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By hand, by email at budget@fstb.gov.hk and by fax at 2147 5770

27 January 2025

Mr Paul CHAN Mo Po, GBM, GBS, MH, JP
Financial Secretary
c/o Budget Consultation Support Team
24/F, Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

Dear Mr CHAN

Views from The Hong Kong Institution of Engineers to the Financial Secretary for Formulation of the 2025-26 Budget

On behalf of the Institution, I am pleased to present to you our views and suggestions as set out in the enclosure for your kind consideration on the captioned subject.

For the development of the profession as well as the welfare of the community as a whole, the Institution is looking forward to working with the Government on all areas of concern by offering our expertise and experiences.

Thank you.

Yours sincerely

Ir Eric S C MA
President
The Hong Kong Institution of Engineers

Enc

cc: (By Fax)
Mr Algernon YAU Ying Wah, JP, Secretary for Commerce and Economic Development
Ms Bernadette LINN Hon Ho, JP, Secretary for Development
Dr CHOI Yuk Lin, JP, Secretary for Education
Mr TSE Chin Wan, BBS, JP, Secretary for Environment and Ecology
Mr Christopher HUI Ching Yu, GBS, JP, Secretary for Financial Services and the Treasury
Miss Alice MAK Mei Kuen, SBS, JP, Secretary for Home and Youth Affairs
Ir Winnie HO Wing Yin, JP, Secretary for Housing
Ir Prof Dong SUN, JP, Secretary for Innovation, Technology and Industry
Mr Chris SUN Yuk Han, JP, Secretary for Labour and Welfare
Ms Mable CHAN, JP, Secretary for Transport and Logistics

EM/AS/SS

Enclosure

Views from The Hong Kong Institution of Engineers (HKIE)
to the Financial Secretary for the Formulation of the 2025-26 Budget

With the ongoing volatility in the global economy, Hong Kong is grappling with significant challenges. Given the decline in fiscal reserve, the allocation of financial resources has become increasingly crucial. A prudent and clearly signposted budget is essential to maintaining a robust public finance system. Despite external uncertainties, Hong Kong continues to thrive as a small open economy and a vital link between the Mainland and the international community.

2. As a professional body committed to engineering excellence and social responsibility, the HKIE aims to contribute its views to the Financial Secretary in formulating the upcoming 2025-26 Budget. These recommendations focus on enhancing Hong Kong's economy and fostering its development.

Development Priorities and Strategies

3. The HKIE asserts that infrastructure development is a key driver of economic growth, societal investment, and job creation. Prioritising projects related to transportation networks, public housing, sustainability initiatives, and new industrialisation efforts is crucial for improving living standards and enhancing the city's resilience. These priorities should be aligned with the resources available.

4. In terms of coordination and efficiency, as Hong Kong takes on an increasing portfolio of large-scale infrastructure projects, the HKIE anticipates that the Government will coordinate various development plans to ensure cost-effectiveness and optimal resource allocation. Given the dwindling fiscal reserves, exploring the flexible adoption of Public-Private Partnership (PPP) and Private Finance Initiative (PFI) could unlock additional funding sources and expertise, thereby alleviating financial burdens and mitigating risks.

5. It is recommended that the Government recalibrate project timelines and temporarily expand public work projects to stimulate the local economy and create job

opportunities. This includes accelerating the maintenance and repair of certain infrastructure facilities and reprioritising community infrastructure projects that have been put on hold in various districts. This approach not only addresses immediate economic concerns but also invests in long-term sustainability and strengthens the capabilities of the engineering workforce.

6. To optimise the impact of adjusted timelines, it is imperative to streamline submission and approval processes. Suggestions include advocating for a "Facilitator" role within government services, while adhering to safety principles, and implementing a centralised "one-stop" interdepartmental approval system to minimise administrative burdens and enhance operational efficiency.

New Industrialisation and Innovation & Technology

7. To bolster the low-altitude economy, as outlined in the 2024 Policy Address, it is proposed to establish a dedicated task force involving Government departments, trade members, educational institutions, and professional bodies like the HKIE. This task force will offer expert advice, evaluate proposals, and raise public awareness of the low-altitude economy to foster social consensus. Furthermore, emphasis should be placed on investing in essential infrastructure, such as take-off/landing points and communication networks, as well as in a workforce skilled in managing and operating relevant technologies.

8. Despite progress in introducing the New Industrialisation Strategy in the Innovation and Technology Blueprint, it is imperative to recognise that its implementation requires a substantial pool of engineers, technologists, and technicians. Given the current level of subsidies for hiring research and development (R&D) talent in place, it may be necessary to consider introducing additional subsidies for Hong Kong companies employing local engineers and technologists to attract a new workforce and bolster talent retention, thereby contributing to long-term growth and development.

9. By integrating smart construction technologies and automation, operational efficiency, cost reduction, and improved project outcomes can be achieved. Investment in R&D to foster innovative solutions not only addresses local challenges but also

positions the city as a forerunner in the global market. To maximise the impact of existing funds and accelerator schemes supporting I&T initiatives, it is essential to enhance customisation, accessibility, and targeted outreach, particularly for small and medium-sized enterprises. Networking platforms and the PPP model can further nurture the I&T ecosystem and drive technological innovation.

Sustainability and Carbon Neutrality

10. The world operates on finite resources, making it imperative that we progress while safeguarding the interests of future generations. Regarding water resources, the HKIE recommends advancing the digital water roadmap to reduce leakage rates and conserve water resources that are vital for high-tech industries' development.

11. With the Government's ambition to transform Hong Kong into a green maritime fuel bunkering hub, significant infrastructure investments are essential. Setting aside financial support specifically for green fuel technology R&D and pilot projects demonstrating the viability of green fuels in maritime operations is worth considering. In addition, tax incentives or credits could further incentivise the development and adoption of new green fuel technologies.

12. In the pursuit of green energy development, it is recommended that feasibility studies be conducted on utilising reservoir surface areas for solar power, which could then be harnessed to generate green hydrogen, benefiting the transportation and maritime sectors. By utilising 30% of Hong Kong's reservoirs' surface areas for solar power generation , there is the potential to achieve a generation capacity of around 1,000 MW, an output level comparable to that produced by a nuclear power unit.

13. To address waste reduction, the Government is urged to invest in recycling infrastructure, promote carbon capture projects, and advance recycling technologies to foster a circular economy essential for sustainability.

14. To promote a cleaner and more environmentally friendly urban environment, a crucial step involves accelerating the transition to electric vehicles (EVs). The Government is expected to sustain its promotional initiatives by enhancing the charging infrastructure, which includes expanding super-charging kiosks and encouraging

additional charging points in private and public car parks. The incorporation of charging infrastructure into urban planning, particularly in new development areas, is vital. In addition, by extending the First Registration Tax concessions for EVs and streamlining the "One-for-One Replacement Scheme" application process are important for advancing EV adoption, hence cutting carbon emissions and reinforcing Hong Kong's dedication to sustainability.

15. Strengthening Hong Kong's carbon trading market involves addressing existing challenges, such as low market liquidity, insufficient product innovation, and limited public awareness. This includes establishing a professional carbon trading platform, implementing a robust regulatory framework, and promoting carbon auditing to achieve carbon neutralisation. By leveraging Hong Kong's expertise in professional services and financial markets, engineers can play a pivotal role in developing a dynamic, mature, and efficient carbon trading ecosystem.

16. A robust regulatory framework should include trading rules, regulatory standards, and penalties for violations, to maintain market order and ensure fair competition. By aligning trading platforms with international standards and leveraging advanced technologies, Hong Kong can enhance its recognition of carbon trading, thus stimulating its development within the Greater Bay Area (GBA). In addition to a regulatory framework, it is also necessary to develop standards and guidelines for assessing performance against sustainability goals and practices. While the HKIE is pursuing this endeavour with the Development Bureau and industry partners, the Government's support in promoting the adoption of this tool will maximise its benefits.

17. Establishing unified carbon auditing standards, aligned with international best practices and local conditions, will enhance Hong Kong's credibility in carbon accounting. An expert committee could be formed to oversee the development, review, and regular updates of these standards. Additionally, developing a systematic training programme in carbon trading and auditing will cultivate skilled professionals locally, thereby supporting the achievement of carbon neutrality goals. In this regard, the HKIE is also organising training programmes to contribute to the further recognition of carbon trading and auditing.

18. Diversifying the range of green financial products, including options such as

green bonds, carbon credits, and carbon funds, can cater to different investor preferences and risk profiles. This diversification may attract investments and help reduce financing costs for green initiatives.

19. In parallel, we recommend a shift in the Government's procurement process from traditional lowest-bid models to a more value-based tendering approach. This transition should prioritise considerations such as overall quality, sustainability, and lifecycle costs, aligning with broader sustainability goals and driving positive outcomes for both the environment and the economy.

Enhancing the Capacity and Availability of the Engineering Workforce

20. To address Hong Kong's future developmental needs and prevent potential manpower shortages, it is recommended that the Government attract and retain young engineering talent by increasing the financial subsidy for Scheme "A" Training. The current subsidy level, set at a monthly rate of HK$5,610 for up to 18 months per registered trainee, has remained unchanged since the 2008/2009 Financial Year. The HKIE urges the Government to increase the subsidy to HK$10,000 or more to incentivise the employment of additional engineering graduates and enhance their independent capabilities to undertake professional responsibilities.

21. To entice young engineering graduates into the engineering and construction industry, we recommend introducing clauses in major contracts that mandate the employment of a minimum number of young engineers who may not yet possess professional qualifications. This approach aims to encourage the involvement of young engineers and mitigate the potential risk of talent shortages in the future. For high-value contracts, it is proposed to break them down into smaller segments, creating opportunities for small- and medium-sized subcontractors, easing their financial challenges and fostering inclusivity in project participation.

22. Efforts to enhance knowledge and expertise in areas such as New Quality Productive Forces and New Industrialisation are crucial. Similar to the Pilot Green and Sustainable Finance Capacity Building Support Scheme, allocating dedicated funding for training in these domains can upskill professionals and prepare them for the evolving demands of the sector.

Support Outbound Construction Industrial Initiatives

23. In line with the initiative to enhance building standards and benchmark international standards and Guobiao (GB), the HKIE recommends establishing the "Greater Bay Area Standard" (GBA Standards) to foster closer integration of the engineering industries within the region. These standards can facilitate the local use of high-quality, cost-effective construction materials, while leveraging Hong Kong's role as a super-connector and value-added hub to assist GBA enterprises in expanding into international markets.

24. Strengthening collaboration with the Mainland to create more engineering career opportunities in the GBA is also recommended. The successful Mutual Recognition Framework Agreement (MRFA), signed with the Guangdong Institution of Engineers as a pilot project, underscores the potential for cross-border engineering qualifications. The first batch of Hong Kong engineers passing the GBA engineering "Professional Title" evaluation and obtaining corresponding engineering professional qualifications on the Mainland has further enhanced professional mobility and cooperation within the GBA. The HKIE is hopeful that the project scope of the project will be expanded to encompass more engineering disciplines.

25. The HKIE is optimistic that, with considerations given to the above strategies, Hong Kong can fortify its status as an engineering hub, promote collaboration within the GBA, leverage advanced technologies to drive sustainable growth and competitiveness in the global market, and rebound more swiftly in the current economic landscape.