



1 April 2020

Mr. CHAN Mo-po, Paul
Financial Secretary, Government of HKSAR
Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

Dear Financial Secretary,

RE: Legislative Council Capital Works Funding Approvals

Social unrest, the novel coronavirus and a looming global economic slowdown are conspiring to place unprecedented pressures on local employment, cross-border trade and the viability of the Hong Kong economy.

Now more than ever, the construction industry has a vital role to play in ensuring the fall-out from these events can be mitigated and to provide the catalyst to get Hong Kong's economy back on track.

Consistent and timely approvals of Capital Works Project funding applications through the Legislative Council are fundamental to achieving these outcomes.

Economic impacts from construction

Construction activity is vital to Hong Kong's economic growth and prosperity. In the current challenging climate, a slowdown in activity will place heightened pressures on the economy, whilst a boost in spending would provide much needed stimulus to employment, consumption and tax revenues.

This is reinforced by the industry's contribution to Gross Domestic Product (5.2%) as well as the contribution of inter-related industries such as real estate (5.1%), professional and business services (5.9%) and transport & storage (5.9%). The construction industry is also a significant employer in Hong Kong, providing in the order of 300,000 jobs which represents approximately 8% of the workforce.

In the longer run, Construction 2.0¹ emphasized the importance of having a consistent construction works pipeline to ensure stability of employment, continued investment in innovation and long-term commitment from contractors, consultants and the supply chain.

¹ Development Bureau Publication issued in September 2018



Volatile Capital Works Project funding

For construction to be a lever for Hong Kong's near-term economic recovery, whilst also driving greater levels of long-term prosperity; systematic change is necessary to the current mode of Capital Works Project funding approvals through the Legislative Council.

In recent years, funding approvals through this body have been highly volatile and the current legislative year is no different with only HK\$87 billion of projects currently approved, against a back-log of HK\$134 billion.

This is caused by the nature of the legislative approval process which:

- involves a “one at a time” model; and
- mixes all Government funding (i.e. capital works and all other funding approvals) in a sequential process.

The result can be an enormous back-log of capital works projects awaiting approval as more sensitive applications that are heard earlier in time can regularly involve weeks and months of debate.

Exploring solutions together

We encourage Government to consider all possible options to address these funding approval challenges. Avenues to consider include:

- allowing parallel approval channels for less contentious projects;
- lifting Legislative Council funding approval limits;
- approving a pipeline of projects and total budget annually for each Works Department rather than continuing with the current project by project approach; and
- where appropriate, pursuing procurement and funding models that are attractive to private sources of finance.

The Australian Chamber of Commerce in Hong Kong firmly believes that changing the current system of capital works funding approvals is vital to navigating the current economic climate by stimulating employment in the short term whilst also providing a stronger foundation for greater long-term economic prosperity. We would be delighted to meet with you to discuss these challenges and collaborate to develop solutions for the ultimate benefit of the people of Hong Kong.

Yours sincerely

Jacinta Reddan
Chief Executive

Michael Camerlengo
Chair – Construction, Property & Infrastructure Committee