



**The Canadian
Chamber of Commerce
in Hong Kong**

La Chambre de Commerce Canadienne à Hong Kong
香港加拿大商會

September 15, 2017

The Hon Mrs. Carrie Lam Cheng Yuet-ngor, GBM, GBS
Chief Executive
Hong Kong Special Administrative Region
Tamar
Hong Kong

Dear Chief Executive,

The Canadian Chamber of Commerce in Hong Kong (CanCham) would like to take this opportunity to submit comments and recommendations for your upcoming 2017 Policy Address.

We respectfully list our comments in the attached submission, which addresses the following topics:

- Leveraging Hong Kong's strengths as a Global Financial Centre
- Keeping up with the Evolution of the "New Economy"
- Ease of Doing Business in Hong Kong
- Preparing Future Talent
- Enhancing the Quality of Life
- Making Hong Kong More Affordable

Our Chamber looks forward to working collaboratively with the HKSAR Government to help strengthen Hong Kong's economic competitiveness.

Thank you.

Best Regards,

Derrick Lee
President
The Canadian Chamber of Commerce in Hong Kong

Cc Lawrence Nutting, Chairman of the Canadian Chamber of Commerce

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The Canadian Chamber of Commerce in Hong Kong

Submission for the Chief Executive's 2017 Policy Address

Fostering Hong Kong's Potential

Leveraging Hong Kong's strengths as a Global Financial Centre

- With a well established reputation in international trade, a stable legal system and proximity to Mainland China, Hong Kong is uniquely placed to become a key financial centre for foreign and Mainland investments.
- CanCham applauds initiatives such as CEPA, the Belt and Road Strategy and the Greater Bay Area which provide increased opportunities for Hong Kong's professional and financial services. It is imperative that Hong Kong continues working with counterparts in the Mainland to establish more channels of co-operation. That way, Hong Kong can be adaptive and continue to evolve maintaining its global financial centre ranking amidst the continued development of the Mainland's financial markets.
- The bond market has seen growth in the last few years and this continues to be a good investment option, especially during volatile market conditions. We welcome the government's efforts to work with the private sector to continue building a stronger and more diversified bond market that provides newer options beyond the traditional bond issuance in areas such as retail bonds, sukuk bonds, green bonds etc..

Keeping up with the Evolution of the "New Economy"

- The economy is evolving quickly with many opportunities arising from the technology focused "New Economy" which include but are not limited to companies who provide solutions or services related to technology, e-commerce and biotech but according to the Global Innovation Index 2017, Hong Kong is falling increasingly behind countries such as Singapore, South Korea and Japan. Although Hong Kong has one of the largest IPO markets globally, Hong Kong only ranks 12th when it comes to funds raised of IPOs of technology companies.

- We believe that initiatives such as the launch of HKEX's third board allowing start-ups and technology-related companies with dual-share structures to list is promising. But in order to not lose out on opportunities that can arise from participating in the New Economy, Hong Kong should increase the support for:

1. Initiating closer collaboration between its own government departments, regulators, and industry experts.

- An example of a sector that can benefit from closer collaboration is the Fintech industry. The sector is growing and considering the fact that Financial Services account for 18% of Hong Kong's GDP, Hong Kong has potential to become an active leader in the Fintech space. However, Fintech is currently managed by 3 financial regulators along with other institutions and partners and much of the financial regulation in Hong Kong is still based on traditional business models which creates considerable challenges for businesses who want to invest in the Fintech industry.
- The government and its partners must mobilize quickly not only to update, streamline and standardize regulatory processes but also to complement one another ensuring efforts are focused and results become more impactful.

2. Accelerating the adoption of Smart City initiatives

- Hong Kong's aspiration to transition into a smart city is strongly aligned with, if not a pre-requisite for, its need to become a more sustainable and innovative city. Developing and incubating smart technologies that can help drive and improve performance in areas such as water and energy conservation, waste management, renewable energy, road congestion and overall/roadside air quality would be the most obvious areas for the government and business to collaborate on.
- For Hong Kong, a solid plan is still pending before the finalization of Hong Kong Smart City Blueprint, which is targeted to be published before Q3 next year. There is an urgent call for Hong Kong to accelerate its pace in the Smart City transformation, working in one stronger collaborative effort bringing together relevant government,

non-government bodies and private sector together, so that Hong Kong can maintain its competitiveness as an international hub.

Ease of Doing Business in Hong Kong

- According to the Census and Statistics Department, as of March 2017, there were about 320,000 SMEs setup in Hong Kong and accounted for over 98% of the total business units. SMEs and startups make up an important part of the economy and they require ongoing government support to ensure success.
- The proposal to implement a two-tier tax system for SMEs is welcomed and will allow these businesses to reinvest in a more competitive strategy. However, more support to improve the ease of doing business is required so that small businesses and startups can quickly setup and compete in this open economy more effectively.
- The World Bank ranks Hong Kong as one of the top 5 places to do business in the world and yet, many small businesses in Hong Kong find it difficult to navigate between the different governmental departments. A one-stop government service/feedback point would be ideal to ensure that SMEs and startups' needs can be effectively addressed to ensure business setup is as simple and efficient as possible. At the same time, the feedback received from SMEs and startups can be valuable to assist the government to evolve its services, policies and regulations making Hong Kong more globally competitive.
- Greater Bay Area and the Belt and Road are high-level strategic initiatives that are important to further enhance Hong Kong's competitiveness in the Asia-Pacific region. CanCham welcomes the government's continued closer collaboration with counterparts in the respective Belt and Road as well as Greater Bay Area geographic regions to identify public procurement projects and succinct trade and business opportunities for the Hong Kong-based enterprises.

Preparing Future Talent

- Education is the key factor to nurturing talent and foster growth. CanCham welcomes the government to continue to play a key role to facilitate closer cooperation between educational institutions and businesses in order to best

prepare Hong Kong's younger generations become more ready for the future job market and working conditions. With a proper initiative led by the government, we believe that it would be easier to call-on businesses to participate in a coherent manner and consolidate their efforts to assist with supporting the next generation.

- CanCham supports the government's initiative to support and expand the Vocational Training Council (VTC) in order to increase quality vocational training in Hong Kong. It is time to change the perspective of schools and parents that excelling in academics is the sole path of success for our younger generations. Vocational training can be an alternative way to the traditional academic institutions, giving students more choices and opportunities to excel in their careers. The job market is constantly evolving so our educational system must adapt accordingly in order to maintain Hong Kong's competitiveness in the global market. In this aspect, international chambers can play an important contributing role by providing international business practices, ethics, insights and culture to help local talent broaden their perspectives.
- CanCham also believes in the need to for the current school curriculums to continue focusing more on STEM (science, technology, engineering and mathematics) as well as multi-language (English, Cantonese, Mandarin) proficiency. Greater emphasis on these subjects will allow the younger generation to participate more fully in the future development of Hong Kong's key industry sectors, and contribute to Hong Kong's international talent pool.

Enhancing the Quality of Life

- Air quality continues to be a priority challenge for Hong Kong. There are many local and international NGOs and associations that actively monitor the Air Pollution: Air Quality Index, and often the results reported fall below World Health Organisation's standards for clean air, which have serious impacts on health and quality of life. Pollution is not only the responsibility of government but also the private sector and Hong Kong residents. We urge the government to take the lead and engage more industries, companies and residents to work together in a consistent manner through educational workshops, incentive programs and legislation to effectively control the air quality problem.
- Hong Kong's landfills take in an average of 1.88 million tonnes of municipal solid waste per year with just over 21% of that being plastic waste. In an effort to reduce the harmful impact of waste and use our resources in the most efficient

manner, we must invest more in strengthening the circular economy. More government support is needed to create effective incentives for businesses and educating the public to not only encourage greater participation in the circular economy but also to promote the view that such participation is an opportunity to generate/reuse valuable resources as well as to create jobs.

Making Hong Kong More Affordable

- CanCham welcomes the establishment of the Land supply task force, and hope the large size of this 30-member task force would be able to effectively come up with consolidated, feasible suggestions to ease housing and other property costs so that the government can execute with the selected recommendations in a timely fashion.
- As Hong Kong further integrates with the Mainland with increased cross-border flow of people, capital and business through initiatives such as the Belt and Road and Greater Bay Area, identification of new land supply and/or creation of new land would be essential to support the development of infrastructure, business and innovation districts as well as residential land. As suggested in the Hong Kong 2030 Planning Vision and Strategy, there are several ways to create more housing supply for the Hong Kong residents. In addition to land reclamation, CanCham would welcome the government to consider further developing the brownfield program and strategy in Hong Kong. By comprehensive planning and productive use of abandoned agricultural land in New Territories as an example, this would help address the rising residential property market demand.
- In an effort to revitalize usage of existing industrial buildings, as well as to satisfy multiple stakeholders, we would welcome more flexible usage terms and conditions coupled with more stringent fire safety and security standards in order to give more variety of businesses the right to setup in industrial buildings to encourage:
 - Legitimization of certain industries in industrial buildings;
 - General utilization of industrial buildings;
 - Heightened fire safety and security standards for these particular industries;
 - Minimize grey areas and facilitate easier enforcement for authorities.