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Hong Kong Special Administrative Region

People's Republic of China

Tamar, Hong Kong

**The Australian Chamber of Commerce in Hong Kong
2022-23 Policy Address Submission**

The Australian Chamber of Commerce in Hong Kong (AustCham) welcomes the opportunity to make the following submission.

This year our theme is **Revitalising Hong Kong** and we look forward to working with the Hong Kong Government to prepare Hong Kong for a brighter and more prosperous future ahead.

Our members have endured the hardship of a difficult business environment in Hong Kong for the past three years and throughout it all have retained their belief in a bright future for the city, a willingness to work with the Hong Kong government to achieve development goals, and a commitment to the people of Hong Kong.

The first and immediate step toward recovery must be the removal of COVID-19 Restrictions. Our submission will highlight a further five (5) key areas of focus for the administration:

- Maintaining Confidence and Increasing Competitiveness of Hong Kong as an International Financial Centre and Global Business Hub
- Attracting Business, Investment and Talent to Hong Kong
- Progressive Development for a Sustainable and Liveable city
- Accelerating Integration with the Greater Bay Area
- Developing Hong Kong as an Innovation and Technology Hub

AustCham welcomes further discussion and collaboration in each of these areas.

1. Removal of Covid-19 Restrictions

Undoubtedly the number one issue impacting business success, confidence and investment in Hong Kong is the ongoing Covid-19 restrictions.

AustCham reiterates the imperative for the city's future of removing the inbound travel and quarantine restrictions with urgency. The continued uncertainty, inability to plan, lack of a roadmap and predictable end-state is driving talent, business operations and investment to other locations, particularly as the majority of the rest of the world has shifted to relative normality.

After more than two years of restrictions this is now a dire situation for Hong Kong. In order to retain its status as an International Financial Centre and global business hub Hong Kong must also return to a normalised travel and 'business as usual' environment as soon as possible.

Social distancing restrictions, ever changing entry requirements and other measures have severely impacted the city's economy, especially in the food, beverage and hospitality sectors. Many iconic and internationally recognised businesses have closed permanently and have not been replaced. Further we have seen the loss of major international sporting events. The loss of these businesses and events impacts on the vibrancy of the city and its status as a destination, as well as revenue and jobs which in turn contributes to more permanent departures.

An additional concern for our members is the uncertainty caused by potential school closures and restrictions placed on schools regarding how they are allowed to operate, particularly limits on extra-curricular activity. These restrictions and uncertainties, together with the loss of teacher talent, are causing our members to either not return to Hong Kong or to place their children in overseas boarding schools. The loss of expertise, networks and goodwill will not be easily or quickly replaced. We recommend that the government confirms that schools will not be subject to the risk of closure and that normal activity can resume for all children as soon as possible. Retention of global teacher talent will be further dependent on ease of travel. A strong education system is vital to the status and future of any international city.

2. Maintaining Confidence and Increasing Competitiveness of Hong Kong as an International Financial Centre and Global Business Hub

The success of our members is dependent upon the success of Hong Kong as an International Financial Centre.

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.

Hong Kong's international reputation as a safe, transparent and easy place to do business has been damaged over the past three years. This is due to a combination of uncertainty

surrounding the implementation of the National Security Law, and lack of access to the city due to Covid-19 travel curbs. Geopolitical tensions, which are largely outside the control of Hong Kong, have also played a role. Significant work must be undertaken for Hong Kong to regain the confidence of international business. This should be conveyed clearly, openly and with conviction to the international business community.

In order to repair this damage, Hong Kong must focus its efforts on reinforcing the benefits to business of the unique status enjoyed under “One Country, Two Systems”. An emphasis on and consistent demonstration of Hong Kong’s independent judiciary, rule of law and well established legal and regulatory frameworks remain critical. Retaining Hong Kong’s competitive tax framework will also remain key to maintaining its position as an IFC.

Building on this foundation, we recommend a sophisticated communications campaign conducted in collaboration with international business to remind the global business and investment community of the core benefits and strengths of Hong Kong.

Based on AustCham’s consultation with the business community in Australia, we believe that real-life success stories delivered directly by international businesspeople based in Hong Kong are a very effective method for demonstrating the business opportunities. AustCham has previously contributed to business-led events in Australia that showcase the opportunities in Hong Kong. We offer ourselves as a resource to Invest Hong Kong and the wider Hong Kong Government to promote the city as a premier destination for business and investment in Asia.

As Hong Kong has lost its lustre on the international stage, other centres have aggressively promoted themselves as regional alternatives for business in Asia. Hong Kong will need to accelerate innovation – especially in its financial markets - in order to keep business and investment that may be considering a move to an alternative location.

In addition, to attract new business, investment and talent to Hong Kong and remain competitive as an International Financial Centre, Hong Kong will need to anticipate and respond to global demand, including in areas such as green financing, infrastructure financing, trade finance, digital asset trading and more. Development of regulation to keep pace with financial innovation will be key to attracting new business to the city and allowing existing business to grow.

Finally, as the city rebuilds its role as a global business hub, the role of international sports, entertainment, cultural and business events cannot be understated. AustCham welcomes the establishment of the new Culture, Sports and Tourism Bureau. The West Kowloon Arts Precinct and the Kai Tak Sports Park provide an unparalleled opportunity for Hong Kong to attract international exhibitions, arts companies and sporting events. AustCham recommends the Hong Kong Government engage with industries and professional sporting, arts, culture and entertainment bodies – including expertise from overseas – to build capacity, engage in

learning and development, and ultimately develop a world-leading programme of events that position Hong Kong as a premier events destination.

As the tourism and hospitality sector recovers from a devastating three years, there is an important role for these providers in ensuring a successful recovery and supporting new initiatives. With Covid-19 social distancing restrictions impacting these sectors perhaps more than any others, we urge the government to implement Covid-recovery support schemes, financial packages and incentives to enable a swift return to business. Talent recruitment, planning and training will need to form a key part of that support to cope with resurgent demand and avoid bottleneck situations or breakdowns in service as experienced in other economies with the return of post-Covid demand.

3. Attracting business, investment and talent to Hong Kong

As outlined above, AustCham acknowledges the damage to Hong Kong's reputation in the international business community as a safe, transparent and commercial place to do business. We recommend a focus on the foundations of Hong Kong's benefits for business, and a sophisticated communications campaign that works in collaboration with international business to regain global confidence in the city.

It is our recommendation that in addition to a confidence building campaign, the Hong Kong Government must consider the development of an economic development board to promote and facilitate business looking to expand into Hong Kong, as well as devise new business and investment attraction schemes that provide tangible and immediate impact for new business.

The competition amongst jurisdictions for capital and investment has intensified over recent years and this will continue as economies emerge from the pandemic. Hong Kong must continue to innovate in its approaches to attracting capital and investment, and supporting international companies and business as they look to expand in Asia. In this regard, we recognise the various arms of Government that provide support to international investors and businesses, such as the important and valuable work that InvestHK and the Hong Kong Trade Development Council do to promote Hong Kong and facilitate businesses looking to expand into Hong Kong. However, AustCham suggests the consideration of a 'one stop shop' similar to an economic development board approach adopted by other jurisdictions to sustain Hong Kong as a leading global hub for business and investment.

High levels of local migration, a significant movement of foreign expatriates to other destinations, low levels of new talent admission and ongoing restrictions on daily life have depleted the available talent pool in Hong Kong and tarnished the attraction of the city as a destination for global talent. Addressing this 'brain drain' is a top priority for business.

AustCham recommends Hong Kong implement aggressive talent attraction programs that go ‘above and beyond’ to attract leading global talent to the city. As economies around the world reopen for business, international talent attraction schemes have been competing for the best and brightest. These schemes have included special visas for individuals, accelerated visa application processes, post-arrival support and networks, government support for businesses employing talent from overseas, such as in the form of tax breaks, and special investment and migration pathways. Providing support to businesses, for example through subsidies, accelerated approvals processes or other incentives would also assist company attraction efforts. Creative solutions that respond to new trends in ways of working, such as ‘digital nomads’, would also cast a new light on Hong Kong.

Further on talent support, AustCham recommends an enhanced focus on and additional funding for training initiatives and programs to support the development of critical skills for the future growth of Hong Kong. These programs should focus on Hong Kong’s traditional strengths – in finance, logistics, shipping – but also in areas critical to the future of the city – sustainability; construction and infrastructure; arts, culture and sports; technology and innovation.

Finally, Hong Kong should explore how it can better support groups within society that are underrepresented in the labor market, such as women with children. This group in particular are largely marginalised from participation in the labor market due to insufficient childcare support and flexible work arrangements. The Hong Kong Government should develop a range of new initiatives focusing on flexible work access and support, whilst at the same time, showcasing a progressive and inclusive society.

4. Progressive Development for a Sustainable and Liveable city

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.

Many businesses worldwide have made a commitment to adopting ESG standards and committing to net zero carbon emissions. The development of ESG standards for business and government by sector, as well as a transition plan to net zero developed in consultation with industry, will enable business to be an active contributor to solutions in this space.

The growth of the Circular Economy in Hong Kong demonstrates how new business models can evolve by embracing sustainability goals. Such initiatives when combined with promotion of electric vehicles, and a range of carbon-reduction moves would lead the city to a low-carbon resilient and sustainable future. We urge Hong Kong to prioritise driving waste reduction and to make a serious and urgent commitment to accelerating and promoting critical recycling initiatives which the international community has been urging for some time. It is essential

that Hong Kong addresses its excessively high landfill waste, including from property renovation.

Hong Kong has a unique opportunity to demonstrate the long-term sustainable impacts of investment in Smart City infrastructure. Increased efficiency, connectivity and transportation outcomes would underpin Hong Kong's desire to be an innovation hub while creating opportunities for Hong Kong's younger generation to contribute to shaping the future of their home.

The development of the Northern Metropolis area has the potential to radically transform the city, addressing the long-standing issue of housing shortages and unlocking new commercial opportunities. AustCham recommends a coordinated approach to delivering on this development plan, including a comprehensive community and industry engagement strategy, with opportunities for industry expertise and collaboration to contribute to planning and delivery.

The focus on quality management within the Hong Kong construction industry has increased in recent years with key industry stakeholders actively engaged in the review of current practices and the development of improvement initiatives. AustCham Hong Kong recommends the Hong Kong Government continue to work with industry to build on the cornerstones of quality management – leadership and culture; innovation and technology; systems and solutions; pride and professionalism – to meet the future needs and challenges for Hong Kong's built environment delivery.

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. However, 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.

- 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.

5. Accelerating Integration with the 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.

AustCham continues to field interest in trade delegations and business matching within the GBA. However, delays in the opening of the border with Mainland China is greatly hampering our ability to facilitate investment connections. AustCham urges Government to ensure the reopening of travel between Hong Kong, Macau and the mainland cities of the GBA as soon as possible. However, this should not be at the expense to eliminating travel curbs with the rest of the world.

Our focus on delegations is driven by a desire to support bi-lateral trade and investment into the Greater Bay Area. Australian businesses are keen to expand long-standing business relationships into new areas of strategic mutual benefit, such as as climate and green technology, bioscience and other areas. AustCham is committed to leveraging Hong Kong’s unique relationship with the Greater Bay Area to facilitate increased two-way investment between China and Australia.

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.

Additionally, expanding the recognition of professional qualifications between the two jurisdictions would assist with addressing the talent gap, whilst at the same time accelerating the transfer of expertise and business investment within the Greater Bay Area. Simplifying two-way visa travel within the Greater Bay Area has been a long standing recommendation of the Chamber.

6. Developing Hong Kong as an Innovation and Technology Hub

AustCham recognises the enormous potential for Hong Kong and international business with the development of the city as an Innovation and Technology Hub.

We welcome opportunities for bi-lateral engagement and exchange. Hong Kong's incentives to attract and support innovation and technology investment are a step in the right direction. Talent is again a key issue and the attraction of globally leading industry and research expertise is critical to drive this sector forward. A focus on opportunities in innovation and technology jobs in schools and tertiary education, as well as support for industry training programs would contribute to a sustainable sector.

AustCham recently established a stand-alone Innovation and Technology Committee within its membership to provide support, advice and information to our members about the developments in this sector. We welcome the opportunity to hear from the Hong Kong Government on future initiatives and promote Hong Kong as an Innovation and Technology hub for business.

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 2022 Policy Address.

Yours sincerely



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The Australian Chamber of Commerce in Hong Kong