



**Shaping the 2010-2011 Policy Address**

**A Submission by**

**THE BRITISH CHAMBER OF COMMERCE IN HONG KONG**

*Some suggestions about how the reputation of Hong Kong as a business-friendly internationally competitive global hub and RHQ location relevant to those who wish to trade with and from both China and the surrounding region, within a quality living environment.*

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#### **Executive Summary**

This paper sets out the views of members of the British Chamber of Commerce for the consideration by the Chief Executive in his preparation of the 2010-2011 ‘Policy Address’. There can be little doubt that the performance of Hong Kong, China and other regional partners has been extraordinary given the challenges that have confronted all global economies over the past two years. That being said it must be recognized going forward that the situation remains volatile and uncertainty abounds and that this demands short term caution but at the same time justifies medium and long term strategies that can be implemented sooner rather than later.

Competitiveness and staying ahead of the pack are at the heart of the challenge faced by Hong Kong. This challenge is mounted consistently by both regional and Chinese Cities. Many of our members with regional headquarters based in Hong Kong are constantly required to evaluate their location to their ‘Holding Company Boards’. Two principle reasons are fundamental to justifying their location here: first the regional capability that Hong Kong possesses and secondly the fact that unlike its national competitors it has the advantages that only Hong Kong has, such as the ‘Rule of Law’ ‘Freedom of Communication’ and the other elements that add up to its great business advantage “Trust”. Any examination of this conundrum leads to the conclusion that it will not get any easier, that there is a need to further develop the long term vision and strategy for Hong Kong which was set out in the focus on the 10 sectors in the 2010 Policy Address so that the concept of ‘Trust’ becomes embedded in its business model for the future.

The Chamber suggests that if the overarching theme of “Enhancing Hong Kong’s Attractiveness as the Leading Global Business Centre in Asia” is to be delivered by Government then the following constituents dealt with in detail in the paper need to be addressed:

- Developing further the elements that make up a business friendly reputation at the heart of which is modern legislation and ‘one stop shop’ services for incoming investors. As a part of this is the need for further action to deal with the shortage of places in international schools in the immediate and short term although the measures already taken will tackle the medium and longer term problem.
- An improved living environment for all with particular attention being paid to the actions and policies that will deliver clean air.
- Helping the ‘People of Hong Kong to maintain their quality, their flexibility, civility and commitment through well crafted policies that deal effectively with the challenges faced by the community. These include healthcare, education and population ageing as key priorities for the future many of which require a strategic approach.
- Building on the ‘Digital 21 Strategy’ to keep pace with new developments in ICT such as the development of data centres, ICT support for education and healthcare.
- Tackling the long term financing solution for the delivery of healthcare and the urgent development of a community based healthcare system.

The submission aims to share with the Government the most important areas of concern of British Chamber members in 2010. These are not issues of narrow business interests, but are topics which are necessary for the enhancement and

future success of Hong Kong, and its regional and global competitiveness. The British Chamber is one of Hong Kong's largest international business organisations, comprising major multinational companies and institutions, as well as a substantial number of SMEs. The Chamber's membership makes a significant contribution to the Hong Kong economy and our members employ approximately 10% of the Hong Kong workforce. Thus, the Chamber constitutes a significant and representative cross-section of business opinion in the SAR. Our over 1,000 member companies feel strongly that Hong Kong is our home and that a world- class environment is essential for a successful international business centre and in the interests of the health and welfare of our community as a whole.

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## **Introduction**

The purpose of this paper is to set out the views of members of the British Chamber of Commerce for consideration by the Chief Executive in his preparation of the 2010-2011 ‘Policy Address’. There can be little doubt that the performance of Hong Kong, China and other regional partners has been extraordinary given the challenges that have confronted all global economies over the past two years. That being said it must be recognized going forward that the situation remains volatile and uncertainty abounds and that this demands short term caution but at the same time justifies medium and long term strategies that can be implemented sooner rather than later.

Since the last Policy Address, the Chamber has continued to play an active role in the public policy process, providing 12 submissions on a variety of issues. Most notable were the submissions for the 2009-10 Budget, and those regarding competition law and minimum wage legislation, which were composed after wide consultation with the Chamber membership. Since these submissions represent the views and concerns of a significant segment of Hong Kong’s business community it is essential that Bureaus and departments give due weight to the suggestions made in these submissions which are intended to make a constructive contribution to creating policies that are appropriate for the development of the business environment. The Chamber intends to continue to play an active role in the public policy process, particularly on issues that affect its members and where its experience and knowledge can be used by government as a valuable resource. Our strategy is to communicate directly with the government and not through the media.

The Chamber recently published the results of its 2009 Business Confidence Survey, having asked members to give opinions on a range of issues. The results are illuminating; they showed renewed confidence in the business environment in Hong Kong with member optimism for the coming year increasing from 40 per cent at the end of 2008 to 78 per cent (although still over 10% off the 2007 outlook). Even more encouragingly, there was a dramatic increase in confidence for the mid-term future with 92 per cent expressing confidence in the outlook for the coming two years, 94 per cent confidence for the coming 3 years and 87 per cent confidence for the five-year forecast. Recent studies carried out by HSBC<sup>1</sup> have shown that not only has Hong Kong’s economy thrived in relative terms but that half of its affluent were the most affluent in Asia in early 2010. This does not however recognize the fact that there is and has been growing a greater disparity between the wealthy and the not so wealthy. Nevertheless we would like to congratulate the government on this improvement.

Competitiveness and staying ahead of the pack are at the heart of the challenge faced by Hong Kong. This challenge is mounted consistently by both regional and Chinese Cities. Paradoxically Hong Kong has successfully managed to keep ahead in spite of the views of the doomsayers and yet many of the regional headquarters based here are constantly required to evaluate their location to their ‘Holding Company Boards’. Two principle reasons are fundamental to this process first the regional capability that Hong Kong possesses and secondly the fact that unlike its national competitors it has the advantages that only Hong Kong has, such as the ‘Rule of Law’ ‘Freedom of Communication’ and the other elements that add up to its great business advantage “Trust”. An examination of this conundrum leads to the conclusion that it will not get any easier, that perhaps there is a need to further develop the long term vision and strategy for Hong Kong which was set out in the focus on the 10 sectors in the 2010 Policy Address so that the concept of ‘Trust’ becomes embedded in its business model for the future.

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<sup>1</sup> HSBC Affluent Asian Tracker – July 2010.  
Hong Kongers most affluent in Asia – HSBC Survey dated July 2010.  
Hong Kong Economic Spotlight dated 14 October 2010.

It is suggested that the goals of Hong Kong's long-term strategic vision, should include:

- Enhancing Hong Kong's attractiveness as Asia's leading international/global business centre through broadening its current four pillar industries.
- Continuing to maintain the regulatory and fundamental legal advantages that mark Hong Kong out from other cities and underpin the global perception that Hong Kong is a place to be trusted and it follows a place to safely conduct business in China and across the region.
- To strengthen the status of Hong Kong as an RMB offshore financial centre which already marks Hong Kong out as a unique financial services centre.
- 'Super-connectivity' at national, regional and global levels. In particular to enhance the economic integration with the Pearl River Delta.

### **Enhancing Hong Kong's Attractiveness as the Leading Global Business Centre in Asia**

The performance of Hong Kong over the past two decades not only as a financial centre but in its full range of capabilities bears out the descriptive quote above; perhaps it is this that is at the heart of the success of Hong Kong when compared with competitors. Such an advantage however needs to be progressively developed in such a way that keeps it at the cutting edge. However quite apart from its role as a financial centre what must be clearly understood is that its role as the pre eminent base for Regional Headquarters of Global Multi-national Corporations should be given equal if not greater priority. This is underlined by recent statements by senior international business leaders invested in China who recently stated that China has become a more difficult business environment<sup>2</sup>. Whilst probably not something that will have an immediate effect on Hong Kong nevertheless it emphasizes the important difference between Hong Kong and the mainland and underlines just how important its **regional** trading and **banking** links are.

It should be recognised that there is a growing sense of unease among both international and major local business leaders that Hong Kong could be in danger of losing its competitive advantage over other major centres in the coming decade. It is becoming clear that a number of the principal competitors of Hong Kong offer a range of services and incentives that Hong Kong does not have. But this should not be grounds for inertia or complacency: in a 'nut shell' this means that it must raise the level of its game to ensure that Hong Kong tackles perceived vulnerabilities, and ensures that it can compete effectively with national and regional comparators. The Chamber believes that some or all of the following suggestions are worthy of consideration in developing a Hong Kong that will continue to provide a compelling location to take advantage of the growth in Asia becoming one of the engines of the Global economy:

- To develop further the excellent "Four Pillar Industries and six new sectors" strategy with clear and specific measures that are understood by the Administration, by Business and by the Community at large.
- To overhaul and modernize the overseas representation of Hong Kong in its key markets ensuring that the image which they represent is coherent, professional, properly funded and relevant to Hong Kong as the business-friendly internationally competitive global hub relevant to those who wish to trade with and from both China and the wider Asia region. This will involve giving professional training and skill sets that will set Hong Kong above its competitors. Our competitors are getting more proficient, Hong Kong must market its brand with a passion and focus in all the major cities of the world.
- To continue to overhaul and modernize where appropriate the legislation that has a direct impact on the speed and ease of setting up, and conducting business on an international basis in Hong Kong, including easing primary and secondary capital markets (for both equity and bond issues). It should not be afraid to take an innovative approach in this respect. It is in the area of the business

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<sup>2</sup> SCMP 27 July 2010 – Foreign Investors uneasy about the new assertiveness of China

environment that far from being behind it needs to build on the strengths already set in past years. But it must recognize that business is developing quickly and its regulatory and legislative framework should not merely keep pace but set the trend. It should also conduct a thoroughgoing and proper review of outsourcing to the private sector and not allow bureaucratic resistance to impede the modernization of some functions currently carried out by government.

- In this context should be the further rapid development of RMB business in all its aspects, ranging from the creation of an RMB Capital Debt Market to RMB accounts, Wealth management services and everything in between. This will require continuing direct encouragement by the Chief Executive and other relevant senior officials on the Central Government to expedite further liberalization. This is clearly an area where the interaction between government and the industry are the key to getting it right. The current level of RMB business gives Hong Kong a distinctive competitive advantage for Hong Kong, which we cannot afford to “gift” it to any competing financial centre.
- In interviews conducted with RHQs which have chosen Singapore rather than Hong Kong as a location to base their headquarters, all have commented on the business friendly approach which they have encountered. Many call for a genuine “one stop shop” for companies establishing businesses in Hong Kong to reduce the number of licenses, visas and agreements required by any new business opening in Hong Kong. These take time and impose unacceptable delays on opening business in Hong Kong. In spite of its excellent work InvestHK alone cannot provide the solution to this problem.
- The difficulty experienced by many in finding places for expatriate children in international schools in Hong Kong continues to be a major issue in spite of the very active approach taken by the administration. This is directly connected both with the reasons for location by major companies elsewhere and it will be potentially an issue that will be aggravated by the impact of the demographic decline in younger people. As an example, Hong Kong has over 3000 children on ESF waiting lists; at Primary school level the situation is critical. The government should support all quality initiatives in this area as it has a direct impact on business investment.
- Government has rightly identified the implications of the demographic decline in younger age-groups as a future problem for Hong Kong, both for its civil society and as a constraint for business. There are consequences that flow from this that must be addressed.
- Whilst we welcome the progress which government has made in addressing the need to reduce ‘Red Tape’ our members believe that this is an issue that needs an holistic approach. In adopting this, the comments above about the need to create a genuine ‘one stop shop’ are an integral part of the action that is required. The tradition of non intervention by government is welcome but this is an area that needs active government action to make Hong Kong an even more attractive place from which to do business.
- The lack of coordination between bureaux caused by the separation of responsibilities between the different bureaux and departments. This “Silo Syndrome” also hinders integrated policy planning and tends to lead to piecemeal policy development. Government denies that this is the case but the community at large, not just the business community, believes this to be so and case study after case study has raised the comment of a lack of coordination between different parts of government. This is something that government can address and the business community will fully support all initiatives in this area. .

### **Local, Regional and Global Competitiveness**

Hong Kong’s competitors have recognized the importance of being seen to be “business friendly” in all of its aspects including all layers of government. The result is that all of the points where it interacts with business are designed to minimize the bureaucratic footprint of government on the business environment without abandoning its regulatory responsibilities to ensure a fair and level playing field that meets international norms. In addition it has recognized the potential dangers of a stagnant and ageing population on the business environment and taken a creative proactive approach to immigration encouraging a broad swathe of young, well qualified people to enter Singapore in much the same way that the UK does (those from abroad who have studied in tertiary institutions in the UK are able to gain valuable work experience for several years before they return home). This allows UK companies to recruit from a

deeper pool of qualified and capable staff. In addressing the immigration issue, competitors such as Singapore take a long term view about the needs of major investors and ensures that they are able to get the people that they need to drive their business forward. Whilst Hong Kong does have a relatively liberal immigration position given the demographics it will need to be more proactive in discussing with business its long term human capital needs and ensuring that without removing the discretionary powers that the Immigration Department has a clear understanding of what is required. Another area of focus should be the approximately 3,000 Students from our International schools who leave Hong Kong to study, once qualified abroad they are limited in securing jobs back in Hong Kong by the need for Chinese speaking minimums as a pre-requisite to most jobs for youngsters. This in turn means that as an International City we waste an enormous amount of talent to other Countries by not having the framework to allow these graduates to return. A programme between the Government and business community to encourage their return would be fantastic for the development of Hong Kong.

Then there is the question of whether or not tax incentives should be used to encourage foreign companies to establish their headquarters in Hong Kong. Many other jurisdictions use this device as a means of attracting investors. Historically there has been fierce resistance to this and it has been possible for Hong Kong to maintain its 'laissez faire' approach simply because the rate of both corporate and individual taxation was so low. However many jurisdictions have brought their corporate and individual levels of taxation close to be more or less in line with Hong Kong. This has eroded the Hong Kong tax advantage to the point that many investors ask themselves now if the proximity of Hong Kong, low taxation and its historical China links are enough when faced with very high costs, the difficulty of engaging suitably educated and qualified staff and the fact that they can obtain tax incentives, lower costs, qualified and motivated staff with good language skills and at comparatively low levels of taxation. As an example, Stamp Duty for trading on the Stock Exchange is HK\$7.50+ per trade in Hong Kong and compared to Singapore this is up to 80% higher per trade. This in turn discourages high volume trading in equities in Hong Kong which means the majority of Hedge Fund businesses are opening in competitive environments. If Hong Kong changed its Stamp duty rates to be competitive this will create more liquidity on the exchange, employment and ultimately more tax revenues through volume creation.

### **The Living Environment**

There is the question of the environment, which some in government refuse to recognise as a major disincentive to choose Hong Kong as a business location. International investors are increasingly concerned about basing their international executives in Hong Kong with its current air quality problems. Hong Kong has come to be regarded as a city where air pollution is so severe that it has a serious impact on children, the elderly and those with less than robust health. The government has over time taken steps to improve the situation but serious practical and perception problems remain. These require strong and holistic policy initiatives, and direct attention given to carrying the community as a whole with the government through informative and relevant information campaigns. These observations are conveyed by the British Chamber in a highly supportive spirit. Hong Kong faces stiff competition not only from its two historical rivals but from a portfolio of centres all of which are able to offer a range of opportunities to international business that are very attractive and at the same time set in business friendly environments. If Hong Kong is to stay ahead of this competition, imaginative and proactive initiatives are urgently required, and will hopefully form a core of the soon-to-be-unveiled policy address. We hope the upcoming C40 conference will provide an opportunity to showcase strategic initiatives in this area when other member cities will undoubtedly be showcasing their own "best practice" initiatives.

Hong Kong possesses the advantages of compactness and world-class public transportation, enjoying the potential to be the regional low-carbon leader. However, Hong Kong lags behind all others in terms of a quality living environment. This is a major concern for the members. The British Chamber's most recent Business Confidence Survey disclosed, 92% of the membership perceived the administration's policies as 'unsatisfactory'. Surveys and academic research consistently show that air quality profoundly disturbs the entire community. Comparisons with China continue to be raised by officials, drawing attention to Hong Kong's slightly better air quality, but this is of no relevance. As a demonstrably developed, first world city, Hong Kong's living standards should only realistically be compared with the direct competitors, not Singapore, but by measuring itself against the likes of international business headquarters, such as New York and London. Hong Kong must reach the air quality standards required to secure global competitiveness and an acceptable quality of life to survive in an increasingly competitive regional. The Chamber is therefore disappointed at the Findings of Public Consultation on Review of Air Quality objectives published on 28th June 2010. Government must understand that it is urgently expected to take the lead in restoring clean air to Hong Kong as an urgent priority.

Hong Kong uses around 85% of its energy to power the buildings in which the community lives and work. There are initiatives in place to reduce energy consumption in new buildings but, in terms of goods and products, these could go further and take the lead for Asia. The Government to be fair took steps by creating a \$HK450 million fund for energy conservation measures but two years on only some 20% of that fund has been taken up and reportedly this is due to bureaucratic inertia. The procurement process for the construction environment should place much greater emphasis upon using energy and environmental key performance indicators and sustainable development principles in identifying, and implementing innovative construction solutions.

Opportunities to improve the environmental performance of existing buildings (for example by greening, should be led and incentivized by Government, with the renovation of existing buildings to reduce Hong Kong's carbon footprint and retain our cultural assets and diversity in the environment.

The usage of buildings for enhanced functions such as "powerhouses" to capture wasted energy should be encouraged. For new projects, whole-life costing should be considered, with sustainability assessments (including economic, social and environmental evaluations) to ensure that designers and contractors focus upon resource conservation and sustainability.

There are internationally applied opportunities to improve roadside air quality. Pedestrianisation; electronic road pricing; tunnel tariff balancing and low emissions zones initiatives, with positive steps to upgrade bus and truck fleets to Euro IV, V, hybrids and the usage/ conversion of existing vehicles to electric vehicles. Maximum use must be made of the Pilot Green Public Transport Fund.

There are regional challenges in controlling air pollution but these are not insuperable. Enhanced co-operative regional initiatives, such as the 'Green PRD' consensus, should be strengthened. Hong Kong must do much more to improve to its own air quality, particularly at roadsides, which is harming public health, but also engage far more forcefully in lobbying and in policy debates in every provincial, national and global arena harnessed to punitive legislative penalties for those companies and individuals which cause pollution. Success will have significant positive benefits.

### *The People*

Hong Kong's competitive future relies on its people – their quality, their flexibility, their civility and commitment. Already highlighted as an issue that will have a direct effect on its attractiveness as a place in which to invest remains it's ageing population. The consequence of this, potentially, will be a declining population which is a key long-term issue for Hong Kong. The government has recognized this as an important challenge but if it views these issues objectively, whilst undoubtedly there are threats to future competitiveness the administration may discover opportunities. Investment in development of world-class homes for the elderly, for example, could provide needed revenue.

In a city looking to balance the needs of development, the environment and community aspirations, proper public consultation is critical. The Chamber is relieved that the administration's appreciation of the merits of consultation is increasing. There remains concern over the apparent disconnection between Government officials and the community, as evidenced by the public acceptance of the important Express Rail Link project, connecting Hong Kong to the national high-speed railway network. There is a vital need for sustained dialogue between the administration and the public. Rather than simply conducting project-specific, periodic, public consultations, the administration must explore ways to open permanent channels of communication through available media. The priority must be to instill a culture of openness and transparency, through more robust and genuine efforts at dialogue and meaningful communication with the public, to rebuild some trust with this administration, and prove to the people that there exists within the Hong Kong Government a commitment to and understanding of public service.

The construction sector considers that enhancing the quality of life of its workforce constitutes a priority to its sustainability and performance. Safety remains the greatest concern, and although improved a little in recent years, fatalities and accidents remain unacceptably high. There is a pressing need for a wholesale safety strategy within the construction industry, enjoying clearly defined and articulated objectives, targets and time scales to replace the current fragmented and reactive approach. The Chamber is also concerned about the ageing in the construction workforce. There is clearly a need to improve the perception of the relevance of the building and infrastructure industry amongst young people, which will result in attracting fresh recruits, at all levels. This is an area for a clear and proactive partnership between government and the industry. If it proves impracticable to source workers locally, priority should be given to facilitating immigration in this area.

In education, a critical concern remains equipping those entering the work force with the right skill-sets needed for a highly specialised financial, trading and business centre with a high capacity for innovation. Commercially required skills, such as aviation engineering, arbitration, maritime, healthcare, all professional services, banking, finance, asset management and private banking, require development and encouragement - as a matter of urgency. The education system must also be able re-equip those in the work force with new skills that will emerge through an approach of whole life training. The Government has started to address this through reforms in the primary, secondary and tertiary education sectors. It needs to go further to ensure that those organisations providing further education (in particular the Vocational Training Council) give priority to developing educational programmes with the flexibility to address developments in business. They must be vested with effective powers and resources to respond to this challenge. The recent separation of Education from Manpower portfolios in government has been powerfully counterproductive here, and should be reconsidered.

This paper has already commented on the importance it attaches to Hong Kong maintaining and evolving its flexible immigration regime, enabling a consistent supply of talent that Hong Kong businesses will need to keep the economy prosperous. Improving educational institutions at secondary and tertiary level, and encouraging talented graduates to remain in Hong Kong after graduation, could also achieve the viable goal of Hong Kong becoming a regional education hub status within the next few years.

The Chamber notes that over the last year, the issue of a shortage of international school places has returned as a matter of acute concern. To remain competitive as an international business hub, it is vital that Hong Kong remains able to attract top quality talent from overseas. One important concern for foreign executives is the need properly to educate their children. While new sites for international schools have been allocated and some expansions are underway, these will not be available for some years. Urgent measures are required to ensure that in the interim Hong Kong does not lose its competitive edge. Hong Lok Yuen International School, Kellett School and Harrow International School are examples of receiving unused Government facilities and should be replicated to meet the growing demand for places. The administration might consider urgently investigating and providing independent expert analysis of and solutions to the problem.

### **Technology**

In Information and Communications Technology (ICT) the Government's promoting of Hong Kong's competitiveness via the Digital 21 Strategy is welcomed. The Chamber believes that there should be improvement in three areas: data centres, education and healthcare.

Accelerated by the economic downturn, Cloud computing and Virtualisation is the new mega trend in technology and as part of this there is a trend by companies to locate Data centre operations to Asia. The growth in Asian Data centre related business is expected to grow significantly over the next five years, centred on Hong Kong, Singapore and Tokyo. Many organisations seek to co-locate their Asian headquarters with their Data centre locations. Although Singapore attracted much recent Data centre business, the Chamber believes that Hong Kong is ideally positioned for growth in this area. In furthering the Digital 21 objective of 'Developing Hong Kong as a hub for technological cooperation and trade', the Government should work with the private sector to provide land and encourage the conversion of buildings for use as data centres. This will consolidate Hong Kong's position as a business centre and RHQ of choice, create employment opportunities and, consolidate the excellent and reliable telecommunications infrastructure already in place.

On technology education, there is likely to be a shortfall in skilled technicians in Hong Kong and China in the future. The problem is already significant in areas ranging from software development to networking and media/entertainment. Hong Kong has a pool of talented individuals with abilities that fall below the standards required in tertiary education but with help will be able to develop their full potential. The Chamber is working on a pilot scheme with the Vocational Training Council to provide technology and work experience to selected individuals. In the interest of furthering the Digital 21 key action area of 'Building an inclusive, knowledge based society' there is an ideal opportunity for Government to work with the private sector to equip individuals with the skills required, via the VTC and other education bodies. In addition with government encouragement the Chamber recently brought one of the UK's leading experts on creative approaches to the creation of widespread apprenticeships to Hong Kong.

Another key action area in the Digital 21 Strategy is that of 'Enabling the next generation of public services'. Building

on recent technology advances and successes in the European and USA healthcare industry, Chamber members believe healthcare to be the most important area where technology can make a significant and early contribution to both service improvement and cost reduction. By recognising Hong Kong has an ageing population, the Government should encourage development of integrated patient and healthcare solutions to optimize the provision of efficient services ranging from disease prevention to diagnostics, treatment and aftercare.

The final area of technology that needs an urgent review is that a new trading system to Hong Kong is coming in 2012, with this Hong Kong must open up to be a Global market (allow trades from overseas) and we should open up for competition for alternative trading venues. This will bring Hong Kong into the 21<sup>st</sup> century; we strongly feel the current environment is 5 years behind the US and two years behind the rest of Asia in terms of offering a global competitive financial market place.

### **Healthcare**

Whilst directly related to the section on **‘People’** it is felt that with a population that is ageing in parallel with a healthcare system that is increasingly challenged to provide the affordable modern community healthcare merits specific attention. The challenge for government is fully appreciated as is the sensitive way in which it is approaching the issue. But unfortunately resolution of the issue by the creation of an affordable and acceptable policy cannot continue to be delayed. The Chamber agrees that Hong Kong has a world class hospital-based health service that is the envy of Asia and China, but the issue of the sustainability of Hong Kong’s long-term health care system is recognized both by government and the community. In particular, the need for community-based primary care needs urgently to be addressed, to relieve pressure on hospitals, along with requisite training of health care professionals. Additionally, progress on electronic medical records would enable Hong Kong to lead the world in this area.

The Chamber has in the past stressed the importance of a financial plan for a future service delivery model. The Chamber considers that there is a need to base the new policy on a review of the existing healthcare system that does include a thorough cost-benefit based assessment of the current system. As things stand progress seems to have come to a halt but what is absolutely clear to the business community is that proposals for improvement cannot be properly assessed without an understanding of the costs involved and how new initiatives will be financed. Cost considerations are particularly germane to the introduction of a prevention strategy in terms of highlighting priorities and formulating appropriate responses. The consultation process started now 5 years ago and at the time was conditional on the issue of the introduction of a GST which in turn failed. Current proposals are to base the new policy on a form of insurance based funding mechanism. This should not be linked to MPF, which does not have wide enough coverage of the population.

The Chamber believes the Government should act immediately and that further delaying the discussion on financing risks causing serious problems to our financially fragile health care service. The Chamber urges Government to set a timetable for completion of consultation to be announced in the 2010 Policy Address, and to encourage full and thorough debate on this issue.

Importantly, this next stage should consider not only financing, but reform proposals for the health portfolio, the Health Department and the Hospital Authority. Eighteen years after the formation of the Hospital Authority, Hong Kong urgently needs to modernise its structures and governance to meet the needs of all its citizens for high-quality, accessible and appropriate services from both public and private health care providers.

### **Conclusion**

The Chamber’s submission aims to share with the Government the most important areas of concern of British Chamber members in 2010. These are not issues of narrow business interests, but are topics which are necessary for the enhancement and future success of Hong Kong, and its regional and global competitiveness. The submission seeks to present its ideas on other priorities for industry specific structural changes that will enhance Hong Kong’s competitive advantage. This approach reflects the interests of a large portion of the membership; the Chamber has selected the enhancement of the attractiveness of Hong Kong as the pre eminent base for RHQs, for financial services and a sustainable infrastructure as areas requiring urgent attention both of government and in the community. As these sectors constitute a significant proportion of Hong Kong’s economy, it is suggested that long-term strategies set out in the 2009 Policy Address be reinforced and driven to their ultimate conclusion.

