

HKIoD's response to the Policy Address delivered on 25 October 2023

Note: The response first appeared in Chinese on 25 October 2023.

Get to work to get results

(25 October 2023, Hong Kong) - The Hong Kong Institute of Directors issued the following response to the Policy Address delivered today.

Chief Executive John Lee Ka-chiu delivered his second Policy Address today. It was a long session, but one filled with plenty details. The Chief Executive would seem to take a “result-oriented” approach to governing. The hope is for government bureaus and departments to firmly put plans into action.

Dovetailing National strategy for economic development

As the only world-class city that can boast an edge in China connectivity while being international, a major impetus for Hong Kong growth is the staunch support from Motherland and its global reach. In the financial sector, strengthening offshore RMB business helps the internationalization of the currency. A vibrant stock market is another priority. The Chief Executive accepted recommendations from the Task Force on Enhancing Stock Market Liquidity. Aside from reducing the rate of Stamp Duty on Stock Transfer, there will be a review of trading spreads practices and the fee structure for real-time market data with a view to reducing costs to investors. The Stock Exchange has also commenced a consultation to improve the GEM market. This should be a good forum for stakeholders to offer views and suggestions.

This year, government officials have been on many delegations to tell the Hong Kong Story. We would wish all sectors of the community to continue the good effort, to re-market Hong Kong as a desirable place to do business. In addition to traditional markets like Europe and America, it would be important to expand trade and commerce with Belt & Road countries. We also would wish for an early accession to RCEP.

The Policy Address entails measures to push forward the Hong Kong I&T Development Blueprint, such as to expand the Research, Academic and Industry Sectors One-plus Scheme to encourage commercialization of R&D results. The Institute has long recognized the impressive Hong Kong capabilities in upstream fundamental research, but we need more efforts mid-stream and downstream to turn stellar research results into products that have societal impact. The establishment of the New Industrialisation Development Office, in conjunction with matching funds from the \$10 billion New Industrialisation Acceleration Scheme, should help re-industrialisation efforts.

Digital economy development

The Digital Economy Development Committee led by the Financial Secretary will submit its recommendations early next year. We look forward to those. One major focus is to accelerate digital transformation of SMEs. The Policy Address today made mention of the decision to establish the E-commerce Development Task Force. Together with measures to enhance efficiency in customs clearance and goods delivery, the aim is to help Hong Kong SMEs



develop cross-border e-commerce on the Mainland. To connect Commercial Data Interchange with the Government's Consented Data Exchange Gateway should help speed up credit underwriting.

Aside from business applications, government service is another front as far as digital transformation is concerned. On this front, Hong Kong is probably quite far behind needing a real catch up. The Chief Executive today spoke of the need to accelerate the digitalization of government services, which entails the opening up of data and coordinating various departments to offer more digital services. We support the policy direction. We hope the Digital Policy Office will make firm progress under the direction of its Commissioner.

Stamp duty on residential units

In recent months there have been many calls in society to tweak the stamp duty on residential units. The Chief Executive will make adjustments, citing the high interest environment and a change in objective conditions from that of the time when the "heightened duties" were introduced. The holding period for purpose of Special Stamp Duty will be shortened from three years to two. Buyer Stamp Duty and New Residential Stamp Duty will have the respective rates halved to 7.5%. The two changes would seem to weigh towards those who already own flats but would desire to make further investment purchases. For incoming talents buying their first home, relief will come from the switch to a deferred payment arrangement. We tend to think the adjustments are suitable. The Institute believes "heightened duties" meant to arrest speculation should stay, but there is room to further relax measures to help buyers for genuine self-use.

Raise the birth rate, make it easier to raise children

The Chief Executive announced a \$20,000 cash bonus for newborns. We agree with this incentive, but the amount surely would not be enough to raise a child. The Policy Address included other measures to help families with kids, such as priority in flat selection for Subsidized Sale Flats and priority allocation for public rental housing. Ceilings for home loan interest and rental deduction will also be raised. To help working families with kids, there will be an increase in the Working Family Allowance, an increase in the number of child care places and amount of subsidy, an expansion of the After-school care programme for Pre-primary Children to cover the whole of Hong Kong, and a strengthening of the Neighbourhood Support Child Care Project.

The Chief Executive sought to introduce a new policy regime to boost fertility to turn around a long-time declining trend. This deserves support, but to truly increase the birth rate will require much more policy support, from housing to education, from jobs to upward mobility, to make for true incentives.

Degrees in applied sciences to elevate vocational education.

The Chief Executive also has plans to establish "universities of applied sciences" to elevate the status of vocational training to degree level, so to entice youngsters to pursue a career in technical subjects. To make Hong Kong an international hub for tertiary education, increasing the admission quota of non-local students at government-funded institutions, injecting more money and to raise the number quota of scholarships should all help attract overseas students especially those from Belt & Road countries to study in Hong Kong and become talents we



need for our economic development. To further promote STEAM education at local primary and secondary schools should also help us groom local STEAM talents and feed the talent pipeline for our I&T and re-industrialisation efforts.

Health science and medical innovation hub

The Policy Address included a long-term goal of establishing an approval authority for “primary evaluation” of drugs and medical devices, which could help attract more companies from local or abroad to conduct R&D and clinical trials here. This initiative would echo the policies to foster I&T and re-industrialisation. We agree with this policy goal. The Chief Executive has secured a \$3 billion funding commitment from the Jockey Club for efforts in strengthening the capacity in vaccine R&D and in the prevention and control of emerging contagious diseases, locally and jointly with the Mainland. Such efforts should make Hong Kong more prepared for the next pandemic that may happen.

As for seasonal flu, we would recommend the government to make further efforts to alleviate doubts among citizens of the effect and benefits of vaccination, so to promote public health.

Extreme weather and governance

In recent months Super Typhoons and extreme rainstorms took turns to batter Hong Kong. Such would be a showing of the forces of nature, but such would also exemplify the consequence of climate change caused by human activities. The Policy Address has a segment on scaling up the capability in coping with extreme weather. There will be a review on how the airport and the rail system can better handle travellers and passengers under typhoons and inclement weather conditions. The \$8 billion drainage improvement works and the “Strategic Planning Study on Flood Management against Sea Level Rise and Extreme Rainfall” should proceed in earnest with progress made known to the public.

Whether plans in place for preparedness are effective or not, whether personnel mobilization is timely and responsive or not, and whether the clean-up and recovery is speedy or not, all amounts to a test of governance efficacy.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors (“HKIoD”) 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. HKIoD is a member institute of the Global Network of Director Institutes, a worldwide alliance of leading director institutes.

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