

2 October 2019

Policy Innovation and Co-ordination Office
26/F, West Wing, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

By email: policyaddress@pico.gov.hk

Dear Sir / Madam,

Submission to the Hong Kong 2019 Policy Address Public Consultation

CPA Australia represents the diverse interests of over 164,000 members working in 150 jurisdictions and regions around the world, including over 12,000 members in Hong Kong. We make this submission on behalf of our members and in the broader public interest.

As one of the largest professional accounting bodies in the world, this submission represents CPA Australia's considered views on how we believe Hong Kong can achieve greater sustainable economic growth, create further employment opportunities, improve living standards, increase its competitiveness, improve accountability, and improve public sector financial management. These views have been shaped by input from our members in Hong Kong and our experiences in other jurisdictions.

Recent local and international events have adversely impacted the Hong Kong economy. With the trade and logistics, transportation, retail, restaurant, and tourism sectors being particularly affected, the immediate economic outlook is uncertain.

In light of this, CPA Australia suggests that the Government of the Hong Kong Special Administrative Region (SAR) considers announcing a series of policy measures in the upcoming Policy Address to help Hong Kong, its businesses, and its people weather the impending economic downturn, improve people's livelihood, encourage enhanced government communication and civic participation, strengthen the management of Hong Kong's public finances, and improve accountability.

Suggestions for possible inclusion in the Chief Executive's Policy Address are listed below.

1. Support economic growth

- **Increase support for the young people of Hong Kong.** We support the government's recent announcement to launch a training scheme to upgrade workers' skills. In addition, we suggest that the policy address include a range of initiatives to enhance engagement with young people in Hong Kong as well to provide them a greater stake in the SAR's future. For example, the government could consider providing free vocational training to help those in the population who are young and without university education to develop knowledge and skills where there is an identified shortage and to support strategically important industries such as e-sports. Policy suggestions by members include increasing support to multinational corporations and Mainland technology companies to offer internships and training to young Hong Kongers as well as the government facilitating improved connections between such companies and young entrepreneurs in the SAR.
- **Announce further measures to stimulate the economy.** We are pleased that the Financial Secretary has recently introduced new measures to support small and medium enterprises and announced an

economic stimulus package to help the Hong Kong economy. However, we believe that additional financial support may be appropriate to stimulate the economy and assist small businesses alleviate their financial burden at this time. Policy suggestions by members include:

- offering targeted cash payments or a limited-life coupon handout scheme to residents that can be redeemed in selected sectors such as transport, food, and retail;
 - offering more funding and assistance to help local firms expand into markets outside of Hong Kong; and
 - temporarily increasing the size of current tax allowances to increase the amount of money in the hands of taxpayers.
- **Support the tourism sector.** In addition to broader stimulus measures for the economy, we suggest that consideration be given to specific measures to support the tourism industry. Policy suggestions by members include the SAR Government increasing funding to attract or organise large scale business, cultural, and sporting events to Hong Kong, and providing a rent exemption for participating businesses or organisations.
 - **Enhance Hong Kong's position as an international financial centre.** The SAR Government should consider leveraging Hong Kong's financial strengths and infrastructure advantages to continue driving the development of FinTech, such as lowering the threshold for virtual bank licences. At the same time, the SAR Government should consider increasing its efforts to preserve Hong Kong as a leading offshore Renminbi centre.

2. Improve people's livelihood

- **Address the shortage of land and build affordable housing.** The shortage of land and high property prices are perennial issues severely impacting the livelihood of many in Hong Kong. In view of the recent announcements from real estate developers indicating their intention to cooperate with the government to release private farmland for affordable housing, policy suggestions by members include:
 - exploring ways to acquire and develop private farmland for affordable housing and to develop the estimated 1,300 hectares of brownfields sites;
 - conducting an international comparison review of affordable home ownership models in other jurisdictions to inform policy development in Hong Kong; and
 - increasing funding to the Urban Renewal Authority to identify areas in need of redevelopment and accelerate urban redevelopment / renewal programmes. Such renewal work will also act as a form of economic stimulus.
- **Improve accessibility to affordable healthcare.** We support the government's budget announcement to provide additional funding to the Hospital Authority to address salient public health issues such as an ageing population and a shortage of medical workers. We also believe that Hong Kong should possess an affordable and comprehensive healthcare system that is 'fit-for-purpose' and addresses the needs of a range of different people. Policy suggestions by members include the SAR Government establishing a review into options to improve the community's access to affordable quality healthcare.
- **Reduce income inequality and support social mobility.** Reviewing policies in response to Hong Kong's wide income gap and arguable social mobility issues can assist in sustainable and inclusive economic growth in the long term and help improve the quality of life of residents. Policy suggestions from members include the SAR Government requesting the Commission on Poverty to conduct a wide-ranging inquiry to identify measures that may reduce income inequality and support social mobility.

3. Enhance government communication and civic participation

- **Enhance dialogue with the public.** CPA Australia commends the Chief Executive for initiating a community-level dialogue session and we believe that such sessions should continue to be held. We suggest that the effectiveness of the dialogue sessions and the newly-established Dialogue Office could be enhanced by the SAR Government utilising different communication channels, including social media platforms, to deliver key messages and initiatives to the public and provide a channel for the public to give feedback and suggestions.

4. Strengthen the management of Hong Kong's public finances and improve accountability

- **Transition to full accrual-based financial reporting.** As accrual-based accounting and financial reporting are administrative tools that can increase public trust and confidence, the SAR Government could consider transitioning from a modified version of accrual-based financial reporting to full accrual-based

financial reporting, with such reporting done in accordance with either International Public Sector Accounting Standards or International Financial Reporting Standards.

- **Publish full accrual-based, audited financial statements annually.** The application of accrual-based accounting by the public sector is essential to providing an accurate picture of government finances and ensure that liabilities are recognised and future obligations are planned for properly. Additionally, by recognising and valuing their assets, governments have greater potential to more effectively manage their resources and returns on assets. Hence, the SAR Government could consider publishing full accrual-based, audited financial statements annually.
- **Enhance the Audit Commission's Value for Money audit activity.** Improving public accountability and engagement with the community is crucial for any progressive society. To do this, the SAR Government could enhance the role and process of the Audit Commission by elaborating on the kind of public sector organisations / entities that are included in the Audit Commission's Value for Money audit mandate, establishing a channel for the public to suggest potential Value for Money topics, and establishing guidelines to indicate how and to what extent auditees must respond to Value for Money audit recommendations.
- **Provide long-range data forecasts.** To assist the government to better engage with the community and to improve civic participation in the policymaking process, the SAR Government could request the Census and Statistics Department to publish long-range fiscal, demographic, and economic forecasts for Hong Kong. Ideally, such forecasts should be released at least once every five years.

If you have any queries, please do not hesitate to contact Mr Jonathan Ng, Policy Adviser Greater China at CPA Australia on jonathan.ng@cpaaustralia.com.au or +852 2202 2717

Yours sincerely



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