimbursement or deduction from the final land premium – would be denied.
- 4.10 To address such issues, we propose a division of labour whereby the Government assumes responsibility for planning and design works, and providing basic infrastructure, while NGOs/developers are tasked with construction and project management. Should the Government deem it appropriate and necessary to outsource such responsibilities to the private sector, suitable concessions such as land premium deductions should be provided in exchange for private sector provision of basic infrastructure. This is not a novel concept as a precedent already exists in the form of the Land Sharing Pilot Scheme (“LSPS”) whereby the cost of building infrastructure for public housing projects can be offset against the land premium payable. Such a practice can also be extended to private housing projects. Alternatively, the Government should provide a list of the basic information required from applicants, who would then be asked to conduct IAs after conditional approval had been granted.
- 4.11 On a separate but related issue, we note that there are discrepancies in the treatment of rezoning applications between those submitted by the Government and those from private developers, with the former taking as little as six months to process and the latter, by contrast, often as long as ten years to complete due to technical issues arising from and the volume of IAs. We suggest that the approach to handling applications be handled impartially in accordance with a set of objective criteria.
- ***Standard Premium***
- 4.12 A critical bottleneck affecting the supply of housing concerns land premia particularly those involving lease modifications and land exchanges. In this respect, we suggest broadening the scope of the pilot scheme of standard

land premium beyond industrial buildings introduced in March last year, as well as the Remaining Phase of Kwun Tung North and Fanling North New Development Areas introduced in March 2022 for residential developments. As noted by the Government during the launch of the pilot scheme, this increase in land premia expedites the revitalization of otherwise under-utilized resources. The pilot scheme is initially limited to the conversion of industrial buildings into commercial use. However, given its success to date and broad support from the private sector, it has subsequently been extended to residential developments in Kwun Tung and Fanling North Development Area. As such, considerations should be given to expanding the coverage of conversion from industrial buildings to all types of land use. Areas other than Kwun Tung and Fanling North should be allowed for conversion to residential purposes.

- 4.13 Separately but also on the issue of premiums, we are supportive of the Pilot Scheme for Arbitration on Land Premium, which has been effective in resolving disputes over an appropriate premium, which would otherwise be dragged out with the undesirable effect of holding up development. That being the case, we believe refinements could be made to improve the pilot scheme's usefulness by addressing such factors as (1) major cost items, a risk that was perceived as being borne disproportionately by developers, should be included as acceptable items for arbitration; (2) items involving lease interpretation, which could be fundamental to the final amount of premium, should be accepted as items for arbitration; and (3) risk of arbitration award extending beyond the Lands Department's offers and counter offers by developers.

- ***Processing Period***

- 4.14 A major contributing factor to delays in the current housing development process concerns the practice of different statutory or processing periods across various government departments. Although there are departmental performance pledges, which are intended to provide the public with information on key performance indicators including the time required to process applications, these have not resulted in substantive improvements. For example, the time taken to offer the basic modification terms to applicants could take as long as 12 months or more to complete as a result of disparate departmental practices. This is due to a number of reasons, namely, (1) the time taken by government departments (other than Lands Department) is currently excluded from existing time commitments, (2) the exemption of turnaround period for responding to applications from departmental performance pledges as a result of the inclusion of "non-counting days"; and (3) the lack of audit controls on government leases because, despite the involvement of the

Government as a contractual party, government leases are private contracts.

- 4.15 To enable all relevant departments to adopt and be bounded by a unified approach in their processing practices and timetable, (1) the departments concerned should formulate and publish a flowchart with details of procedural timelines; (2) a statutory or legally-binding period should be introduced for the processing of lease modification applications with the objective of completing such formalities within three months but no later than six months. Such a period should crucially incorporate “non-counting days”. The Administration’s response should constitute a formal offer, including basic terms for lease modifications (not applicable to premia) before the commencement of applications. If a government response was not received within a prescribed period, an application would be deemed approved; and (3) the practice of conducting government land audits should be expanded to include government leases as a legal requirement.
- 4.16 As mentioned in paragraph 5.4, we appreciate the effort to streamline development-related statutory processes, which is focused mainly on reducing the time spent on administrative procedures. That being the case, there are proposals that could substantially undermine the rights of private owners. Also, the time savings arising from such proposals are unlikely to contribute substantially to a shortening in the overall processing time. Using applications to the TPB as an example, the absence of a statutory timetable to govern the time for departments to respond to submissions has given rise to the unhealthy practice of applicants being forced to apply for an extension or withdraw and resubmit their applications in order to respond to comments from competent authorities made at very short notice thereby resulting in delays. To speed up application processes, a statutory period for the Government to respond to applications should be implemented for town planning applications. Similarly, for submissions on general building plans, despite the imposed statutory timeframe under the Building Ordinance, it is not uncommon for responsible officers to request a withdrawal and resubmission of applications so as not to be seen as ‘late.’. Under the principle of fairness, the statutory time frame should be respected, upheld and properly enforced.

- ***Comprehensive Development Area (CDA)***

- 4.17 Originally conceived with the laudable objective of facilitating urban restructuring and phasing out incompatible development and non-conforming use, CDA zoning has delivered mixed results since its introduction in 1976. According to the Planning Department’s latest biennial review of designated CDA sites that have been left fallow for

more than three years, there are a total of 117 such sites in Hong Kong with 12 having been left idle for more ten years with some as long as 26 years. These undeveloped CDA sites collectively account for about 80 hectares in area. To develop such sites, the onus is on land owners to submit a Master Layout Plan (“MLP”) for approval by government. Although there are some successful CDA projects (such as Taikoo Shing and Whampoa Gardens in the case of residential development and the International Financial Centre as an example of commercial use), these are either owned by a single owner or are sold by the Government via public tender. For the majority of undeveloped CDAs, the associated complexities with land assembly and the provision of infrastructure are two of the major obstacles.

- 4.18 Reforms are therefore needed on developing CDA sites, which are often characterised by excessive scale and multiple ownership. To overcome the challenge of land assembly, we suggest that consideration be given to allowing partial submission by a developer if it owns a reasonable size of land suitable for development on its own within a CDA. At the same time, large CDA sites should be broken up into smaller parcels of land that would then be assigned specific zonings. Consistent with the overall approach to development mentioned above, it is incumbent on the Government to conduct land use planning and provide adequate basic infrastructure before making such sites available for sale. We also suggest introducing an audit system for CDA sites to take stock of sites that have been left idle for a certain period, say, three years, which would then trigger a review for other land uses, as the Planning Department’s current annual review of CDA sites is unable to serve its intended purpose.

Medium to Long-Term Measures

- 4.19 The issues mentioned below do not necessarily involve an extended time horizon and may well be addressed quickly depending on factors such as technical complexity, public sentiment and entrenched policies. Their classification as medium to long-term matters is therefore simply based on historical context.

- ***Public Private Partnership***

- 4.20 Delivering infrastructure projects can be challenging and expensive for the public sector. In Hong Kong’s case, the Lantau Tomorrow Vision, near-shore reclamation projects and ongoing/planned large scale projects, as well as the recently unveiled Northern Metropolis Strategy mean that the Government would have to deploy the requisite technical knowhow and capital resources to fulfil the infrastructure objectives that it has set for itself. Given the extent, magnitude and complexity of the functions

concerned – such as design, construction, financing, operations, and maintenance – in managing these projects, the Government should be open to involving the private sector to allocate risk and optimize project delivery in a cost-effective manner. In this connection and especially in the case of housing, we suggest that consideration be given to bringing back the Private Sector Participation Scheme (“PSPS”) whereby the private sector could bid for the rights to develop housing which would be purchased by the Government at a predetermined price (lower than market price), and the developers retain the rights to build or own certain commercial or residential property on the land. The PSPS has proven to be effective and efficient in projects such as Kornhill Garden in North Point, Chi Lok Fa Yuen in Tuen Mun, and Richland Gardens in Kowloon Bay. To leverage private developers’ land banks, the Government could consider improving on the erstwhile PSPS through a step-by-step process based, more or less, on the following: (1) Government-led planning, (2) private sector construction of public and private housing at a prescribed ratio within a specified period of time, (3) Government purchase of flats at an agreed price to shorten the time for accessing public housing; and (4) flats to be sold by developers to a dedicated group, such as first-time purchasers, specified by the Government at a discounted price. A successful example for point 4 would be the government land sold via public tender at Anderson Road with units allocated specifically to first-time purchasers. We believe there should be a dedicated agency within government that is tasked with the responsibility of taking forward and coordinating the implementation of Public Private Partnerships (“PPP”).

- ***Green belts***

- 4.21 Despite popular (mis)conception, Hong Kong does not suffer from insufficient land. According to government data, urban and built-up land accounts for 25% of the total land area in the SAR with approximately 7% of this allocated for residential purposes. We recognise and support the need to preserve Hong Kong’s “green lungs” especially amidst the real and growing threat of climate-related events in recent years. That being the case, there are certain green belt sites in Hong Kong that hold relatively lesser ecological value and could therefore be redesignated for other uses that include but are not limited to GIC, Commercial/Business and Office purposes. In that connection, we welcome the undertaking by the previous Chief Executive in her 2021 Policy Address to further review green-belt sites with the objective of identifying potential land for development and are hopeful that such efforts would continue under the new administration to meet social and economic demands in Hong Kong. In particular, the conversion of agricultural land to other uses, including residential, should be strongly encouraged by the adoption of the Standard Premium discussed above.

- **Reclamation**

4.22 The observations on adequate land in the foregoing paragraph notwithstanding, judicious planning is required to anticipate and prepare for future needs for such an important resource. In that regard, reclamation should be pursued within legal parameters, as it has provided the bulk of the land needed for Hong Kong's present prosperity, from the first New Towns, through the Airport Core Programme ("ACP") projects, to the present. We recognise that consideration should be given to associated environmental implications. It should however be pointed out that Hong Kong has accumulated extensive experience on such matters such as the Three Runway System expansion project at the Hong Kong International Airport. The massive scale usually associated with such projects would also require consideration of funding mechanisms, and in this respect, we call on the Government to give greater weight to PPPs for the reasons set out above. In the meantime, consideration could be given to conducting small-scale reclamation such as the west-facing coastal area of Junk Bay in Tseung Kwan O that sits further south of Lohas Park. If such works were to go ahead, the additional land provided could accommodate further population growth, which would be supported by such public transport networks as the impending commissioning of the Tseung Kwan O-Lam Tin Tunnel, as well as a possible extension of the mass transit network southwards from the existing Tseung Kwan O line to connect with Siu Sai Wan and the Island line in Chai Wan.

5. Innovation and Technology (I&T)

- 5.1 In recent years, Hong Kong has made significant progress in augmenting its standing as a I&T hub. We commend the Government for pouring resources into such a strategically important sector, which should power Hong Kong's economy as an additional engine for growth. Continued investments are however necessary and our recommendations for strengthening our capabilities in this regard are as follows.
- 5.2 We recommend that the Government lead by example by proactively applying technologies in its operations to improve governance efficiency for the benefit and convenience of the public. In doing so, the Government should leverage on appropriate expertise to design and implement an e-government strategy, as well as to conduct progress audits and reviews.
- 5.3 The Government should also adopt a risk management approach to addressing issues such as cybersecurity, digital security and data privacy in the interest of optimising operational resiliency and promoting public trust.
- 5.4 To strengthen its support for fledgling companies, the Government should consider extending assistance beyond the provision of seed capital to that involving go-to-market aid for early-stage businesses. For example, a preferential procurement scheme could be created whereby startups with a market viable product or service would be given priority as and when the Government is looking to fill a need. This would benefit such companies by vesting them with the requisite experience and credentials necessary to enter into and gain invaluable market foothold.
- 5.5 At the same time, there should be efforts to encourage the adoption of innovative solutions across industries. There are already existing programmes such as the FinTech Proof-of-Concept (PoC) Subsidy Scheme, where funding is provided by FSTB for fintech companies to work with financial institutions to trial innovative solutions. Since then, more than 70% of participating financial institutions have committed to implementing such solutions, which has helped drive demand for novel products and services by startups. Given the success of this scheme, we suggest that the Government consider setting up similar PoC funding programmes to encourage the development and adoption of I&T solutions in strategic sectors to strengthen Hong Kong's economic standing.

- 5.6 The Government should play a more proactive role in planning and funding new infrastructure to promote the development of smart city and smart mobility. In that regard, we hope that the recently established Digital Economy Development Committee will introduce bold measures to implement digitalization initiatives, which go beyond existing ones such as e-consumption vouchers. Consideration should also be given to leveraging the Northern Metropolis as a pilot for smart city transformation and smart mobility development through close collaboration among governments in the GBA cities and transport operators including the MTRC.
- 5.7 We suggest accelerating data sharing on city planning and transport operations, with due consideration given to privacy issues, aimed at building a cross-industry and cross-boundary big data platform.
- 5.8 Data centres are crucial ICT infrastructures that are fundamental to the continuous growth of Hong Kong's economy. We recommend that the Government formulate and implement a policy design that is conducive to expanding Hong Kong's role as a data and technology super-connector between the Mainland and the rest of the world. Specifically, Hong Kong should capitalise on the "One Country, Two Systems" arrangement to develop itself into a cross-border data centre with the right kind of policy, regulatory and technical infrastructure that not only meets international demand for free and safe cross-border data flow, but also addresses data security and sovereignty concerns in China and the rest of the world. However, land is scarce in Hong Kong and as we move towards carbon neutrality by 2050, consideration should be given to the composite development of high-power infrastructure facilities by integrating a district cooling system, data centre and high voltage power substation in a single building to achieve higher energy efficiency, reduced capital investment, better operational synergies and, most importantly, the optimal use of land within the city. An Energy, Data Centre and District Cooling (EDC) Hub concept is beneficial to the sustainable development of Hong Kong in alleviating the problem of land scarcity and at the same time reducing our carbon footprint. This concept requires the development of a support policy across bureaus and departments and should be considered at the early stages of the town planning process. In the meantime, policy facilitation is vital to address data centre operators' requirement for reliable and affordable power supply in old industrial areas, which are fraught with challenges such as huge load demand and long lead time is required for coordination among different parties.

5.9 The development of Hong Kong into an I&T powerhouse will necessarily involve financing and, in that connection, we reiterate our call to grow the SAR into regional intellectual property (IP) trading and IP-backed financing hub by drawing on our strengths as a global financial centre, the practice of common law and gateway to the Mainland. To achieve a win-win outcome of capturing opportunities in IP-backed financing while helping to assert the Mainland's IP regime as a robust, credible and secure alternative to its equivalent in the US and the EU, we suggest adopting the following incremental measures – (1) Create a registry system for copyright to facilitate trading of the same, (2) Reinforce Hong Kong's attractiveness as a seat for IP arbitrations due to its recent amendments to the Arbitration Ordinance confirming the arbitrability of IP disputes, strong institutional experience with IP arbitrations, and structural incentives for parties in IP arbitrations, including the unique ability to obtain interim measures in Mainland courts through the Interim Measures Arrangement, (3) Set up a registry for trade secrets that is based on blockchain technology and operated / managed by an independent and credible competent agency, and (4) Achieve mutual recognition of a legal framework on IP regulations (in such areas as registration, trade, enforcement and dispute resolution) between Hong Kong and the Mainland, with initial market coverage of the Greater Bay Area as appropriate.

6. Financial Services

- 6.1 As the second largest industry in Hong Kong, the financial sector is a key contributor to the city's economy and standing as one of the world's top four international finance centres. Hong Kong offers considerable advantages as a prime location for the conduct of financial services due to its liberal financial system and proximity to the Mainland. Continued efforts should be made to strengthen our role as the preferred financial gateway between the Mainland and the rest of the world by capitalising on Hong Kong's unique characteristic as a SAR, where the arrangement of "One Country, Two Systems" is practised, as well as unparalleled opportunities arising from the GBA strategy.
- 6.2 **Wealth and Asset Management Centre:** We welcome the Government's continued efforts to nurture Hong Kong's family office ecosystem by bringing together different stakeholders and providing a one-stop solution to facilitate investors in planning and expanding their family offices in Hong Kong.
- 6.3 **Capital Markets:** We look forward to efforts to attract more international companies to list in Hong Kong through such means as tailoring the listing criteria to allow high quality and early-stage companies to access the IPO market. Meanwhile, further enhancement and expansion of Connect Schemes should continue to boost Hong Kong's status and appeal as an international financial centre.
- 6.4 **Offshore RMB Centre:** We fully support the Government's efforts to actively engage the financial sector in promoting Hong Kong as a leading offshore RMB business hub. In this connection, it would be helpful to streamline and optimize regulatory processes with the Southbound Bond Connect arrangement to enhance offshore RMB liquidity and boost the Dim Sum bond market. We would also suggest that proactive efforts be made to facilitate the trading of RMB-denominated H-shares, deepen RMB usage across all levels of personal and commercial activities, and promote Hong Kong's offshore RMB centre to international investors and companies by raising awareness on and understanding of RMB-related products and services offered in Hong Kong.
- 6.5 **Accelerate Wealth Management Connect (WMC) 2.0:** We look forward to the broadening and deepening of WMC, both Southbound and Northbound, through such refinements as the relaxation of rules including that on Southbound customer eligibility, broader product choices, risk levels and remote account opening. In the case of the latter, we suggest that Northbound remote account opening be permitted to enable more Hong Kong residents to participate in WMC. The market supports further

expanding the pilot program to allow participation by more banks to support healthy market development.

- 6.6 **Stock Connect:** To promote demand and further enhance capital raising activities in Hong Kong, we suggest that the Stock Connect Scheme be enhanced to allow Mainland investors to participate in IPOs and subsequent offerings.
- 6.7 **Insurance Connect:** We note that a pilot phase for insurance after-sale service centres has been published although this had yet to be implemented. The industry is keen to support such a development and welcomes further information on a roadmap to take forward this initiative.
- 6.8 **Central Bank Digital Currency:** In conjunction with HKMA, banks are seeking to enter a pilot initiative to offer eCNY and eHKD services to the public. We look forward to more practical applications of these CBDCs on the retail level, which is supported by practical measures by the Government and relevant authorities.
- 6.9 **Fintech Talent:** The Government should encourage investments in Fintech training to nurture Fintech-skilled staff to enable Hong Kong to further innovate, develop best practices, and further accelerate digitalization.
- 6.10 **Nasdaq of China:** The fraught US-Mainland relationship has spilled over into the economic arena. Although this is unfortunate, Hong Kong is a unique position to cater to Chinese companies, many which are technology focused, that are seeking to delist from US bourses. To that end and to address the capital needs of future New Economy companies, consideration should be given to introducing a listing infrastructure with the fundamental objective of attracting tech-based companies from the Mainland and Hong Kong, which may not otherwise be able to list on the Main Board. To help the proposed Tech Board establish a firm footing, its initial focus would be on early stage/fast growing companies in the enterprise software, clean energy, AI, and robotics sectors. This would be augmented by a set of listing rules that are objective, unambiguous, transparent, and predictable. To sustain and grow the Tech Board, efforts should be made to promote active participation by institutional investors and professional asset managers both from the Mainland and overseas. In addition, consideration could be given to the inclusion of Tech Board-listed stocks in the various Stock Connect schemes and in ensuring the availability of quality and reliable post-listing research to help investors make informed decisions.

7. Retail & Tourism

7.1 Prior to the social events in 2019 and then Covid, Hong Kong welcomed close to 65 million visitors, who contributed 4.5% to GDP and created more than 250,000 jobs. Since 2010, visitor spending has accounted for about 30% to 40% of overall retail spending. However, in the absence of the usual influx of travellers the tourism industry has continued to struggle even as the local economy gains momentum; From May to July, the city's overall unemployment rate dropped from 4.7% to 4.3%. Although unemployment in consumption and tourism-related sectors such as retail, accommodation, and food services also recorded improvements, joblessness is still relatively higher at 6.5%. In the near term, a complete lifting of all travel-related restrictions would benefit these sectors considerably. Over the medium to long-term, Hong Kong must re-invent itself as a tourism destination to cater for a market that has been reshaped by the pandemic and evolving consumer demands. The following sets out our recommendations to support the retail and tourism trades in Hong Kong.

- ***Enhance Hong Kong's Attractiveness as a Tourist Destination***

7.2 Promote and reinvigorate local tourism across the 18 districts based on the cultural and historical characteristics unique to each of these districts. For instance, the Aberdeen Wholesale Fish Market could be redeveloped into a tourist destination by capitalizing on Hong Kong's fishing heritage.

7.3 Curate coastal trails around Hong Kong's waterfront to provide a diverse travel experience.

7.4 Support the travel trade in designing new products that focus on culture, sports and green tourism, that can be further promoted in overseas markets through the Hong Kong Tourism Board.

7.5 Develop movie-themed tourism based on locations where hit shows are made. It is noteworthy that shows such as Game of Thrones have helped boosted visitor numbers by 15% in Seville, Spain while contributing about half of the 10% annual growth in tourism in Dubrovnik, Croatia, when the show was filmed in these cities.

- ***Promote Synergies with the GBA***

7.6 Strengthen Hong Kong's role as the core demonstration zone for multi-destination tourism in the GBA by leveraging the city's major tourist attractions.

7.7 Collaborate with other GBA cities in organizing mega cultural and sports events to enhance the Hong Kong's image as the Events Capital of Asia.

7.8 Further enhance air, train and road connectivity between Hong Kong and the GBA with overseas travellers in mind by enhancing/providing logistics arrangements in such aspects such as language transfers and associated immigration policies to facilitate easy access.

• ***Facilitate and Digitize Business Operations***

7.9 Subsidize SMEs in the retail and tourism industries to implement electronic kiosks and adopt e-payment services.

7.10 Provide financial support through such means as direct subsidy schemes and matching grants specifically for sectors and individuals such as tourism and food and beverage (F&B) operators, performers and others, that have been severely affected whether directly or indirectly by government-mandated restrictions.

7.11 Streamline licensing application procedures for the F&B industries.

7.12 Create a sustainable and smart tourism framework, and requisite infrastructure.

7.13 Introduce innovative technology, fund research & development projects, and create a technology hub to support the events industry in Hong Kong.

7.14 Implement an E-Tourist Pass in Hong Kong to facilitate visits to places of interest such as museums, and other sites of historic and cultural value.

7.15 Create a one-stop digital information platform that provides visitors with the latest travel, dining and entertainment information, as well as city-wide promotional offers by merchants.

7.16 Enhance collaboration between the Culture, Sports and Tourism Bureau and private sector stakeholders to promote synergies in integrating the cultural portfolio with the creative and tourism portfolios.

8. Liveable City

8.1 The Chamber welcomes and supports the Government's "Hong Kong's Climate Action Plan 2050" to achieve carbon neutrality before 2050. To achieve such an objective, concerted efforts are required from the community and across both the private and public sectors. The following sets out our recommendations on the various policy measures to reduce and ultimately eliminate Hong Kong's carbon footprint.

- **Buildings**

8.2 Buildings account for about 90% of Hong Kong's total electricity consumption. Promoting energy conservation and improving gas and electricity-energy efficiency through a range of measures is therefore very important to accelerate decarbonisation and enable the public to manage the costs of energy transition.

8.3 In addition, a complementary approach to looking at the carbon efficiency of buildings should be adopted to achieve Hong Kong's decarbonisation goal. At the moment, the Building Energy Efficiency Ordinance and many government initiatives are based largely on energy efficiency. However, different forms of energy such as electricity, piped and bottled gas, and diesel, give rise to different levels of carbon emissions, depending on both the carbon intensity of the input fuel and the efficiency of the conversion process in providing useful energy. Putting these two concepts together, such as marrying an electric induction cooker together with the reducing carbon intensity of the electricity supply can result in the doubling of carbon reduction benefits. Using an electric heat pump for water heating, in say, a hotel, can reduce carbon emissions many times over in the same way. How buildings are constructed and how they deal with water and waste will also be important in determining their carbon efficiency.

8.4 This concept can be introduced into the building sector as the Government further develops proposals for improving the carbon efficiency of both new and existing buildings, setting up new targets and standards that apply to both upcoming developments and existing buildings. As an example, higher standards for energy and waste management should be required to qualify for GFA concessions (such as 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 lower carbon innovative/sustainable design. For existing buildings, more effort should be made to facilitate waste separation and proper recycling in major developments. Recognition

should be given to low carbon end-use applications, such as the heat pump and induction technologies mentioned above

- 8.5 Building regulations should be updated to facilitate acceptance and approval of more innovative construction technologies and materials, including developing and implementing more sustainable building design and construction techniques for the private and public sectors to reduce both waste and the carbon intensity of building. The Government should continue to push for construction innovation through the enhanced and widespread use of such technologies as Building Information Modelling (BIM), Design for Manufacture and Assembly (DfMA) and Modular Integrated Construction (MiC), which are supported by a major revamp of building regulations. The Government should take a leading role by encouraging the Buildings Department to be more proactive and collaborative in the construction process, in addition to its role as gatekeeper.
- 8.6 The Government can also ensure that adequate power supplies (for example three phase supply) are available as building risers for all new residential buildings to allow full (already low carbon but in future zero carbon) electrification to take place. Grants should be made available for the retrofitting of existing residential buildings to provide adequate capacity in the risers and for especially low carbon end-use applications. Through these measures, a more holistic carbon reduction approach in conjunction with a government or industry rating scale to recognise overall carbon efficiency rather than just energy efficiency targets should be considered for buildings.
- 8.7 Apart from building design and construction technologies, more environmentally- friendly power supply equipment on construction sites could play an important part in reducing carbon emissions. Traditionally, diesel generators are used on construction sites to provide power for equipment such as tower crane, welding machine, material hoist, among others, requiring high intermittent load for operation. However, diesel generators have high carbon emissions, create air and noise pollution, and can represent a diesel fire hazard. With the adoption of Battery Energy Storage Systems (BESS) in place of diesel generators, carbon emissions will be greatly reduced via electrification, and zero local emission will provide a healthier, safer and quieter environment for site workers and residents. An increasing number of construction sites operated by property developers and the Housing Society have adopted BESS. In view of the proven benefits, it is recommended that Government promote and specify the adoption of sustainable power equipment (through BESS) in place of diesel generators on construction sites, and take the lead to

require the immediate use of such equipment on construction sites of government projects.

- ***Industrial products***

8.8 The Government has been promoting re-industrialisation to support Hong Kong's economic growth and reduce reliance on the services sector. In many countries the industrial sector, especially heavy and energy-intensive industries, is a major contributor to carbon emissions. To support and facilitate re-industrialisation in Hong Kong, we suggest focusing on R&D and advanced manufacturing technologies that support decarbonisation through all-electric process plants and laboratories. The Government should take the lead in using green industrial products in its buildings and facilities.

8.9 Consideration could be given to providing higher profit tax allowance for the purchase of green production facilities (such as full electrification of industrial processes) to support the development of low carbon industrial products. To incentivise industrial companies to pursue decarbonisation especially where energy intensive manufactured products are used in Hong Kong, efforts should be made to create demand for low-carbon industrial alternatives.

8.10 For widely used products from hard-to-abate sectors like steel and cement, decarbonisation could be achieved through revising the Building Environmental Assessment Method (BEAM) Plus marking scheme to put more emphasis on embodied carbon of building materials, which is the carbon emission associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure.

- ***Transport***

8.11 The Government published a Roadmap on Popularisation of Electric Vehicles (EVs) last year to enhance air quality and decarbonise the transport sector, which contributes around 20% of Hong Kong's carbon emissions.

8.12 Given the scale and complexity of mainstreaming electric vehicles, we suggest that such an undertaking be supported by a special task force through which the relevant industry players can collaborate to make Hong Kong a green and smart metropolis. The brief of this special task force would also span the transport and logistics sector with an agenda that includes such issues as enabling the supply of sustainable aviation fuel at the Hong Kong International Airport, deploying electric or hydrogen

powered logistics vehicles, and supporting EV conversion with enhanced power voltage for charging at warehouses and industrial buildings.

- 8.13 Although private cars account for the highest share of all road vehicles in Hong Kong, light goods vehicles and trucks have the largest emissions contributing to 6.3% of Hong Kong's total GHG emissions, followed by private cars (4.2%), buses (3.5%) and taxis (1.9%). Concrete objectives and timelines on public transport and commercial vehicle electrification are key for transport providers to scale their investment and facilitate the development of infrastructure. To fulfil Hong Kong's ambition on achieving carbon neutrality by 2050, it is suggested that the phasing out of fossil fuel-propelled vehicles should also include light commercial vehicles, taxis and buses. At the same time, policy support should be provided to facilitate trials of medium to heavy electric vehicles, and promote the availability of more EV makes and models on the market.
- 8.14 We welcome the Government's stated intent to position railway as the green backbone of Hong Kong's transport system. To support the development of railway infrastructure in the SAR especially for green investments, we suggest providing more tax concessions for green initiatives such as the use of solar panels in the Light Rail.
- 8.15 In 2021, the Government published the "Clean Air Plan for Hong Kong", committing to explore the use of LNG in ocean-going vessels, and formulate technical requirements, related safety regulations and specifications for LNG bunkering over the next few years. Although this provides a useful outline on the direction for Hong Kong to take on environmental protection and economic development of the marine and port industry, a clear strategy and timetable are needed. We therefore recommend that the Government work together with the industry to set out a clear timeline and plan to develop LNG bunkering in Hong Kong port, to provide all stakeholders with a common goal that they can work towards. When doing so, Hong Kong can draw on international experience and best practices, which can be adapted to take into account of local circumstances in the implementation of appropriate marine and safety regulations, and port policy.
- 8.16 We would also recommend that efforts be made to encourage the adoption of LNG as a marine fuel for local and regional ferries to further improve air quality in the GBA. This would be consistent with and in support of the Central Government's policy to reduce air pollution in domestic waters through the use of cleaner fuels.

- **Green & Sustainable Finance**

- 8.17 We welcome the Government's Action Plan 2050 setting out targets for carbon neutrality before 2050 and a 50% reduction in carbon emission by 2035. Given the significance of financial markets' role in fostering environmentalism, which in turn helps offset climate change risks, Hong Kong is in a strong position to reap the benefits of a transition toward a low carbon economy given our intrinsic strengths as a leading international financial centre. We would like to propose the following as the key areas of focus for the Government's policy agenda.
- 8.18 **Carbon Markets:** Hong Kong should establish a voluntary carbon offset market to the highest international standards in order to support the private sector's transition in the Asia Pacific region.
- 8.19 **Green Fund:** Consideration could be given to setting up a Green Fund that is aimed at supporting SMEs with viable plans to provide green solutions and/or products to the market.
- 8.20 **Talent:** For Hong Kong to remain relevant in the ESG/sustainability mega-trend and realise its own ambition of carbon neutrality before 2050, the Government's policy emphasis should be on **cultivating** and attracting ESG talent. This is against the backdrop of global demand for and a short supply of ESG professionals, which has triggered intense competition for talent around the world.
- 8.21 **Reporting:** Following the example of jurisdictions such as the US, the EU, Australia, and Singapore, we recommend that the Government consider mandating, as soon as possible, ESG/sustainability reporting as well as introducing mandatory assurance on sustainability reporting to deter "greenwashing" and increase the credibility of reporting, business resiliency and trust in the financial markets, which will help boost the development of sustainable finance in Hong Kong.

9. Port, Transport and Logistics

9.1 As a pillar industry, the port, transport and logistics sector is an important component of Hong Kong's economy and in creating jobs. However, the Port of Hong Kong is facing an ever-changing and increasingly challenging global environment. We hope the Government would address the following to maintain Hong Kong's competitiveness as an international port.

9.2 **Cabotage arrangements:** Hong Kong's development into an international transshipment hub can be ascribed to the continued adherence to the cabotage rule under the "One Country, Two Systems" arrangement. As such, any changes that could give rise to a relaxation or removal of the cabotage rule in Mainland China would materially undermine Hong Kong's role as a transshipment hub. It is therefore imperative that the cabotage rule remain in place to safeguard Hong Kong's standing and well-being as an international port.

9.3 **Smart Port:** Although container terminal operators have been investing in both innovation and technology to enhance operational efficiency, Hong Kong lags our regional competitors in developing a "Smart Port" digital platform to facilitate accurate and timely information flows among port users and other stakeholders in the logistics ecosystem. It is therefore of utmost importance that investments be made to develop Hong Kong into a Smart Port and, in that connection, would urge the Government's Task Force on Smart Port Development, which was established in 2021, to expedite the implementation of such an initiative as soon as practicable.

9.4 **Port Authority:** The industry has been calling for a dedicated, independent authority to oversee the planning and development of the Port of Hong Kong, an entity that would, more or less, mirrors the Airport Authority, which has been instrumental in putting Hong Kong on the international map through the success and growth of the Hong Kong International Airport (HKIA). We believe that as with the airport, Hong Kong's port would benefit immensely from the establishment of a port and maritime authority that would be tasked with championing the interests, well-being and long-term development of a key industry and important infrastructural asset.

9.5 **Land Bank for Warehouse and Industrial Use:** While we fully appreciate the many competing needs for land use in Hong Kong and recognize that housing will necessarily be a priority, we would also urge the Government to draw up a short, mid- to long term masterplan for warehousing and industrial use. Trading and logistics accounted for 19.8% of the city's GDP and provided some 673,700 jobs in 2019. The logistics industry alone contributed 2.9% of Hong Kong's GDP and 176,200 jobs that year while

transport services accounted for 30.9% of Hong Kong's service exports in 2019. A land bank masterplan is therefore critical to supporting and sustaining the growth of the transport and logistics industry.

HKGCC Secretariat
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