

By hand and by fax at 2147 5770

13 February 2018

Mr Paul M P CHAN GBM GBS MH JP  
Financial Secretary  
25/F Central Government Offices  
2 Tim Mei Avenue  
Tamar Hong Kong

Dear *Paul,*

**2018-19 Budget**

On behalf of the Institution, I am pleased to submit herewith our views and suggestions as set out in the enclosure for your consideration in the preparation of the 2018-19 Budget.

For the welfare of the community as a whole and the development of the profession, the Institution, with the expertise of our members, welcome the opportunity to support the constructive initiatives of the Administration on areas of concern.

Thank you.

Yours sincerely



Ir Thomas K C CHAN  
President  
The Hong Kong Institution of Engineers

Enc

KCC/WC/ML

Cc: Mr Edward YAU GBS JP, Secretary for Commerce and Economic Development  
By Fax Mr Michael WONG JP, Secretary for Development  
Mr Kevin YEUNG JP, Secretary for Education  
Mr WONG Kam Sing GBS JP, Secretary for the Environment  
Mr James LAU JP, Secretary for Financial Services and the Treasury  
Mr LAU Kong Wah JP, Secretary for Home Affairs  
Dr LAW Chi Kwong CBS JP, Secretary for Labour and Welfare  
Ir Frank CHAN JP, Secretary for Transport and Housing  
Mr Nicholas YANG GBS JP, Secretary for Innovation and Technology

**Enclosure**

**Views from the Hong Kong Institution of Engineers  
for the Formulation of the 2018-19 Budget**

The Hong Kong Institution of Engineers (HKIE) supports the Administration to take a forward-looking approach in budgeting, making good use of the surplus to fulfil its pledges to provide services that suit the needs of the community and promote economic and social development of Hong Kong. Hong Kong economy is sophisticated yet susceptible to external influences, and therefore the financial and economic policy has to be prudent yet sustainable. With the aspiration of striving for a balanced economy and sustainable development, the HKIE would like to provide our views and suggestions to the Administration for the formulation of the 2018-19 Budget.

**Strategic Regional Development**

2. Riding on opportunities envisaged from the development plan of Guangdong-Hong Kong-Macau Bay Area towards the visionary Belt & Road Initiative, infrastructure and economic development linking cities in the greater Pearl River Delta are gaining momentum. Hong Kong enterprises have been endeavouring to transform and upgrade to increase their competitiveness in a bid to keep abreast of the development in the mainland China and around the globe.

3. The HKIE is excited to see more efforts of the Administration to draw the stakeholders and projects together and match Hong Kong's professional services with the business and cooperation opportunities available in the emerging markets along the development plan. We suggest the Administration to consider allocating more resources to provide financial support as well as comprehensive advisory services to small and medium enterprises of different sectors to assist them in advancing to upgrade and tap the potential markets.

4. Endowed with the prime location next to the hardware manufacturing cluster of the Pearl River Delta, Hong Kong has been growing a startup ecosystem in recent years. According to InvestHK's latest survey<sup>1</sup>, as of 2016 there were nearly 2,000 startups in Hong Kong employing over 5,000 employees. In order to boost for a more vibrant startup ecosystem, the Administration is recommended to set up a mutual fund or matching grant to support local startups to add new vitality to our economy along the upcoming regional development.

**Sustainable Foundation for Development**

Land Supply

5. Providing a steady and sustainable land supply to cope with Hong Kong's various development needs has long been a pressing issue. The HKIE supports the

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<sup>1</sup> InvestHK (2016), *InvestHK survey points to surging number of start-ups from around the world*, Retrieved from <http://www1.investhk.gov.hk/news-item/investhk-survey-points-to-surging-number-of-start-ups-from-around-the-world/>

establishment of the dedicated Task Force on Land Supply to review the Government's land supply strategy and study other possible land supply options. Where necessary, we recommend the Administration to reserve sufficient resources for conducting any feasibility study proposed by the Task Force and to commit more funding provisions for planned actions in increasing land supply.

6. In particular, urban renewal is one of the essential parameters in the territorial development strategy and overall development of Hong Kong. As a bulk of Hong Kong's existing building stock will be reaching the age of 70 years or above by 2046<sup>2</sup>, we consider that it is important for the Administration to step up the rejuvenation initiatives of dilapidated urban areas with appropriate incentives introduced for drawing support to urban regeneration. The Administration is also recommended to extend the scope of Operation Building Bright of the Buildings Department to subsidise for measures helping old buildings to meet the safety requirements.

### Infrastructure and Construction Development

7. According to a recent report<sup>3</sup> of quarterly construction cost update in Hong Kong, the tender prices for construction work had reached a record high in the third quarter of 2016 after continuously rising for six years. In view of this, we suggest the Administration to adopt a proactive approach in promoting the adoption of technological and innovative construction methods to improve the overall productivity and cost-effectiveness. To facilitate this, the Administration should encourage academic/industry collaboration for applied engineering/ technology researches and application of research outcomes in construction industries by providing more financial support and setting up relevant collaboration platforms.

8. It is noted that overnight convention and exhibition (C&E) visitors reached 1.89 million in 2016, up 10 per cent year-on-year, bringing about a total expenditure of \$14.3 billion<sup>4</sup>. To meet the growing demand of exhibition spaces as well as to maintain our competitive edge in the C&E industry, the HKIE supports the expansion of Hong Kong Convention and Exhibition Centre and the Administration should also continue planning for more convention and exhibition facilities at other suitable locations to fulfil future market demand.

### **Smart City Development**

9. The HKIE in general supports the vision of Smart Hong Kong and the initiatives as recommended by the *Report of Consultancy Study on Smart City Blueprint for*

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<sup>2</sup> The HKSAR Government - Legislative Council Panel on Development (2017), *Overview of Land Supply*, Retrieved from <http://www.legco.gov.hk/yr16-17/english/panels/dev/papers/dev20170124cb1-461-1-e.pdf>

<sup>3</sup> Rider Levett Bucknall (2017), *Hong Kong Report: Quarterly Construction Cost Update (June 2017)*, Retrieved from <http://assets.rlb.com/production/2017/08/07065327/RLB-Construction-Cost-Update-HK-Q2-2017-English-Version.pdf>

<sup>4</sup> Press Release of the HKSAR Government (2017), *LCQ5: Measures to enhance competitiveness of convention and exhibition industry*, Retrieved from <http://www.info.gov.hk/gia/general/201710/25/P2017102500628.htm>

*Hong Kong* (the Report). We believe that the vision of building Hong Kong into a world-class Smart City can enhance the effectiveness of city management and improve people's quality of living through making use of innovation and technology.

#### Innovation and Technology Development

10. While the HKIE is pleased to see the Administration's initiative of doubling the expenditure on research and development (R&D) as a percentage of the Gross Domestic Product from 0.73% to 1.5% of about \$45 billion a year, we hope that the Administration could set out a detailed strategy on the relevant expenditure and continually review and enhance its mid- to long-term relevant funding targets.

11. It is noted that there are a number of funding and financing support for innovation and technology development through various schemes administered by different Bureaux/Departments. To facilitate the industries in acquiring such support, we suggest the Administration to consider taking a holistic review on all schemes and simplifying the application requirements and procedures. Also, to better tie in with the Smart City development, the Administration is suggested to optimise the application and administration arrangements of the existing Innovation & Technology Fund.

#### Smart Mobility

12. Hong Kong was ranked 44th in the 2017 global congestion ranking for cities<sup>5</sup>. To alleviate the traffic congestion and improve the roadside air quality, the HKIE urges the Administration to put sufficient resources for accelerating the implementation of the relevant pilot projects on smart mobility as laid out in the Report as well as the seven railways proposed under *Railway Development Strategy 2014*. We also expect closer collaboration with the public transport operators in putting forward smart transportation initiatives.

#### Smart Living/ Health

13. According to Hong Kong Population Projections for 2017-2066<sup>6</sup>, the trend of ageing population will continue and is expected to be most rapid in the coming 20 years. In face of the challenges posed and the ever increasing demand for healthcare services, we suggest the Administration to promote and develop "gerontechnology" and innovative medical technologies applicable to Hong Kong's situation for smart ageing. Promoting a wider application of technology and smart measures in elderly centres/ day care centres at community level is necessary. In the long term, the Administration could consider devoting more resources to assist the startup businesses in developing smart ageing technology.

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<sup>5</sup> TomTom (2017), *The TomTom Traffic Index 2017*, Retrieved from [https://www.tomtom.com/en\\_gb/trafficindex/list?citySize=LARGE&continent=ALL&country=ALL](https://www.tomtom.com/en_gb/trafficindex/list?citySize=LARGE&continent=ALL&country=ALL)

<sup>6</sup> The Census and Statistics Department of the HKSAR Government (2017), *Hong Kong Population Projections 2017-2066*, Retrieved from <https://www.censtatd.gov.hk/hkstat/sub/sp190.jsp?productCode=B1120015>

### Smart People

14. To better prepare our next generations for the rapid developments and challenges ahead, science, technology, engineering and mathematics (STEM) education has received a considerable amount of attention. We suggest the Administration to provide persistent financial support instead of a once-and-for-all appropriation for continuous promotion on STEM education. More resources should be provided for teachers' development on acquiring engineering and science knowledge as well as STEM teaching skills, while pool resources should also be allocated for schools to procure/ upgrade teaching materials/ facilities and to support students to participate in various STEM-related learning activities.

15. The HKIE views that the Smart City development is a continuous and dynamic process, and therefore nurturing a highly adaptive labour force that can embrace the new development with updated skills is of paramount importance. The Administration is recommended to increase the relevant funding to encourage and support continuing education/ trainings for the working adults. Additional resources would also be needed to roll out different initiatives to attract and retain talents in technology and creative industries, especially the experts in data science and data analytics, in order to support the Smart City development.

### Smart Government

16. Smart City is people-centric and should be built upon the needs of the people. The HKIE supports the Administration to invest in and promote various smart government initiatives for efficiency and convenience of the public, with better services and enhancement of city management, such as sharing more government data, adopting Building Information Modelling for major government capital works projects, introducing Common Spatial Data Infrastructure (CSDI), and launch of 5G services and applications, etc.

17. To promote the use of the CSDI, the Administration is recommended to provide a free or low-cost CSDI service with timely data integrity for SMEs and innovation service companies. Meanwhile, the Administration would need to allocate sufficient fund for the expected system maintenance and enhancement in the long term.

### Smart Environment

18. Air pollution from vehicles is a significant issue in Hong Kong. Aiming to reach the carbon emission reduction target for 2030 as set out in *Hong Kong's Climate Action Plan 2030+*, the HKIE supports measures to widen the adoption of electric vehicles (EVs) for reducing roadside emissions. We urge the Administration to put additional resources to enhance the associated facilities, such as expanding and upgrading the public EV charging network. Moreover, we suggest the Administration to expand its promotion of EVs to various sectors by increasing the size and scope of subsidies provided by the Pilot Green Transport Fund, and to progressively adopt EVs for all government vehicles.

19. The HKIE notes that increasing awareness and interest in environmental protection has led to rapid increases in the pool of assets targeted for investment in

green infrastructures and projects in the region. Green finance can help promote technological innovation and facilitate growth of green industries. We suggest the Administration to take the initiative in providing different platforms and schemes, such as green bond and grant, to foster Hong Kong into a pioneer of green finance.