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**HKIoD's recommendations  
for  
the Chief Executive's Policy Address  
scheduled to be delivered on 18 January 2017**

In the view of HKIoD, the Chief Executive has shown great determination and exerted conscientious effort at tackling the difficult, long-standing problems facing Hong Kong. The Chief Executive chose not to run for re-election. The upcoming Policy Address is still significant, as this is the occasion to tell Hong Kong People how the current Government intends to tackle those remaining items in the Chief Executive's campaign promise, and to tell Hong Kong People why the many good work should continue despite a pending change of Administration.

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

The Institute is with the Chief Executive, that economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues. With sustained economic growth, all walks of live 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.

There remains a strong voice for the need to take care of the youth. The younger generation deserves help where due, but in our mind, the bulk of thoughts and energy should be put to effectuate structural growth and development that will arrest the loss and further loss of Hong Kong's ability to perform and compete in the long run. The best surrogate to arrive at any good youth policy outcome is an effective economic development strategy. A more diversified economy will create more opportunities for them to construct their future.

The growing contingent of our elder population will deserve an elder policy no less – probably more – than the younger generation for a youth policy. A better economy will mean more resources to take care of the elderly today. A better economy should also enable workers of today to have less need to rely on the safety net and live their golden years with dignity.

**Be a better “super-connector”, seize opportunities and stay relevant**

Many Hong Kong business sectors, 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.

With the China-led AIIB getting into action, much demand in infrastructure project financing is expected. Should there be more RMB finance deals completed in Hong Kong, it will go some distance in shoring up the foundation for Hong Kong to be the leading offshore RMB business center. Some projects can conceivably be backed by bonds to be listed on the Hong Kong market to give the local bond market a shot in the arm.

One Belt One Road initiatives will mean vast market corridors for Hong Kong businesses and service providers to not just connect but also invest. But it may take free trade agreements and pacts to give Hong Kong businesses and service providers truly better access to foreign markets. We look forward to further words on free trade agreements with ASEAN and possibly other



Belt and Road countries, and also on the prospect of Hong Kong actually becoming part of the Regional Comprehensive Economic Partnership.

### **Refresh the tax system to keep us competitive**

To stay relevant requires us to stay competitive. Any advantage of “a low tax system” that Hong Kong clings to may have become more a myth in recent times as neighboring jurisdictions offer incentives and concessions in many forms to beat us at the game. We repeat our call on the Government to review the tax regime and to add or augment tax incentives to better match business needs, to spur development, to spice up the economy.

It is not quite like the Government has no recipe at all to spice up the economy; for instance, the aerospace financing business has been put into the spotlight. But the last Budget Speech balked at putting actual measures in place. A rational and plausible measure that can be introduced is to lessen restrictions on depreciation allowance.

A wider double tax avoidance treaty network should make Hong Kong more able to keep itself in the game to be the choice location to conduct and operate cross-border business.

We ought to also consider the case for a two-tier profits tax regime. That will benefit SMEs, some of them the would-be startups pursuing growth through innovation.

### **Let market forces thrive**

To maintain Hong Kong’s role as a major international financial centre, Hong Kong must keep up with other major financial markets at efforts to improve banking and financial regulations. The mode and extent of regulation, however, should showcase the characteristics and function of the market. Instead of focusing energy and thought to tinker with regulatory structure, more could possibly be gained if the regulatory regime is such that market participants, including the retail investors, can have better ability and means to fend for themselves in the process of making investment decisions among diverse offerings.

### **Consumer protection must protect consumers**

Some laws and regulations are promulgated, and need to be so, because even sophisticated consumers will not have the range of alternative choices to fend for their own interests. Although businesses must be given the freedom and leeway to go about winning their customers, that freedom should be restrained when market competition is artificially distorted. Hong Kong drivers often hear and read in the news about crude oil prices coming down, but they don’t seem to find that same drop at the pump when they try to fill their tanks.

Lending and borrowing is one part of the capitalist way of things. Money lenders should be allowed to go about doing their business, but they must know to stay within bounds. While borrowers have to ultimately help themselves by keeping within their means, society should not condone routine practices of lenders that have the ill effect tempting customers into a debt trap.

Hong Kong residents will also have to look to the Government for their peace of mind when consuming food and health products. We also surmise the better more reputable businesses will find it easier to accommodate a “cooling off” period for customers to think things over when it comes to longer-term service contracts.



### **Keep visitors coming**

We are still short of measures to keep Hong Kong atop the plenty choices tourists have in picking a destination. For what Hong Kong can offer already from its creative industry (music, animation, film/tv and performing arts in general), there could be more efforts to fashion from such novel and better tourist attractions.

Aside from what we can offer locally, we should also look to what Hong Kong can have better access or leverage than our competitors. Quite a few zoos and parks around the world have pandas, but as yet there are not that many places that can boast a permanent display of Palace Museum treasures.

The Arts Festival has been a fixture on the calendar of arts lovers for many years. While the offerings are usually good, there are murmurs that programming of that caliber are week in week out affairs at the true arts capital in the world. Do we not have the possibility of fashioning a Hong Kong satellite hub for performing groups of China, Asia or international fame to station for longer?

To have cleaner better quality air will not hurt. While some will want to blame our neighbor up north, we probably need to also admit the effect of cars on our own streets on roadside air quality. Internal diplomacy can be put to work, but we could also be more decisive with measures to make more people finding it right to take public transportation or convenient to go on foot.

And there is something simple we can do ourselves to please visitors (and locals): keep the streets and back alleys clean and tidy, and have pavements that do not sprain people's ankles.

### **Growth through innovation**

Innovation and technology fosters great return in a Creative Economy, and few can deny it. Over the past few years the Chief Executive has introduced a few initiatives to promote innovation and technology. R&D spending as part of GDP remains low nonetheless, and there is room – and necessity – for further fiscal incentives to encourage R&D.

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 downstream to turn more research into products that have societal impact.

We see the value in bringing back high-skilled manufacturing as part of a more diverse economy.

By connecting things or concepts that are seemingly unrelated, creative design could emerge. By bouncing and rearranging ideas old and new, or from one culture to another, innovative products could result. We ask the Government to explore and experiment further opportunities for industry segments to spark innovation through cross-fertilisation.

### **Creative Economy, Creative Society**

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. There should be opportunities and need for us to find ways to better tap creative ideas to innovate new ways to make the living environment safer and more comfortable. The next innovation is



good. The next innovation in solutions would be even better, in applying new ideas, new technology and new products to solving real problems facing us.

### **Live their golden years – and die – with dignity**

#### *Aging at home and a home care service industry*

If we were to effectuate the avowed policy of aging at home, we need far more resources allocated and much more resolute support to service providers to cut the waiting time for home care services.

Home care service provision must shed its image of being just social welfare. Home care service provision has all the potential to evolve into an industry of good business prospect with professionalised operations. We need more people with the right training and the commitment to work in this industry. The Government can come up with stronger plans to channel some of our labour force, younger workers included, into home care services and to spark the local home care service industry.

Those who choose to age at home may also have the desire to die in place. There are probably some legal and administrative restrictions that would prevent it from being a viable choice among the elderly or their family. The Government may want to consider a policy tweak that could make it more an option.

#### *Retirement protection*

The pay as you go, universal pension approach has run into difficulties in plenty countries that have tried it, and we doubt the wisdom to dive into the pond now. On the other hand, we can see the rationale for paying a nominal amount universally to all elderly across the board, somewhat similar to the current Old Age Allowance, as a show of respect. Retirement protection meant for supporting a living should probably only go to those with real need but not the means. When assessing options for retirement protection, we need to consider schemes that enable workers of today to have less need to rely on the safety net when they age. This should require an overall assessment of the purpose and effectiveness of the Mandatory Provident Fund and the social security schemes now in operation. On this count, we need to be mindful of those perverse situations where MPF contributions are rendered a form of unemployment insurance, thus serving a different purpose than what it should. A transition period towards eliminating MPF offsetting would seem an advisable solution.

### **Talent, education and immigration policy**

With a tight labour market, especially in certain sectors like construction, there is a real need to import labour. We may also need to attract talents for relevant professions from overseas. As we do so, we must avoid the situation where true experts are actually turned away just because of some narrowly guarded sectoral interest.

Hong Kong is a free society, but that does not contradict tight immigration rules and procedures to prevent people with doubtful even false refugee claims from obtaining residency in Hong Kong.

To support the growth strategy, our own education system needs to churn out people with the right practical skills, not just academic degrees. Exposure to foreign students should benefit our own local enrollment to enrich their school experience, and there is a point to make the range of that exposure as international as can be.



*Flexibility to agree upon work arrangements*

The civilised and open society that Hong Kong is, we as a community should not tolerate cruel and inhumane work arrangements. Some workers for what they do will probably need some protection in terms of work hours. For other workers in many other jobs, employers and employees should have as much freedom and flexibility to agree upon work arrangements such as work hours and pay/benefits, according to the nature of the jobs involved, and to clearly specify such arrangements in contracts. Give demand and supply a chance to work itself out in a tight labour market.

*Better quality director for better corporate governance*

Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. As part of the HKSAR 20<sup>th</sup> anniversary celebration, there will be held in March a Corporate Governance Roundtable. HKIoD is a proud supporting organization for the event. Through the event, the Government wants to promote and enhance good governance. The Chief Executive can further that purpose by highlighting the importance of initial and continuing training of corporate directors to better help them fulfill their duties. Corporate governance is not just for profit-seeking companies. Social enterprises, charitable organisations and statutory bodies should also find it to be good investment to help their directors/governors get ready and be prepared to discharge their duties with good training.

**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 promise of a 3-year waiting time for those seriously in need for public rental housing to satisfy basic housing needs seems to get even more remote.

Land needs for industry and commerce must not be brushed aside in the quest for more housing. An ageing population will also translate into land needs beyond housing, e.g., healthcare services and elderly care facilities.

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. This will remain a great challenge for the Government.

The "Hong Kong 2030+" initiative has the approach to optimise development in new development areas (via reclamation, for instance, for the East Lantau Metropolis and the tapping of brown fields scattered around the New Territories) and to retrofit the densely developed urban areas (which has a large bulk of rapidly ageing buildings). A vision, a roadmap to approach that retrofitting of the older part of the City may be where the Government can better facilitate public discussion and demonstrate stronger leadership.

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