

By Hand and by fax at 2840 0569

27 January 2016

Mr John C W TSANG GBM JP
Financial Secretary
25/F Central Government Offices
2 Tim Mei Avenue
Tamar Hong Kong

Dear Mr Tsang

On behalf of the Institution, I am pleased to submit herewith our views and suggestions as set out in the enclosure for your kind consideration in the preparation of the 2016-17 Budget.

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

Thank you.

Yours sincerely



Ir CHAN Chi Chiu
President
The Hong Kong Institution of Engineers

Enc

CCC/WC

Cc: Mr Gregory SO GBS JP, Secretary for Commerce and Economic Development
(by fax) Mr Paul CHAN MH JP, Secretary for Development
Mr Eddie NG SBS JP, Secretary for Education
Mr WONG Kam Sing JP, Secretary for the Environment
Prof K C CHAN GBS JP, Secretary for Financial Services and the Treasury
Mr LAU Kong Wah JP, Secretary for Home Affairs
Mr Matthew CHEUNG GBS JP, Secretary for Labour and Welfare
Prof Anthony CHEUNG GBS JP, Secretary for Transport and Housing
Mr Nicholas YANG JP, Secretary for Innovation and Technology

Enclosure

Views from the Hong Kong Institution of Engineers to the Financial Secretary for the Formulation of the 2016-17 Budget

The Hong Kong Institution of Engineers (HKIE) has a firm belief that Hong Kong should optimise our fiscal policy to sustain long-term economic development and benefit all levels of our society. Strategic measures in revenue and expenditure planning and management are always essential in enriching the livelihood today and instilling hope to the community in future. We would like to submit the following views and recommendations to the Administration to facilitate the formulation of the 2016-17 Budget for the betterment of Hong Kong.

Funding for Infrastructural Development

2. Continuous development and improvement of infrastructures is the key to sustain Hong Kong as the leading international centre and as the Asia's World City. The HKIE agrees that we should pursue, along with the objective stated in the 2016 Policy Address of the Chief Executive, to actively facilitate and participate in the "Belt Road Initiative". To put this objective into tangible actions, the HKIE wishes the Administration to set the corresponding long-term plan to construct Hong Kong as the global logistical and transportation hub. Hence, the HKIE recommends that the 2016-17 Budget should set an optimal financial reserve for our future infrastructural projects in enhancing the airport capacity, port facilities and road/ railway network, so as to better prepare Hong Kong to accommodate the increased supply chain flow and logistic/ people movement brought from the "Belt Road Initiative".

3. The HKIE aspires for progressive enhancement of facilities and capacity for convention, exhibition, business and recreational travelling in order to equip Hong Kong to strive for hosting more summits, conferences, and programmes of regional and international nature under the "Belt Road Initiative". We also support the Administration to inject funding to progressively enhance the corresponding information technology and communication infrastructures to support these activities and for the better convenience to the community. As a whole, the HKIE opines that Hong Kong should be ambitious in our expenditure for construction and infrastructural development to enhance our hardware, so that we can strengthen our foundation and capacity to enable our city in exploiting the opportunities brought from the "Belt Road Initiatives".

4. At the same time, the HKIE believes that the Administration should not lose sight on the continuous efforts on providing lands for both economic and housing developments for local citizens. The Administration is suggested to commit more funding provisions for increasing land supply such as wider development of rock caverns and underground space, further endeavours on realising reclamation and New Development Areas with positive impact, as well as strengthening the local connectivity of these areas. With our grave concern on delay in funding approval which hinders the timely and orderly implementation of these plans, the HKIE suggests the Administration to establish standing fund to major land creation

initiatives (such as reclamation studies) in a form of reserved funding allocation (i.e. block vote) to streamline the funding application process and minimise further delay and uncertainty in financing the necessary works.

Long-Term Manpower Development

5. Building Hong Kong necessitates a rich pool of local talents and professionals. Continuous investment in human capital is therefore essential to guarantee the supply of quality workforce for our long-term development. The HKIE is concerned on the effective way in planting the seed in education to foster more engineering and technical professionals. Apart from persistently adequate funding for engineering education in the universities at undergraduate and post-graduate levels, the HKIE urges the Administration to allocate more funding for the post-secondary institutions to offer Higher Diploma courses in technical and technological disciplines. To build up the foundation in technology for young students, the Administration should fund and subsidise primary and secondary schools to instill more technology and engineering-related subjects in the curriculum. Outside the classroom, we believe that funding should also be provided to the community to encourage organising technology and engineering-related activities to nurture the interest of the younger generation.

6. For the working adults, the HKIE hopes that the Administration can enhance the funding to encourage them pursuing continuous learning to enhance their employability and capability to meet the ever-changing requirements in the current and future workplace. In particular to those young working adults who might have missed the opportunity for subsidised post-secondary education, the HKIE advocates that the Administration should provide study subsidy for them to pursue part-time award-bearing courses that would upgrade their qualifications and prepare them to take up supervisory and technical positions in various sectors of our economy.

7. As for the development of the local professionals including engineers, the Administration is suggested to consider re-introducing the Professional Services Development Assistance Scheme (PSDAS) to attract and trigger quality researches and studies and relevant development initiatives. We also appeal for increasing the amount and scope of the Continuous Education Fund to enable professionals to study in a wider scope of disciplines that can enhance their continuous professional development.

Cultivating Diversified Economy and Entrepreneurship

8. It is indisputable that Hong Kong should maintain and excel ourselves as the international financial centre. However, riding on our long-held strength in financial sector, Hong Kong should also keep diversifying our economy and further capitalising the potential opportunities in various sectors/ industries, so that we can enjoy a balanced and multi-faceted development in our economy.

9. The HKIE would welcome the Administration to provide incentives and financial support for various sectors that have potential to grow in Hong Kong. We support

the initiative of “re-industrialisation” as mentioned in the 2016 Policy Address, and would invite the Administration in future budgets to assign more financial subsidies to attract high value-added industries to grow in Hong Kong. As in our proposal in recent years, the HKIE urges the Administration to provide more support to build up Hong Kong as the leading centre for testing and certification.

10. The HKIE treasures the contribution of the big enterprises to engine our economy and provide the employment opportunities for our citizens. Similarly, we believe that small and medium enterprises (SMEs), which account for nearly 50 per cent of private sector employment, are critical to our efficient and competitive market. To strengthen the development of SMEs in Hong Kong, the HKIE suggests that the Administration should provide further support in particular to obtaining start-up funding, guarantee for business loan, assistance to develop and access to potential markets, and development of entrepreneurship skills to the SMEs owners in Hong Kong. As a long-range initiative, the HKIE wishes that the Administration would also instill more entrepreneurial awareness education in school curriculum and in the community.

Research and Development (R&D)

11. The HKIE appreciates the Administration’s growing effort in encouraging R&D in recent years. However, it is observed in the *World Development Indicators (WDI) 2015* that the proportion spent on R&D to total Gross Domestic Product of Hong Kong is lower (0.73%) than the neighbouring countries such as Japan (3.47%), South Korea (4.15%) and Singapore (2.00%).¹

12. Under the top agenda of enhancing Hong Kong’s competitiveness, the HKIE suggests the Administration to step up our R&D funding, up to the standard of other Asian developed countries. Difficulty in obtaining support is always a major concern of SME in launching R&D. The Administration is suggested to consider providing more economic incentives, such as tax reduction scheme, to facilitate SMEs to pursue more R&D and technological development so as to explore a wider horizon to progress.

13. We believe that pursuing innovation and technology development is a viable yet essential way for Hong Kong to maintain our competitive edge. However, the global ranking in number of researchers in Hong Kong was 28th while the rank in overall R&D of Hong Kong was 22nd.² The HKIE supports the Administration to provide more funding to tertiary institutions for intensifying and diversifying their research activities, in particular to technology, engineering and applied science fields. This would in turn also attract more talents and encourage youngsters to pursue applied research in Hong Kong as their life-long career. The Administration should also finance to foster more collaboration in research between Hong Kong institutions and

¹ The World Bank. (2015). *5.13 World Development Indicators: Science and technology 2015*. Retrieved from 2015 States and Markets: <http://wdi.worldbank.org/table/5.13>, 20 January 2016

² Cornell INSEAD WIPO. (2015). *The Global Innovation Index 2015*. Retrieved from Global Innovation Index 2015: <https://www.globalinnovationindex.org/content/page/data-analysis/>, 20 January 2016

the overseas counterparts, as well as between academic institutions and private businesses, so as to embed Hong Kong with the strength for innovation.

Environmental Protection

14. The HKIE believes that Hong Kong being an affluent and highly developed city should spend more efforts and take further initiatives on conserving the environment and pursuing sustainable development for the healthy and happy living of our generation and the next.

15. The HKIE supports continuous investment on implementation of 3Rs Principle (*Reduce, Reuse & Recycle*). Recycling is considered to be a sustainable method to tackle the waste problem in Hong Kong. Disappointingly, it is found in *Waste Statistics for 2014* of Environmental Protection Department that the recovery rate of Municipal Solid Waste in Hong Kong is only 37%, which is significantly lower than other major metropolitans. We welcome the launch of the HK\$1 billion Recycling Fund by the Administration in Oct 2015, with the objectives of raising the quantity and quality of recyclables recovered from the waste stream, promoting markets for recycled products, and enhancing the overall capability, capacity, efficiency and skills as well as market information of the recycling industry. With such support, we look forward to seeing the sustainable development of the recycling industry in Hong Kong.

16. Air quality of Hong Kong is always an alarming concern of our citizens as well as tourists and overseas investors. To improve the air quality, the HKIE supports the Administration's effort to push for adopting more electric vehicles (EVs) in the public transport system. Taking a step further, the HKIE hopes the Administration to further encourage commercial vehicle owners to choose EVs by offering economic incentives such as tax reduction. To make using EVs more convenient and economical to users, the HKIE suggests the Administration to support more R&D in development of low-cost EVs and EVs batteries with better functions, in addition to support for the set-up of more EVs charging facilities.

17. In order to pursue reduction in energy consumption, the HKIE hopes that the Administration can provide more incentives for wider deployment of Advanced Metering Infrastructure to enable users to be more aware of their energy consumption pattern and thus helping them to develop energy saving behavioural change.

Social and Welfare Support

18. In response to the high Gini Coefficient (GC) (0.431) of Hong Kong³, the HKIE urges the Administration to soothe the disparity between the rich and the poor. For the grass root level, apart from ensuring their basic living standard, the Administration should support in a way that would facilitate the lower class to have better capacity to

³ Environmental Protection Department. (2014). *MONITORING OF SOLID WASTE IN HONG KONG*. Retrieved from Waste Statistics for 2014: <https://www.wastereduction.gov.hk/sites/default/files/msw2014.pdf>, 20 January 2016

lift out of poverty. We believe that the Administration should budget with sufficient funding to enrich the learning and development of children, so that they would not be disadvantaged from being educated and fostered as the future pillar of Hong Kong development. For adults, the HKIE suggests for stronger measures to encourage them to seek employment and enhance their employability. Hence, we believe that the Administration should augment relevant measures such as expanding Work Incentive Transport Subsidy Scheme, injecting more financial support to Employees Retraining Board, and subsidising child caring services to working parents.

19. In recognition of their contribution to the economic development, and in view of the upcoming turbulent economic environment, the Administration is suggested to provide more tax allowance for the middle class, especially in relieving their financial burden in supporting their dependents, medical expenses, and pursuit of continuous professional development.

20. Above all, the HKIE believes that the expenditure on welfare should be planned with an objective to foster a harmonious society with hope for the future betterment.