

28 September 2021

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Chief Executive

Office of the Chief Executive

Hong Kong Special Administrative Region

People's Republic of China

Tamar, Hong Kong

**The Australian Chamber of Commerce in Hong Kong
2021 Policy Address Submission**

The Australian Chamber of Commerce in Hong Kong (AustCham) welcomes the opportunity to make the following submission. This policy address takes place a year and a half since the global COVID-19 Pandemic was declared. The impact of the pandemic on the lives of everyday people, the fabric of cities worldwide, the business sector, and the international business community in Hong Kong cannot be understated.

This year our theme is 'Future Hong Kong' and we encourage the Hong Kong Government to prepare Hong Kong for a brighter and more prosperous future ahead.

Hong Kong as an International Business Hub

The success of our members is dependent upon the success of Hong Kong as an international financial center and global business hub. The ongoing closure of Hong Kong to international travel heavily impacts on its attractiveness as Asia's leading center for business. Further, the Hong Kong government's inconsistent messaging and changes in approach to managing travel have caused significant inconvenience for our members and the business community. AustCham urges the Hong Kong Government to fast-track Hong Kong's reopening as an international business hub by taking a science-based approach in line with other global business centers.

We recommend the Government prepare and communicate a roadmap for reopening Hong Kong to international travel, with priority on business travel and focus on safety through a 'vaccination passport' system. Multi-lateral recognition of international vaccinations is also supported to ensure travellers based in Hong Kong who have received vaccines locally can freely enter and exit international jurisdictions.

AustCham supports measures that will increase the vaccination rate among Hong Kong's general population. High vaccination rates in international jurisdictions have proven effective at reducing severity of illness and mortality from Covid-19 infection.

International Financial Center

Hong Kong remains an important market for many Australian businesses operating throughout Asia. It's success as the leading financial centre in Asia, largest asset management hub in Asia, largest private wealth and hedge fund centre have been key drivers of international investment in the city.

AustCham recommends the Hong Kong Government accelerate innovation in financial markets to attract and build new investment that anticipates and responds to global demand and trends, including but not limited to green financing, infrastructure financing, trade finance, digital asset trading and more.

Retaining Hong Kong's competitive tax framework will be key to maintaining its position as an IFC and we would be pleased to discuss proposed changes related to the OECD led tax reform.

As often cited but not to be underestimated, Hong Kong's independent judiciary, rule of law and well established legal and regulatory frameworks remain critical. Development of regulation to keep pace with financial innovation will be key, maintaining Hong Kong's reputation as a safe, transparent and commercial place to do business.

We support the ongoing development of onshore fund structures, particularly for a growing regional investor base, that are competitive in terms of cost and ease of establishment, compliance and tax frameworks. Continuing to attract a global investor base to onshore investment managers will ultimately require ease of in person meetings, particularly as other centres re-open travel corridors. Equally Hong Kong based investment managers will need viable access to in-person due diligence on offshore prospective investments, to maintain a competitive edge.

Greater Bay Area

AustCham strongly supports the continuing development of the Greater Bay Area, which leverages Hong Kong's unique strength within the GBA. Our members are keen to continue building business opportunities for the benefit of Hong Kong and welcomed announcements this year of Wealth Management Connect Scheme, the HKTDC "GoGBA" platform, and developments at Hong Kong's Boundary Crossing Facilities.

AustCham continues to facilitate trade delegations and business matching within the GBA. However, delays in the long touted opening of the border with Mainland China is greatly hampering such developments. AustCham urges Government to ensure the reopening of travel between Hong Kong, Macau and the mainland cities of the GBA as soon as possible. There has been virtually no local transmission of Covid-19 for an extended period of time – which was a noted pre-conditioning for resuming cross-border travel.

We encourage the acceleration of future Greater Bay Area initiatives that build on Hong Kong's traditional strengths and position Hong Kong for future growth through innovation, including a focus on further reforms to promote cross border transactions, facilitating establishment of bank accounts, fund flows, distribution of financial products and client servicing.

We would particularly support greater alignment of regulatory policy across all areas of the Greater Bay Area so that, for example, both the Hong Kong Monetary Authority and People's Bank of China support a common approach towards account opening. We fully understand the complexity inherent in such regulatory harmonisation, and the required technology challenge, however we believe the benefits fully justify such effort.

Covid-19 Pandemic Business Support Measures

AustCham welcomed the roll out of significant financial support measures from the Hong Kong Government during the course of the Covid-19 Pandemic. Hard hit sectors such as tourism, transport and retail continue to suffer significantly.

AustCham members in the SME sector have reported difficulty with accessing and/or success in applying for various schemes. AustCham recommends Government simplify application processes for Government grants and support schemes for business. Additional schemes to support the development of new enterprises would help address the loss of SMEs and reinvigorate the start-up sector in Hong Kong.

Construction and Infrastructure Development

Hong Kong's infrastructure and construction sectors are faced with significant opportunities and challenges in the coming years. The pipeline of mega projects is the largest in Hong Kong's history – highlighted by the Hospital Development Program, Lantau Tomorrow Vision and various other social and economic infrastructure projects. These projects and many others represent an enormous opportunity to grow the positive economic, social and environmental contributions of these sectors for the long-term benefit of the Hong Kong public.

However, there are several challenges that need to be urgently addressed:

- Our ageing workforce in construction (greater than 50 years) combined with reduced volumes of talented new young professionals joining the workforce with each new business year;
- Inflexible methods of procurement for both consultants and contractors on public sector projects. Exemplified by the high reliance on fixed-price lump sum tenders that commonly lead to price based tender awards – at the expense of quality and socio-economic value to our communities;

- Highly regulated approval and compliance processes for project design and construction processes – inhibiting the adoption of innovation across our built environment, as well as regularly leading to over-engineered designs that increase the risk of cost and schedule overruns – for little public benefit; and
- Unsatisfactory volumes of safety incidents and fatalities on-site and widely varying levels of safety practice and professionalism across the construction industry – including both on private and public developments – small and large.

These challenges continue to persist from year to year and will only be exacerbated with our increasing construction and infrastructure pipeline. To address these challenges, greater resources and efforts are needed to accelerate the implementation of Construction 2.0 initiatives across its three pillars:

- Innovation:
 - Further embracing digital design and construction – BIM, project management, site supervision, data analytics, AI, mega-project data feedback loops for lessons learned and implementing initiatives that encourage greater levels of construction research & development in Hong Kong;
 - Modern methods of construction including DfMA and MiC – in particular ensuring these are a mandatory feature of major high-profile public sector construction projects going forward and incentivising project tenderers to embed this into their design and construction methodologies through more progressive procurement methodologies;
 - Developing a clearer strategic focus for Hong Kong’s positioning as a smart city – what do we want to be known for – regionally and globally? Is it about technology, convenience, employment, liveability or otherwise?
- Professionalisation:
 - Adopting progressive methods of procurement to drive greater public value – a “procure for value” mindset and policy framework will be a big step forward to drive this change;
 - Increased emphasis around consistent safety policy and practice – particularly on small to medium size projects where data transparency around site performance is mixed;
- Revitalisation:
 - Embracing initiatives to drive greater levels of gender diversity at all levels – junior through to senior. This includes greater level of maternity and paternity support, clearer and more structured career pathways, removing barriers to females and minority gender groups from rising through the professional ranks and other initiatives that drive greater diversity and inclusiveness; and
 - Increasing efforts to channel graduates into the workforce and closer alignment with tertiary institutions to attract people into STEM related

educational courses and programs that feed construction and infrastructure employment.

The challenges and initiatives summarised here represent just a few of the dynamics facing our construction and infrastructure sectors. With more support, resources and clever planning around these issues, Hong Kong has the opportunity to position itself as the leading construction and infrastructure hub for Asia Pacific and potentially globally – capturing the full range of social, economic and environmental development opportunities for our citizens for many years to come.

Sustainability

AustCham welcomes the Hong Kong Government's commitment to carbon neutrality by 2050. We support the development of clear plans for business, government and community sectors to contribute to and achieve this goal.

AustCham supports the Government's Business Confidence Campaign and efforts to rebuild Hong Kong's international standing. We look forward to lending our voice to improve the understanding of Hong Kong's many strengths and future opportunities.

AustCham welcomes the opportunity to work with the Hong Kong Government in the development and roll out of these and other initiatives arising from the 2021 Policy Address.

Yours sincerely



Robert Quinlivan

Chairman

The Australian Chamber of Commerce in Hong Kong