

## **HKIoD's Response to the Policy Address Delivered on 18 January 2017**

*Note: The response first appeared in Chinese on 18 January 2017.*

### Rise to Challenges Still

(18 January 2017, Hong Kong) – The Hong Kong Institute of Directors made the following statement in response to the Policy Address delivered today.

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In the view of HKIoD, the Policy Address delivered by Chief Executive C.Y. Leung today, despite his decision not to seek re-election, is indication that the Administration seeks to press on with promoting economic development and improving people's livelihood for the remaining time of this Government.

The Policy Address today is indication that the Chief Executive has thus far been able to touch on all aspects of his campaign promise. In tackling the many difficult, long-standing problems facing Hong Kong, Chief Executive C.Y. Leung has shown the willingness to "rise to the challenges" with such commitment that deserves praise. The many policy initiatives this Administration has put forth largely point to the right direction. Challenges remain, nonetheless. Progress may have been made in many policy areas, but the results are not exemplary. The Institute is of the view that the next Government will have to follow through those policy lines and rise to the challenges still.

### **To improve people's livelihood will require sustained economic growth**

The Chief Executive reiterated his vision, that only through economic development can we improve people's livelihood. The Institute is with the Chief Executive. The Institute believes economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues. With sustained economic growth, all walks of life are that much more able to share in the prosperity, and the younger generation will have that much less difficulty in finding more jobs and opportunities for their choosing.

### **What the country needs, what Hong Kong is good at – be the "Super-connector"**

The One Belt One Road Initiative places Hong Kong in prime spot to be the Super-connector. The Institute holds the view that Hong Kong industries, whether those pillar industries such as finance services, shipping, logistics, trading, tourism and professional services, or those emerging industries, all share one common advantage: that of being the link between the Mainland and the rest of the world.

The Institute wishes for better role and opportunities for the financial services sector. The Chief Executive has decided to ask the Trade Development Council to collaborate with the Financial Services Development Council and the industry to promote the Hong Kong financial services sector capabilities overseas. And within this year, Hong Kong is likely to complete all the necessary procedures to officially join the Asian Infrastructure Investment Bank. We wish for more overseas businesses and projects to tap the Hong Kong capital market.

Corporate governance can mean a difference to the cost of raising capital. When promoting the

capabilities of the Hong Kong financial services sector, the requirements and expectations on the capital seeker's corporate governance practices can well be a matter for discussion. The Chief Executive mentioned that, in support of the One Belt One Road Initiative, Hong Kong can provide training programmes, in rail operation and in aviation for instance, to countries along the Belt and Road. The Institute thinks the Chief Executive can also include financial regulations and corporate governance among the subject matter for training.

### **Creative Economy for progress**

The last Policy Address spotted a key issue concerning the development of our innovation and technology industry, which is the ability to commercialise research results of universities. Today, the Chief Executive announced plans, by way of tinkering with the assessment criteria relating to the allocation of research grants, to require universities to conduct more research on projects that will have a large impact, that can be commercialised and which can serve Hong Kong needs, so as to link up with industrial development and the "re-industrialisation" effort. The Institute concurs. The Institute has great respect for the many achievements local universities have made in upstream academic research, but we need them to redouble the efforts midstream and downstream to turn more research into products that have larger societal impact

The Chief Executive has a few other measures to help the start-ups, to push for industrial development and to further the "re-industrialisation" effort. We agree.

### **Smart City, Creative Metropolis**

The Government has engaged a consultant to give views on how better to use innovation and technology to enhance municipal management and to better people's lives. Results are expected this year. We look forward to those views and recommendations. We have long held the view that the power of better design does not just spark innovations fetching more profits. The power of better design can also help society find new and better ways to deliver public services.

The Chief Executive made it a point that, when it comes to promoting innovation and technology, the supply of land and site premises is merely a necessary but not sufficient condition. With many competitors around us, Hong Kong must enhance its overall competitiveness, by offering tax and financial concessions for instance or through other policy support measures. We have long held the view that the Government can do more, whether in the form of R&D grants and subsidy or through tax incentives, to help Hong Kong businesses turn creative ideas into products and services that win customers and instigate positive changes for society. We look forward to hearing from the Financial Secretary further fiscal measures in the Budget to encourage businesses to engage in R&D.

### **Housing and land supply**

The Institute has no doubt in this Administration's determination to work at increasing the supply of housing units. The Institute believes that, with the completion of more units, we can indeed re-establish a flight of steps for younger persons and families to improve on their housing condition and quality of living in realistically reachable climbs. But we reiterate our concern, that in meeting the acute housing demand now, we do not forget the other long-term goal of increasing the living area per person. Perhaps we can add a bit of creativity in the floor plan design of the new housing units, such that when the pressure on housing lessens, the units can be suitably re-modelled to become larger units.

The Institute believes the prospect of averting the supply-demand imbalance in housing supply

sooner in time still hinges on the ability to search for suitable land for housing development. There has been some progress in landing more housing sites, but the results are hardly exemplary. For the near to medium term, the Chief Executive once again looks to identifying more sites through the review of land use and to raise the allowable development density. The promise of a 3-year waiting time for those seriously in need for public rental housing to satisfy basic housing needs may have become more remote, nonetheless.

The Chief Executive thinks we should incorporate more land areas with high ecological value into country parks, and at the same time consider carving out land area on the periphery of country parks with relatively low ecological and public enjoyment value for purposes other than real estate development, such as public housing and non-profit elderly homes. The idea deserves a good debate. Public housing and elderly homes are each in demand. But we think that, even for sites at the fringe of country parks, the public will not want to see building structures that “kill the scenery”. This may well be overcome by genuinely beautiful and creative architecture. As for elderly homes, even though the objective is not for accretive value, there could still be haggling over who should get the right to operate the facilities at good sites and who cannot. We look forward to further details from the Government so to facilitate a public discussion.

The Chief Executive mentioned in the Policy Address that the Planning Department will conduct a survey on the distribution and use of all brown sites in Hong Kong this year. And meanwhile, the Government will take stringent enforcement actions against illegal occupation of land sites in the New Territories, including brown sites. We agree, particularly with the latter.

### **Walk the walk**

The Institute learnt that the Chief Executive will release a report on the Public Transport Strategy Study in mid-year. The study was meant to examine the positioning of public transport services other than railway. We welcome the move. Instead of always taking the car, we can often find pleasure in settling for a walk. The Government will have two pilot areas to test innovations towards a more comfortable pedestrian environment, all to promote a “Walk in HK” initiative. We should like to see it come to fruition. To entice more people to take public transportation or to go on foot may have a beneficial effect of reducing vehicle emissions and in turn improving air quality.

### **A more pleasant environment**

We noticed that the Chief Executive have other measures and ideas to improve the environment. The Chief Executive put internal diplomacy to work and sought to establish an emission control area in the Pearl River Delta waters to regulate emissions from marine vessels. There were also efforts to strengthen collaboration with Guangdong province towards a better ability to deal with marine refuse. These are more about efforts at the government-to-government level. The Government is pressing ahead with plans to implement municipal solid waste charging in accordance with the “Hong Kong: Blueprint for Sustainable Use of Resources”. Such may be seen as an extra financial burden, but the Policy Address included mention of various tax concessions, loan schemes and funding schemes to entice property owners to switch to renewable energy or to procure energy saving installations. We hope these measures will give more Hong Kong people and Hong Kong businesses a reason to chip in for the protection the environment.

### **Retirement protection**

The Chief Executive rejects a one-size-fits-all approach to retirement protection but should

rather reinforce the current multi-pillar retirement protection system. We concur. The proposal to phase out over time the offsetting of severance payments and long-service payments with MPF contributions is advisable.

### **Long-term development driven by manpower**

Hong Kong's long-term development is to be driven by talents. Our schools must be churning out graduates who can make up the workforce for current needs as well as future development.

The Policy Address today stepped up efforts to promote STEM (Science, Technology, Engineering and Mathematics) education. This may help to encourage more students to pursue these subjects and to add to our science and technology talent pool.

The plan to support secondary school teachers to take study leave abroad with pay is not a bad idea. When the plan is in place for some time, we may want to closely examine the effectiveness and consider broadening the scope.

HKIoD believes lifelong training for directors in corporate governance knowledge and skills is an important yet often neglected segment when it comes to nurturing talents for the economic development of Hong Kong. Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. HKIoD believes that company directors should have a firm measure of competence to perform when they first assume their posts. Over time, they should strive to remain up-to-date with best corporate governance practices. Similarly, directors/governors of social enterprises, charitable organisations and statutory bodies should also be ready and prepared to discharge their duties when they start out and to keep up-to-date with best governance practices over time.

The Institute prays for the Government to draw up measures to help directors of business companies or governors of organisations of various kinds, whether those who now are and those who aspire to be, to obtain quality training so as to raise the level of their corporate governance practices.

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### **About The Hong Kong Institute of Directors**

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. A non-profit-distributing organisation with membership consisting of directors from listed and non listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi cultural environment, HKIoD conducts business in biliteracy and trilingualism. Website: <http://www.hkiod.com>.

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