



Hong Kong General Chamber of Commerce
香港總商會 1861

香港總商會
香港金鐘道統一中心廿二樓
Hong Kong General Chamber of Commerce
22/F United Centre,
95 Queensway, Hong Kong
Tel (852) 2529 9229
Fax (852) 2527 9843
Email chamber@chamber.org.hk
www.chamber.org.hk

Helping Business since 1861

19 September 2023

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 2023-24

The Hong Kong General Chamber of Commerce (the Chamber) is pleased to offer our recommendations on the HKSAR Government's policy priorities as you go about formulating your next Policy Address.

The challenges Hong Kong is facing are unprecedented. Despite a complete dismantling of pandemic-related restrictions earlier this year, an anticipated rebound in the broader economy has remained elusive due to a perfect storm of actors that have emerged in recent years.

If history is of any indication, it would be a mistake to bet against Hong Kong. To navigate uncharted waters, sustain our standing as a premier international financial centre and preferred trading hub, and restore Hong Kong's attractiveness as a place to work, live and play, bold and imaginative measures must be implemented. The attached sets out our views on the actions that the Government can consider taking to achieve such goals.

As always, you can count on the Chamber's support in fulfilling the shared objective of shaping a better and brighter future for Hong Kong.

Yours sincerely,

Betty Yuen
Chairman

Encl.

HKGCC Submission to the 2023 Policy Address

1. Rebranding Hong Kong

- 1.1 Hong Kong needs to do much more to engage markets abroad and better promote itself. We welcome the Government's stepped-up efforts to focus on regional markets in the Middle East and ASEAN. However, as an international city, it is equally important that Hong Kong continues to nurture existing ties with key partners such as the UK, EU, and US, notwithstanding prevailing geopolitical tensions. In this connection, we commend HKEX's initiative to open an office in New York late last year. We hope to see further investments in Hong Kong's network of Economic and Trade Offices across Western markets because their presence faces challenges in these host markets and, as such, increasing resources and capabilities will be imperative to correct misperceptions and in projecting a positive image of Hong Kong.
- 1.2 In the above regard, we suggest that particular emphasis should be given to the following aspects of any campaigns to promote Hong Kong:
 - 1.2.1 Reassert Hong Kong's standing as an international city to differentiate itself from other Mainland cities including those in the Greater Bay Area (GBA);
 - 1.2.2 Address concerns over and dispel misconceptions of what Hong Kong's National Security Law entails; and
 - 1.2.3 Give prominence to the framework and practice of "One Country, Two Systems" under which Hong Kong enjoys unparalleled advantages as a super connector between the Mainland and the rest of the world.
- 1.3 We strongly believe that Hong Kong stands to gain immensely from an effective marketing campaign that would have a positive impact in addressing some of the more pressing issues, such as human capital (which is further addressed in the following section), that are currently afflicting the local community.

2. Human Capital

- 2.1 We welcome recent measures to enhance the Supplementary Labour Scheme (SLS), including the lifting of the general exclusion of 26 job categories under the SLS for two years beginning in September, which will be helpful in addressing short-term demand. This being the case, consideration needs to be given to, and preparations made for, medium- to longer-term manpower needs, to ensure that Hong Kong has a readily available supply of labour that is equipped with the relevant skills.

- 2.2 To that end, we suggest that policy attention be given to the following:
- 2.2.1 Ensure the availability of essential facilities and services such as education, health care, and training to attract overseas talent including those from locations outside the Mainland;
 - 2.2.2 Expand the labour pool by encouraging women with children to rejoin the workforce and upskilling elderly, able-bodied employees;
 - 2.2.3 Invest in (re-)training local construction labourers with funds collected from the enhanced SLS. On a broader scale, reviews and improvements could be made to existing programmes such as the Continuing Education Fund (grants of HKD\$25,000 to eligible adults to upskill or reskill) and the Vocational Training Council's programme subsidising local firms to upskill employees in advanced technologies;
 - 2.2.4 Broaden the Top Talent Pass Scheme to include universities and vocational schools that may not be among the world's top 100 but are still credible sources of STEAM (science, technology, engineering, arts and mathematics) and multilingual talent. This could be achieved by widening coverage to include the 200 to 300 leading learning institutions ranked worldwide. To facilitate employers' access to the talent pool created by the Top Talent Pass Scheme, consideration could be given to establishing a database of talent admitted under the Scheme;
 - 2.2.5 Overcome regulatory hurdles in the financial services sector in recruiting talent from the Mainland to serve a wider pool of high net worth individuals. To support the development and delivery of cross-border products and services, the banking industry needs to nurture talent that understand the regulatory frameworks and client preferences on both sides of the border. Equally important is nurturing Mainland talent in Hong Kong, and immersing them in banking best practices and international standards. We hope the Government can facilitate banks to recruit Hong Kong-based roles in the Mainland, via a reverse GBA Youth Employment Scheme or campus recruitment scheme. A talent unit that straddles government agencies, especially those with portfolios for the GBA, would also be conducive to developing talent across the bay area; and
 - 2.2.6 Prepare the workforce for an AI-driven job transition and promote opportunities to share broadly and reap AI's benefits. A strong pipeline of local STEAM and computer science talent will be needed. This could be achieved through such means as expanding STEAM and digital training programmes in K-12 education, computer science and AI curricula and programmes at universities, and scholarships and grants for students pursuing computer science and AI degrees. In addition, measures such as funding research to promote AI and technology literacy, as well as championing interdisciplinary education by combining AI and related

technologies with domain-specific knowledge could be adopted to prepare graduates for the future of work which is increasingly AI-oriented.

3 Land and Housing

- 3.1 Housing and, by extension, land, are understandably priority concerns in Hong Kong in view of their importance to livelihood issues and input to the economy. The Chamber submitted detailed recommendations for last year's Policy Address on these issues, and would urge the Government to give serious consideration again to those recommendations.
- 3.2 In the immediate future, we suggest that priority be given to the following measures:
 - 3.2.1 Publish a timetable for rolling back the 'spicy measures' aimed at reining in property demand. The combination of rising interest rates and a weak outlook for global markets means the risk of a price resurgence looks quite unlikely in the near term. Failure to do so could compound the sense of a declining wealth effect, which could undermine consumer confidence and crimp spending, one of the few economic bright spots;
 - 3.2.2 Streamline and expedite statutory development processes to optimize the supply of developable land;
 - 3.2.3 Review legislation, legislative processes and institutions (such as the Country Parks Ordinance, Town Planning Ordinance, Environmental Impact Assessment Ordinance, the Agriculture, Fisheries and Conservation Department, and various Boards and Authorities) to balance development objectives with countryside recreation, with a view to identifying and redesignating a limited number of suitable sites in the periphery of Green Belts for residential and commercial uses; and
 - 3.2.4 Stimulate urban regeneration by expediting the lowering of compulsory sales threshold. This would give rise to improved public health and safety in the form of a better living environment and reduced risks associated with aging, dilapidated buildings.

4 Financial Services

- ***Strategic Enterprises***
- 4.1 Hong Kong boasts a mature and dynamic ecosystem of financial institutions. As the financial sector evolves and as emerging market investors increasingly look

to tap into global capital markets, the city needs to bring new players into the ecosystem.

- 4.2 There is room to nurture a diversity of institutional investors in Hong Kong. These include hedge funds, pension funds, and sovereign wealth funds. For Middle East and ASEAN sovereign wealth funds interested in Chinese investments, the Government should capitalize on Hong Kong's role as a super-connector to link these and other institutions around the world with local governments on the Mainland.

- ***RMB Internationalization***

- 4.3 To further promote the use of RMB as an international currency across global markets, we suggest capitalizing on the respective Connect Schemes as detailed in the following:

- 4.3.1 Stock Connect: Allow block trade, trading of non-Hang Seng Index shares, non-Hong Kong underlying ETFs, and more importantly, IPOs. Expand the range of eligible stocks for Northbound trading;

- 4.3.2 Bond Connect: Allow repurchase agreement (repo) trading, which is a key funding tool. Alternatively, consideration should be given to the establishment of a Repo Connect Scheme; and

- 4.3.3 Swap Connect: Enhance Northbound trading clearing and documentation arrangements to enable more participation by foreign investors and, in the process, contribute to higher liquidity.

- 4.4 At the same time, consideration should be given to:

- 4.4.1 Enriching the range of non-China related offshore RMB products to encourage foreign companies to better utilize their RMB deposits instead of converting such currency holdings into USD;

- 4.4.2 Encouraging non-Mainland companies to issue RMB bonds in Hong Kong. To that end, a benchmark for RMB bond issuance should be established. This could be further augmented by introducing a market for RMB bond futures in Hong Kong, given their effectiveness as a hedging tool relative to swaps in managing risks associated with Chinese bond portfolios;

- 4.4.3 Enhancing RMB liquidity in Hong Kong by (1) instituting policy support for accepting onshore bonds as collateral in Hong Kong. This would enable banks in Hong Kong to leverage on such assets in repo activities to tap into HKMA liquidity, and (2) instituting a robust and flexible regulatory framework to facilitate access by corporations to onshore RMB foreign exchange as a way of addressing hedging needs. This would

help bolster Hong Kong's competitiveness relative to other offshore RMB centres such as Singapore and London; and

4.4.4 Attracting more non-Mainland bond issuers by leveraging on the Dim Sum bond market and Southbound Bond Connect (SBC). This would require streamlining and expanding SBC by raising the trading quota and encouraging investor participation. The market for offshore RMB loans, benchmarked against onshore loan prime rates, offers a lot of promise but is stymied by the lack of hedging tools in Hong Kong. This could be overcome by enhancing the Swap Connect Scheme under which banks would be able to conduct trades beyond those for the purpose of onshore bond hedging to include offshore RMB-based Loan Prime Rate loan portfolios.

- ***Family Offices (FOs)***

4.5 Since its launch in Hong Kong, the FO regime has attracted considerable interest from local and Mainland entities. In many cases, FOs would carry out a feasibility study on taxation and legal issues or advanced ruling by tax authorities would be sought before a decision is made on where to establish a presence.

4.6 To facilitate and aid prospective FOs in opting for a base in Hong Kong, we suggest that:

4.6.1 Timely information be made available through various channels including, but not limited to, government officials/agencies, media coverage, and promotional events. To promote clarity and visibility, the information provided could include those on tax incentives and associated advantages of setting up FOs in Hong Kong; and

4.6.2 Fiscal concessions and related programmes be introduced to develop Hong Kong into a philanthropy hub. Singapore launched its Philanthropy Tax Incentive Scheme this July and under the regime FOs enjoy tax breaks for climate-related investments and blended finance. The Donor Advised Fund is a concept that is popular in the US and Singapore, and could serve as a reference for Hong Kong, including the implementation of related tax incentives.

- ***Wealth Management***

4.7 We believe that it is opportune for the Government to consider further building on the existing Wealth Management Connect Scheme (WMC 2.0) by reviewing the scope and risk rating of products, investment amount, sales process, advisory process, and marketing promotion. Specifically, we suggest:

4.7.1 Allowing non-WMC Mainland Chinese clients to open Hong Kong accounts remotely;

- 4.7.2 Expanding the list of eligible financial institutions (FIs) that are permitted to accept remote opening of Chinese accounts by Hong Kong residents to include non-Mainland FIs in order to achieve a level playing field;
- 4.7.3 Permitting the remote selling of insurance products to both Mainland and Hong Kong residents (to complement the Insurance Connect Scheme, which is concerned mainly with client servicing and premium payment);
- 4.7.4 Raising the ceiling on cross-border and foreign exchange remittances. Such a relaxation could be limited geographically to transfers and deposits conducted in the GBA;
- 4.7.5 Enabling Hong Kong-based bankers to provide, on the Mainland, clients with support and consultation services including market updates and portfolio review but not active selling; and
- 4.7.6 Simplifying the investment sales process particularly on risk disclosure, for all customers in Hong Kong, an approach similar to other regional markets such as Singapore's.

- ***Green and Sustainable Finance***

- 4.8 As the transition to a sustainable global economy takes on increasing importance, Hong Kong is poised to reap the benefits of the worldwide shift towards purposeful investments aimed at providing positive environmental outcomes. We can further augment our standing as a pre-eminent international financial centre by:
 - 4.8.1 Developing a green finance roadmap or strategy to steer the development of green finance in Hong Kong;
 - 4.8.2 Providing incentives for banks and other financial institutions to develop green finance products and services, such as green bonds and loans for sustainable projects across a broader spectrum of industries;
 - 4.8.3 Establishing a green loan guarantee scheme to encourage banks to lend to SMEs which invest in sustainable projects;
 - 4.8.4 Developing a green investment fund to finance sustainable infrastructure projects;
 - 4.8.5 Expanding renewable energy capacity and low-carbon technologies by investing in solar, wind, and other renewable energy technologies, incentivizing the private sector to participate in renewable energy projects, and investing in carbon capture and storage;
 - 4.8.6 Investing in circular economy initiatives such as developing partnerships among different sectors and producing sustainable supply chains; and
 - 4.8.7 Requiring green loans and sustainability loans to be linked to impactful outcomes in carbon reduction.

5 **Tourism**

- 5.1 2023 marks a year of recovery for Hong Kong with the city fully reopening its doors to the world. While promotional drives such as “Hello Hong Kong” have helped boost inbound tourism, a holistic strategy for promoting sustainable tourism is needed over the long haul with greater emphasis on offering visitors quality experiences.
- 5.2 Our recommendations for improving tourism in Hong Kong are centred around the SAR’s intrinsic strengths, such as our world-class country parks, international events, cultural heritage and unique character, advantages that the Government could leverage on expeditiously to attract tourists, particularly high-yield visitors such as frequent independent travelers. These are:
 - 5.2.1 Expand and diversify tourism attractions by strengthening Hong Kong Travel Board’s (HKTB) collaboration with influencers via popular social media platforms in promoting traditional festivals and events such as Buddha’s Birthday, the Cheung Chau Bun Festival, and Dragon Boat Festival;
 - 5.2.2 Continue to pursue a major events tourism strategy that emphasizes the regional, “iconic” or mega aspect of such events and a tourist focus in the strategic planning process. Such a strategy should span the genres of sporting, cultural and business events to generate the desired outcomes of a high level of tourism while enhancing Hong Kong’s profile and appeal. Other than a sectoral approach to drawing up a strategic framework to target and develop major events, consideration should also be given to their frequency and size. In that connection, consideration should be given to building a diversified portfolio of events that encompass hallmark (recurring) and mega (non-recurring) events within the respective sectors;
 - 5.2.3 Promote and reinvigorate local tourism across the 18 districts based on their unique cultural and historical characteristics as put forward by the Chamber in its recommendations to the 2022 Policy Address. For instance, the Aberdeen Wholesale Fish Market could be redeveloped into a tourist destination by capitalising on Hong Kong’s fishing heritage;
 - 5.2.4 Enhance accessibility to country parks and recreation areas in the New Territories and Outlying Islands by expanding suburban transit operations. Successful precedents to draw from include special bus routes operated by the MTR Corporation connecting Long Ping MTR station with Tai Lam Country Park in Yuen Long during the Tai Tong red leaves sightseeing festive season. We believe such a measure should be replicated across other suburban tourist spots, to encourage visitors to explore the countryside. In the same vein, public transport connectivity

should be improved at the Kai Tak Cruise Terminal, to provide cruise passengers with seamless and reliable connections to other places of interest while traveling in Hong Kong;

- 5.2.5 Harness Hong Kong's marine recreation environment, which provides a world-class location for a wide and diverse range of water sports such as sailing, rowing, and boating. It follows that appropriate facilities should be made available to capture the attendant social, health, and very substantial job and economic benefits of developing the marine recreation industry. The task of doing so could be taken up by the private sector. However, relevant land and marine policies would have to be put in place to enable such developments;
- 5.2.6 Rethink the approach to attracting prospective visitors by emphasizing total/end-to-end experiences. This will require collaboration across the various government departments, HKTB and industry practitioners to upgrade service quality in such areas as the taxi trade (spanning such issues as state of vehicles, customer service, and inflexible payment means) and customer-facing sectors (by addressing and improving attitudinal issues). Longstanding attractions could also benefit from a review and revamp to promote and sustain visitor interest;
- 5.2.7 Take into account and pre-empt the likelihood of over-tourism, which could cause irreversible damage to the natural environment and cultural heritage, as well as potential impact local residents. To prevent overcrowding and tourism fatigue, consideration should be given to a mechanism to monitor traffic flows across some of the more popular tourist sites. Such an approach would reap the twin benefits of safeguarding against the risk of over-tourism while, at the same time, upholding the quality and standard of tourism in Hong Kong; and
- 5.2.8 Develop domestic consumption as a complementary measure to promoting Hong Kong to overseas markets. The distribution of consumption vouchers has, to some extent, offset the effects of local residents' preference to travel and spend their money abroad as soon as travel restrictions were lifted. The notion of developing night markets may also be a feasible way to drive domestic consumption, although concerns arising from the food and beverage sector should be taken into account to avoid market cannibalization. For the initiative to gather traction, policy support is critical. This could range from designating appropriately sized and located sites, providing the requisite infrastructure such as sanitation services and transport links, and ensuring the availability of labour, among other considerations. Under ideal conditions, night markets should be market-driven to position them for success in a sustainable manner.

6 Logistics and Transport

- 6.1 Hong Kong's economic fortunes remain closely intertwined with its trade performance. In light of this, continued policy focus should be allotted to the pillar industries of trade and logistics to ensure that they stay robust and healthy.
- 6.2 In this regard, the Chamber suggests that the Government:
 - 6.2.1 Expedites the third and final phase of the Trade Single Window to facilitate the lodging of import and export trade documents;
 - 6.2.2 Establishes a "one file" common data platform for customs authorities in Hong Kong and the Mainland to share access to information for performing clearance activities;
 - 6.2.3 Continues discussions with Mainland Customs with support from the industry to widen the scope of "Green Lane Logistics", for example, through the Single e-Lock Scheme to/from provinces outside of the GBA similar to the recent trial implementation in Hunan in June 2023. This would have the benefit of tapping into and promoting the economic potential of landlocked areas such as Guangxi, Guizhou, and Henan. Hong Kong also stands to gain as the gateway of choice for these regional markets;
 - 6.2.4 Fast-tracks the implementation of the Smart Port Initiative by leveraging the Airport Authority Hong Kong's Cargo Data Platform. This can be done by simply extending its current scope to include maritime shipping given that many of the issues, processes, and stakeholders are the same or similar;
 - 6.2.5 Positions the Hong Kong Port as a super connector to differentiate it from other ports while enhancing the international standing of the GBA port cluster, with the establishment of a Port Authority to promote and support the economic and strategic interests of Hong Kong's maritime shipping sector;
 - 6.2.6 Sets up a land bank for modern logistics development. Ideally, this should be located in the Northern Metropolis Area to capitalize on the ongoing development of cross-border infrastructure;
 - 6.2.7 Introduces a transshipment ordinance to further promote such activities and capitalize on Hong Kong's entrepot trade model for high value commodities, in anticipation of the SAR's accession to the Regional Comprehensive Economic Partnership;
 - 6.2.8 Creates an automated vehicle (AV) pilot scheme on the Hong Kong-Zhuhai-Macau Bridge through the establishment of a dedicated lane for AVs, to mitigate the shortage of cross border drivers. Under such a scheme, operators from either side of the border would be responsible for managing the dispatch and collecting of AVs at designated frontier entry

and exit points. Subject to safety and viable conditions, such a scheme could be replicated at other cross-border links such as the Shenzhen Bay Bridge;

- 6.2.9 Implements a postal code system in Hong Kong to improve the efficiency and accuracy of deliveries to private residences and businesses. Such a system would contribute significantly to strengthening e-commerce by refining pick-up and delivery procedures; and
- 6.2.10 Enhances Hong Kong's value proposition as the preferred international transport hub in the region by offering subsidies to attract airlines and other carriers to establish a presence in the SAR.

7 SMEs

- 7.1 SMEs in Hong Kong continue to face economic headwinds despite the lifting of pandemic-related restrictions. A combination of factors has contributed to a weaker than expected economic recovery in some of Hong Kong's key trading partners. Increasingly fraught international relations have also had an adverse effect on trade and investment activities.
- 7.2 To support and help SMEs weather such conditions, we recommend that the Government:
 - 7.2.1 Further extend by another year (i.e. until March 2025) the application period from March 2024 for the 80% Guarantee Product, 90% Guarantee Product, and Special 100% Loan Guarantee under the SME Financing Guarantee Scheme;
 - 7.2.2 Subject to the availability of funds, raise the cumulative funding ceiling for the SME Export Marketing Fund (EMF) to allow the scheme to serve its intended purpose of supporting SMEs;
 - 7.2.3 Compile online information on trade regulations and rules across foreign markets including data drawn from international organizations such as the World Trade Organization, to guide and facilitate planning by SME exporters to comply with regulatory requirements on trade;
 - 7.2.4 Provide support for SMEs in the retail and tourism industries through such means as funding schemes to automate operations including implementing electronic kiosks, incorporating generative AI technologies, and adopting e-payment services;
 - 7.2.5 Provide access to commercial data from government sources to support credit risk assessment in SME lending via the Commercial Data Interchange. Data on transactions with government entities, such as behavioral, payment, shipment, and custom data, can provide SMEs with

easier access to bank finance, including pre- and post-shipment financing;
and

7.2.6 Implement accelerated payment programmes similar to those in the UK, ASEAN, and the Middle East to support businesses during the post-COVID period with contracted amounts ranging from a few hundred million to more than a billion USD. Under such programmes, the Government manages or co-develops a platform with banks for vendors to obtain early financing secured by invoices issued under government contracts but before a certain payment date. This is different from the US Treasury's prompt payment discount arrangement in that it does not bind vendors to fixed payment terms, but rather provides the latter with the flexibility to obtain financing only when needed. These have been effective in helping SME vendors maintain liquidity and reduce the cost of working capital.

7.3 It is also critical that SMEs be properly supported and equipped if Hong Kong's decarbonization objectives are to be realized. This is especially so given that they are an integral aspect of corporate value chains as a proper and full accounting of emissions becomes increasingly mainstream. To that end, we suggest:

7.3.1 Providing funding and resources for industry-led sustainability initiatives that support SMEs in adopting sustainable practices;

7.3.2 Developing and subsidizing training and education programmes to help SMEs understand the benefits of sustainable practices and technologies, and how to implement them;

7.3.3 Establishing a sustainability certification programme that recognizes SMEs for their sustainability efforts and provides them with a marketing advantage;

7.3.4 Providing financial incentives or subsidies for SMEs that invest in renewable energy or energy efficiency measures, or adopt sustainable practices; and

7.3.5 Developing a network or platform that allows SMEs to share best practices and knowledge on innovative and sustainable building practices and technologies.

8 Innovation and Technology (I&T)

- ***Planning***

8.1 Our recommendations on the Government's policy priorities to foster the development of I&T across the respective time horizons are:

- 8.1.1 In the short-term, focus should be given to promoting Hong Kong as a smart city by actively encouraging and supporting the deployment of technologies in key activities such as aviation, transport, and environmental protection;
- 8.1.2 For the medium term, concrete strategies should be devised to bring to market existing technologies with emphasis on such areas as Web 3.0, virtual assets, blockchain, intellectual-property trading, and data; as well as early preparation of priority zones for data centre development modelling; and
- 8.1.3 Over the long term, the Government should look at rolling out measures that are aligned with national priorities.

- ***Startups***

8.2 Building on the success of existing policy measures, continuous support across the talent, financial, and technological pillars can help to further nurture the startup ecosystem in Hong Kong. In particular, there are opportunities to support the fintech ecosystem given the city's standing as an international financial centre and I&T hub. Our recommendations include:

- 8.2.1 Creating a fintech job portal to delineate talent requirements and connect fintechs with prospective and experienced candidates;
- 8.2.2 Extending work placement programmes to include non-bank fintech companies;
- 8.2.3 Creating a centralised platform for fintech companies and private market investors to discover and engage with one another;
- 8.2.4 Creating a centralised database of pre-approved fintech companies to streamline vendor onboarding and level the playing field; and
- 8.2.5 Establishing additional "Fintech Bridges" and entering into technology transfer agreements with a wider cross section of markets.

- ***Law Reform***

8.3 The Government has indicated that it plans to make legislative amendments to regulations relating to privacy, copyright, cybersecurity, cybercrimes, and national security matters either later this year or the next. We look forward to the opportunity of contributing to the legislative amendment process as early as possible so that industry feedback is taken into account for all relevant legislations.

- ***Asia Pacific data hub***

8.4 The business community hopes to see a more comprehensive and transparent strategy that considers data transfer viability between Hong Kong, Mainland China, and other major Asian markets, where there are also emerging data localisation rules.

- 8.5 We welcome the memorandum of understanding signed recently between the Government and the Cyberspace Administration of China to facilitate Southbound Mainland data flows. The Government should help to reassure and educate the business community on the benefits of the new arrangements.
- 8.6 In other parts of Asia, India and Indonesia are both implementing new data localization requirements. Both are sizable consumer markets and have growing trade ties with Hong Kong. We hope that the Government will work to maintain data flows between Hong Kong and these two jurisdictions.

9 **Livable City**

- ***Road Transport (Commercial Vehicles)***

- 9.1 To accelerate the adoption of low-carbon goods vehicles, we suggest the following:
- 9.1.1 Clarify the Government's infrastructure transition plan. There are various options available on the market as corporations seek to transition to low-carbon commercial goods vehicles, such as hydrogen and electric vehicles. Corporations would benefit from understanding the Government's policy on this issue. This would provide clarity and confidence to the private sector for making long-term investments in their fleet;
- 9.1.2 Raise the subsidy limit of the New Energy Transport Fund per company to enable more trials of low carbon transportation in the private sector;
- 9.1.3 Identify suitable sites for installing electric vehicle (EV) charging/hydrogen refueling facilities for commercial vehicles; and
- 9.1.4 Provide payload concessions or exemptions for the use of EV batteries, to promote the use of EVs in the heavy goods vehicle (HGV) and medium goods vehicle (MGV) categories. This would in turn produce climate and air quality benefits. Batteries currently make up 10% to 20% of the total payload weight, depending on the vehicle model. This results in a heavier powertrain, which can reduce the cargo weight that can be carried compared to internal combustion engine (ICE) vehicles, creating a payload penalty that may diminish their commercial appeal. For instance, UK Government regulations allow for an increase in the gross vehicle weight (GVW) limit of 2.0 tonnes for certain zero-emission vehicles (ZEVs) and up to 1.0 tonne for certain alternatively fueled vehicles.

- ***Road Transport (Public)***
 - 9.1.5 Implement measures to encourage the use of electric vehicles and public transportation, and discourage the use of private cars;
 - 9.1.6 Consider extending a 1-for-1 tax incentive or remove existing taxes on electric or hydrogen-powered vehicles;
 - 9.1.7 Develop a comprehensive public transportation system that meets the needs of all residents, including those in suburban areas, with the objective of reducing reliance on private vehicles;
 - 9.1.8 Provide incentives or subsidies so that fares for green public transportation are lower than for fossil-fueled ones;
 - 9.1.9 Develop a bicycle and pedestrian network that is safe and accessible to all residents, including those with physical disabilities;
 - 9.1.10 Encourage the use of smart transportation technologies to optimize traffic flow, reduce congestion and lower emissions;
 - 9.1.11 Accelerate the timeline (currently by 2035) on prohibiting the sale and new registration of fossil-fueled private cars, as well as heavy vehicles;
 - 9.1.12 Promote sustainable transportation and incentivise EV adoption by providing financial benefits, improving charging infrastructure, and implementing low-emission zones;
 - 9.1.13 Simplify the Transport Department’s new vehicle registration procedure for EVs and hydrogen vehicles;
 - 9.1.14 Provide free public parking spots, equipped with paid charging facilities, for EVs; and
 - 9.1.15 Set a progressive target to install 100% EV charging facilities across all indoor and outdoor parking spaces by working with the utility sector to increase electricity capacities in buildings to allow such infrastructure.

- ***Air Transport***
 - 9.2 To maintain its status as a global aviation hub, Hong Kong must support the aviation industry's goal of achieving net-zero carbon emissions by promoting the use of Sustainable Aviation Fuel (SAF) at the Hong Kong International Airport. This is in line with the Civil Aviation Administration of China's 14th Five-Year Plan for the Green Development of Civil Aviation, which was submitted to the International Civil Aviation Organization in September 2022. The plan includes measures to expedite the creation of a SAF certification system and to assist major airports in building SAF infrastructure and increasing its use. We recommend the following:
 - 9.2.1 Establish a government-led coalition of businesses and academia (similar to the UK’s Jet Zero Council and Singapore’s International Advisory Panel) to drive delivery of new technologies and innovation and the adoption of a SAF roadmap for achieving zero aviation emissions;

- 9.2.2 Work with partners in the GBA to develop a SAF supply chain, by:
- a) Providing funding to support the commercialization of SAF plants and fuel testing. For instance, the UK Government has since set up a £15 million advanced fuel fund. A similar fund in Hong Kong could help airlines to adopt SAF and support R&D in local institutions;
 - b) Exploring SAF production in the GBA for consumption in Hong Kong modelled on the existing arrangement for providing Hong Kong with electricity generated by the Guangdong Daya Bay Nuclear Power Station; and
 - c) Developing Hong Kong into a technical engineering center for SAF airworthiness certification and expanding its services to the wider region.

- ***Maritime Transport***

- 9.3 We suggest studying the feasibility of green bunkering for Hong Kong (including the appropriate regulatory and Health, Safety and Environment regimes required), with particular attention to tapping into LNG in Hong Kong and ultimately the viability of other green fuels available in the GBA/Mainland. This represents a logical next step in transitioning Hong Kong's maritime sector from LNG to true net-zero fuel alternatives. In the meantime, efforts to provide LNG bunkering in Hong Kong should be expedited so that the timetable for commissioning such a facility can be implemented much earlier than the current objective of 2025.

- ***Buildings***

- 9.4 Improving the energy efficiency of buildings is an essential aspect of the city's decarbonization plan. To create an environment that provides tools to and incentives for businesses, developers, and homeowners to upgrade energy inefficient buildings and develop green structures, we propose the following:

- 9.4.1 The Environment and Ecology Bureau should collaborate with the Buildings Department and professional organizations to devise a comprehensive policy framework which defines the priorities, instruments, and institutional arrangements. This should also involve the promotion of a retrofit certification scheme alongside the recommendations set out below;
- 9.4.2 Upgrade the Energy Audit Code to ensure that its implementation for existing buildings is regularly reviewed and actions are taken to capture energy management opportunities arising from energy audits;
- 9.4.3 Introduce mandatory energy performance rating system for commercial buildings and tenanted premises, and establish a benchmark on the energy intensity for different types of buildings and premises;
- 9.4.4 Review the existing Overall Thermal Transfer Value (OTTV) and Residential Thermal Transfer Value (RTTV) standards;

- 9.4.5 Extend the scope of the Building Energy Code to include building envelope components, or by enhancing the standalone OTTV/RTTV standards, so that it applies not only on a building level but also prescribes the thermal performance of the components such as walls, windows, floors, and roofs;
- 9.4.6 Link gross floor area concession to the actual performance of green buildings. For example, a tiered approach that grants gross floor area (GFA) concessions based on the building's BEAM (Building Emissions Accounting for Materials) Plus ratings;
- 9.4.7 Provide funding/loans for small businesses and residents to facilitate investments in retrofitting buildings and replacing inefficient appliances. Encourage the use of low interest or interest-free loans for energy efficiency improvement projects already available from the two power companies in Hong Kong;
- 9.4.8 Introduce public-private partnerships (PPP) for existing buildings, where the Government provides enabling support for green finance on major energy efficiency retrofits in commercial buildings, with potential financing guarantees or the development of an agreed standardized performance contracting framework/supporting financial (e.g. tax) incentives which can be used by owners of inefficient buildings and service providers to underpin their early retrofitting;
- 9.4.9 Promote carbon neutral commercial building operations by facilitating environmentally beneficial practices during the leasing of buildings (green leasing policy). For instance, by introducing data sharing, building energy performance requirements, and management approaches as part of the leasing requirements;
- 9.4.10 Encourage Building Information Modelling (BIM) applications in new constructions for both public or private projects by deploying the latest features such as 4D, 5D or 6D modelling at the design stage, during construction, through to business integration to facilitate digitally managed and streamlined workflows, improve collaboration and productivity, optimize real-time cost planning and management, ensure quality monitoring, and minimize risk; and
- 9.4.11 Take the lead on enhancing the energy efficiency of public buildings' management or operation by adopting retro-commissioning practices, applying energy efficient technology, and introducing embodied carbon performance monitoring for the development of new public buildings.

- ***Waste Management***

- 9.5 As part of Hong Kong's plan to phase out landfills, a comprehensive waste management plan that spans waste reduction at source and recycling is crucial. It is recommended that such a solution also take into account the GBA to capitalise on the synergistic capabilities of the respective constituent cities. To sustain and

grow the recycling industry, efficient sorting facilities are necessary to recover high-value recyclable materials. We propose the following:

- 9.5.1 Initiate dialogue with GBA cities to explore joint waste management solutions and facilitate the transportation of valuable recyclable materials to designated recycling facilities in the region. Providing logistical support for the transportation of recyclable materials to the designated facilities can help enhance the overall waste diversion performance;
- 9.5.2 Repurpose phased-out landfills for establishing material recovery facilities. High value recyclables can be recovered while enabling the recycling industry to thrive in Hong Kong and the GBA;
- 9.5.3 Increase gross floor area concessions for new commercial and residential buildings. To provide sufficient space for waste separation at the source, refuse rooms need to be significantly bigger and upgraded with smart technologies;
- 9.5.4 Introduce requirements on the recycling rate of building demolitions, addition and alteration works and on the use of recycled materials in buildings, such as requiring the analysis of embodied emissions over the entire life cycle of a building, as well as establishing embodied carbon targets for municipal buildings to drive the use of low embodied carbon or recycled steel and concrete, electrification of construction sites, and to achieve lightweight design with structure optimisation;
- 9.5.5 Introduce requirements to conduct pre-demolition and pre-refurbishment audits before any demolition or major refurbishment projects can be carried out. This would be useful in providing a full inventory of the products and materials that can be reused or recycled;
- 9.5.6 Consider the circularity of materials through a building at the design phase. Developers should devise an initial waste management plan that accounts for disposal, separation, storage, movement, and collection of all waste streams;
- 9.5.7 Prepare for the municipal waste charging scheme by providing incentives for the introduction or installation of waste management infrastructure, e.g., smart bins to drive better recycling behaviour in building occupants;
- 9.5.8 Gear up for the upcoming regulation on disposable plastic tableware by providing support to the business sector on R&D for sustainable tableware alternatives or reuse systems;
- 9.5.9 Review legislation that has the unintended effect of creating waste. An example is Section 28 of Cap. 374A on Road Traffic (Construction and Maintenance of Vehicles) Regulations, which requires all glass or transparent material used in vehicles to be clear/untinted. This means imported vehicles with, say, grey glassing, have to be modified to achieve compliance. Notably, in the UK and Japan, there are no rules for tinting the rear windscreen or rear passenger windows while the front

windscreen and front side windows should allow at least 75% of light through; and

9.5.10 While producer responsibility schemes on plastic beverage containers and drinks cartons can promote recycling and diversion of the post-consumer waste from landfills, the policy tool does not encourage manufacturers to consider waste prevention during the product design stage. The establishment of a dedicated funding stream for eco-friendly product design under the Green Tech Fund could incentivise beverage producers to reduce waste at the source by implementing environmentally friendly designs. These designs could include the use of lightweighting, increasing recyclability (e.g., label-less, colorless), or incorporating higher amounts of recycled content.

- ***Talent***

9.6 To achieve Hong Kong's Carbon Neutrality target, a whole-of-economy effort is required, including the transformation of skills and jobs. As demand for corporate sustainability data disclosures, strategy formulation, and green finance products increases, the need for ESG professionals in Hong Kong is growing. For the city to develop and retain local ESG talent and attract the best professionals from around the world, we propose the following policy measures:

9.6.1 *Short- to Medium-Term*: Importing talent can help fill the current gap particularly for middle and senior management functions:

- a) The new Top Talent Pass Scheme should be useful in this respect. Further amendments to immigration rules could be considered, such as:
 - i) Prioritising ESG talent when allocating Category C top talent passes for recent graduates with less than three years of experience,
 - ii) Extending the scheme beyond the top 100 universities for certain desirable talents, such as ESG, or
 - iii) Expanding the definition of ESG on the talent list for the Quality Migrant Admission Scheme beyond specific finance-related roles;
- b) Encouraging ESG consultancies to locate in Hong Kong, as Singapore has done successfully; and
- c) Continuing the Pilot Green and Sustainable Finance Capacity Building Support Scheme to subsidise market practitioners in undergoing training and cultivating future talent in the field of green and sustainable finance.

9.6.2 *Long-Term*: Evolving curricula, subsidies, and standards can help ensure a robust future pipeline of ESG talent by:

- a) Encouraging local and international primary and secondary schools to practise and teach ESG;
- b) Collaborating with universities and industry associations to embed ESG training in Economics, Finance, and Accountancy courses and Continuing Professional Development;
- c) Promoting ESG education by providing subsidies to relevant educational and professional institutions in offering accredited courses and expanding existing subsidies to training recommended by associations such as the International Society of Sustainability Professionals; and
- d) Developing professional qualification boards that are aligned with global standards and consensus.

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