

立法會
Legislative Council

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Panel on Commerce and Industry

Minutes of meeting
held on Monday, 12 March 2001, at 4:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)
Hon HUI Cheung-ching (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel Members attending** : Hon CHAN Kwok-keung
Hon LI Fung-ying, JP
Hon LEUNG Fu-wah, MH, JP
- Members absent** : Prof Hon NG Ching-fai
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
- Public officers attending** : Mr CHAU Tak-hay
Secretary for Commerce and Industry
- Miss Yvonne CHOI
Deputy Secretary for Commerce and Industry
- Miss Anita CHAN
Principal Assistant Secretary for Commerce and Industry

Mr Joshua LAW
Director-General of Trade and Industry

Mr Edward YAU
Deputy Director-General of Trade and Industry

Attendance by invitation : Small and Medium Enterprises Committee

Mr CHAN Wing-kee
Chairman of the Small and Medium Enterprises Committee

Mr CHAN Tze-ching
Convenor, Working Group on SME Financing

Mr Anthony AU
Convenor, Working Group on Technology Application

Mr Danny NGAI Kam-fai
Convenor, Working Group on Market Expansion

Clerk in attendance : Mrs Florence LAM
Chief Assistant Secretary (1)4

Staff in attendance : Ms Erin TSANG
Senior Assistant Secretary (1)3

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1)766/00-01)

The minutes of the meeting held on 8 January 2001 were confirmed.

II Information paper issued since last meeting

2. Members noted that no information paper had been issued since the last meeting.

III Date of the next meeting and items for discussion

(LC Paper No. CB(1)779/00-01(01) - List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on Monday, 9 April 2001 at 4:30 pm, and agreed to discuss the following items -

- (a) Progress report on the liberalization of the Rice Control Scheme;
- (b) Science Park at Pak Shek Kok - Phase 1c; and
- (c) Registration of Copyright Licensing Bodies Regulation

(Post-meeting note: As requested by the Administration after the meeting and with the concurrence of the Chairman, the following item would be added to the agenda for the meeting scheduled on 9 April 2001:

“Trade and Industry Department - Creation of a permanent post of Administrative Officer Staff Grade C”.)

IV The Small and Medium Enterprises Committee: progress report and consultation

(LC Paper No. CB(1)779/00-01(02) - Information paper provided by the Administration)

4. The Secretary for Commerce and Industry (SCI) informed members that the new Small and Medium Enterprises Committee (SMEC) had become operational since 15 December 2000. It had set up five working groups in the areas of financing, business environment, human resources, technology applications and market access. These working groups were tasked to identify the problems faced by small and medium enterprises (SMEs) in the respective areas with a view to putting forth solutions and feasible proposals to the Chief Executive (CE). Mr CHAN Wing-kee, Chairman of SMEC, added that SMEC had held two meetings since its inception. It had also conducted two major discussion sessions with representatives from over 50 trade and industrial organizations, SME associations, representatives from the professional and service sectors, banks, financial institutions and academia to solicit their views on the development of SMEs. To widen its scope of consultation, SMEC had launched a three-week public consultation exercise in early March this year, and invited people from different sectors to give their views on the support for SMEs. Mr CHAN Wing-kee emphasized that SMEC would deliberate on the views so collected and submit a report to CE by 15 June this year. In this connection, Mr CHAN pointed out that as SMEC had not yet drawn up any concrete support measures for SMEs, active input from members was welcomed so that SMEC could pool all the ideas for devising concrete and practical recommendations to CE.

Areas of work of SMEC

5. Miss CHOY So-yuk noted that SMEC's principal duty was to identify the difficulties faced by SMEs in financing, business environment, human resources, technology applications and market access. However, she was concerned that these problems were more often faced by the medium enterprises than by the small enterprises, and that assistance required by the sunset industries had not been taken into consideration. As such, she enquired whether SMEC would, apart from these five areas of work, consider lending support to the sunset industries, such as assisting them to transform or suitably close down, and assuming such a role under its ambit.

6. In response, Mr CHAN Wing-kee emphasized that one of SMEC's work approaches was to endeavour to create a business-friendly environment so that SMEs would strive to excel through self-enhancement. In his opinion, since Hong Kong had been pursuing market-oriented economic principles, the Administration should refrain from meddling with the self-adjusting process of the market by picking winners or subsidizing losers. Hence, it was not the objective of SMEC to provide assistance to force the revival of the declining and sunset industries which would be phased out in time. Miss LI Fung-ying pointed out that SMEC pledged its full support to SMEs on the one hand while stating that it would not pick winners or subsidize losers on the other. She queried whether SMEC's objective was at variance with its stance. In response, Mr CHAN explained that the stance of SMEC was to assist the Government in formulating policies to help more SMEs start, build and expand their businesses. As for individual SMEs which were being phased out due to poor management or some other reasons, SMEC would not go out of its way to provide any particular assistance.

7. Dr LUI Ming-wah said that SMEs engaging in manufacturing and service industries were different in nature and hence their needs also differed. Furthermore, at an international congress on SMEs in 1986, the International Labour Organization had already classified SMEs engaging in manufacturing and service industries into two different sectors. In the circumstances, he considered it inappropriate for SMEC to lump SMEs of these two different sectors under one category for the provision of uniform support measures as proposed in its work plan.

8. In response, Mr Anthony AU, Convenor of Working Group on Technology Application pointed out that it was the global trend to narrow the gap between the manufacturing and service industries. For example, the United States (US) had grouped together those companies originally classified respectively as manufacturing companies and service companies under the category of US companies in 1993. He also emphasized that in spite of the different businesses in which SMEs engaged and the varied problems they faced, SMEC would focus its work on shaping the "mind-set" of the management of SMEs to make them more forward-looking. SCI supplemented that although the Government was committed to supporting SMEs, due to resource constraints,

it was indeed impossible to study in detail individual problems encountered by each sector and to provide corresponding solutions. As such, he stressed that the objective of SMEC was to focus on advancing the general interests of SMEs and recommending to CE improvement measures for dealing with their common problems. Mr CHAN Wing-kee also pointed out that SMEC noted the various problems faced by SMEs in different sectors. For example, SMEs engaging in export trade were more concerned about the opening up of the market, while those engaging in the service industry were concerned about the contraction of the market. However, as mentioned above, owing to resource constraints, it would be difficult for the Administration to provide tailor-made support measures for SMEs of different trades and sizes. He therefore reiterated that SMEC's objective was to provide suitable assistance in respect of the common problems faced by SMEs through neutral measures. He further supplemented that while those measures might only be applied to most but not every SME, SMEC expected to make the best use of these measures to help more SMEs start and expand their businesses so that more job opportunities could be provided in Hong Kong.

9. Mrs Selina CHOW noted the response of the Chairman of SMEC and acknowledged that some of the problems faced by SMEs might be identical. Nevertheless, she maintained that the difficulties encountered by SMEs of each trade were in fact quite unique. Therefore, if SMEC failed to formulate specific support measures targeted at the difficulties and problems faced by SMEs of different sectors and merely provided general assistance instead, the actual assistance received by SMEs would be minimal and the resources allocated to the areas concerned might not be fully utilized. Mr CHAN Wing-kee took note of Mrs CHOW's views and undertook to consider them further.

10. Dr LUI Ming-wah remarked that the Administration seemed to attach little importance to SMEs of the secondary industry (i.e. manufacturing industry) and that this had led to their decline in Hong Kong. In response, SCI clarified that the decline of SMEs engaging in manufacturing industry was mainly attributable to high rentals and other production costs (e.g. wages) in the territory. Many entrepreneurs had relocated their production lines to the neighbouring regions in the Mainland (e.g. Guangdong Province), where the costs were much lower. He emphasized that this was simply a natural development which had nothing to do with the Administration's policies. In this connection, Mr CHAN Wing-kee added that SMEC was also concerned about the relocation of production lines to China by many entrepreneurs in Hong Kong owing to economic reasons. Therefore, one of the objectives of SMEC was to create a business-friendly environment for SMEs with a view to helping them gradually expand their support base in Hong Kong and improving the local employment situation.

11. Miss CHOY So-yuk pointed out that individual small enterprises (e.g. small enterprises which manufactured chopping boards) had not formed any trade organizations to represent their interests. She was concerned that given China's imminent accession to the World Trade Organization and the rising of

protectionism in foreign countries, these small enterprises might be subjected to heavy blows. As such, she enquired whether SMEC would assist these small enterprises in organizing themselves to protect the interests of their trade. Moreover, as it appeared that local SMEs had nowhere to turn to when they encountered problems (e.g. taxation problems) in doing business in the Mainland, she also enquired whether SMEC would provide assistance to SMEs in this regard.

12. In response, Mr CHAN Wing-kee explained that SMEC would recommend support and promotion measures from a macro-perspective to be taken up by the Administration for the development of SMEs in Hong Kong. As regards the operation of SMEs, trade organizations would be responsible for the co-ordination and follow-up work, and would provide assistance with the full support of SMEC. In this connection, he informed members that numerous trade organizations (e.g. the Chinese Manufacturers' Association of Hong Kong (CMAHK) and the Federation of Hong Kong Industries) had in fact been negotiating with the Mainland departments and authorities concerned by sending representatives to places such as Beijing and Guangzhou to discuss with the local authorities the ways to assist Hong Kong SMEs in addressing the problems they encountered in doing business in the Mainland. CMAHK, together with other trade organizations, would visit Guangdong Province in April this year to explore with local authorities effective channels for helping SMEs solve the problems they encountered in doing business in the Pearl River Delta Region.

13. On Mr Henry WU's enquiry about the trades covered by SMEs, Mr CHAN Wing-kee said that SMEs in the securities, futures and gold sectors were also the targets of SMEC's study and support. Moreover, in response to Mr SIN Chung-kai's enquiry on whether SMEC would consider compiling a list of products manufactured by SMEs as a measure to help promote their business, SCI pointed out that the Trade Development Council had already uploaded such list onto its homepage for access by foreign businessmen.

Issues relating to SME financing

14. Mr CHAN Kam-lam advised that according to his knowledge, banks in general no longer relied heavily on the availability of collateral in the form of properties when offering loans to SMEs. Instead, more emphasis was placed on factors such as the business prospects and management of the enterprises when their credit-worthiness was assessed. He enquired how SMEC would assist SMEs in securing loans in the transforming enterprise loan market.

15. In response, Mr CHAN Tze-ching, Convenor of the Working Group on SME Financing said that after the Asian financial crisis, the decline of the property market had led to a significant fall in the value of properties available for use as collateral. Many banks thus shifted to non-collateral-based financing and as a result, some SMEs could not secure loans in the transforming enterprise loan market. Moreover, quite a number of SMEs encountered financing problems due to the lack of proper accounting records or sound business plans

for reference by banks. In view of this, the Working Group on SME Financing had been actively collecting opinions from different parties including banks, finance companies and risk funds through various consultation channels. It hoped to propose specific solutions and recommendations to SMEC in one or two months in respect of the difficulties faced by SMEs.

16. Given that SMEC and its working groups were planning to analyze the sectoral distribution of SMEs, their market orientation, level of employment provision, value-added capability and contribution to the Gross Domestic Product, Mr NG Leung-sing asked whether SMEC would consider publishing the results of the analysis or passing those results to banks. This would provide more reliable information for the banks' scrutiny of SMEs' loan applications so that appropriate financing arrangements could be made to SMEs with distinct value-added capability.

17. Mr CHAN Wing-kee responded that SMEC was considering whether it was feasible to follow the practices of overseas countries in commissioning assessment companies (e.g. Dun & Bradstreet) to assess the credit-worthiness of SMEs so that the banks could scrutinize loan applications on the basis of the assessment. However, as SMEC was still examining the feasibility of such an idea, no conclusion had been drawn. Mr CHAN Tze-ching supplemented that the banks generally considered loan applications according to their established risk management rules. In brief, they would consider factors such as the companies' performance, management quality and their relation with customers as well as the prospects of the respective sectors in determining whether or not to approve the applications.

18. In this connection, Mrs Selina CHOW commented that the financing problems or the unsatisfactory business performance of SMEs might be attributable to the growing trend of Hong Kong people spending outside the territory, which weakened internal consumption. As such, she enquired whether the Administration would consider formulating corresponding economic policies in the light of the above situation.

19. In response, SCI stressed that given the extremely low tax rate and narrow tax base in Hong Kong, there was little room for the Government to manoeuvre regarding the internal public spending of Hong Kong as against the impact of external factors on the Hong Kong economy. As far as external factors were concerned, if the US economy was just slowing down instead of slipping into recession and the Japan economy also registered growth, it would be beneficial to the external trade and economy of Hong Kong. He further pointed out that more people would benefit if Hong Kong's economy continued to grow. Besides, a falling unemployment rate would provide a boost to local consumer confidence which in turn would spur internal spending. As to the trend of consumer spending outside the territory, he stressed that Hong Kong was a free society and the Government could not legislate against such spending by the people of Hong Kong. On the other hand, if more tourists were attracted to visit

the territory, it would help stimulate the internal spending of Hong Kong. In this connection, Ms CHOY So-yuk suggested that the Administration should actively consider relaxing the visa restrictions for residents in the Pearl River Delta Region, such as allowing them to stay in Hong Kong for two days on a visa-free basis, with a view to promoting the local consumer market.

Issues relating to business environment

20. On Miss LI Fung-ying's concern about the intensified monopolization of industrial and commercial activities which undermined the ability of SMEs to compete in a level playing field, Mr CHAN Wing-kee reiterated that SMEC would do its best to make concrete suggestions on how to create a business-friendly environment in which SMEs would be treated fairly and healthy competition promoted. In this connection, Mr HUI Cheung-ching, in his capacity as the Convenor of the Working Group on Business Environment, supplemented that the working group had held several meetings to actively explore ways to lower the operation costs of SMEs in respect of business environment. For example, the working group was considering whether the control on floor area could be relaxed to allow for partitioning of huge factory buildings into smaller units so that SMEs could rent those units for operation at lower rental. As to the high laboratory test charges borne by SMEs engaging in clothing industry which raised their operation costs, the working group was also exploring the feasibility of introducing competition in this respect, such as commissioning tertiary institutions to carry out the tests so as to lower these charges.

Issues relating to human resources

21. Mr CHAN Kam-lam pointed out that the Financial Secretary (FS) would set aside an additional 300 million in the 2001-02 financial year for the establishment of a training fund to subsidize SMEs' training initiatives. FS further said that SMEC would be invited to advise on the detailed operation of the fund, including the scope of training, the eligibility criteria and the amount of subsidy to be provided. In this connection, Mr CHAN enquired about the specific details concerned. Mr CHAN Wing-kee responded that although SMEC had not drawn up any concrete proposals for the above provision, the Working Group on Human Resources would examine this issue thoroughly and submit a concrete proposal to SMEC in due course. Mr Anthony AU added that as mentioned above, SMEC had consulted a number of organizations, including representatives of the relevant trade organizations and SMEs, in the past few months. These representatives generally considered that the survival and development of SMEs hinged on the training for both employers and employees. He also advised that the relevant working group was drawing reference from other places such as Taiwan where there were achievements in the development of human resources and training of SMEs, and would submit a feasible proposal on related aspects in the light of the actual local circumstances for CE's consideration.

Issues relating to the application of information technology (IT)

22. In view of the high costs involved in IT application, Mr SIN Chung-kai enquired about the support provided to SMEs by SMEC, such as encouraging trade organizations to negotiate with suppliers for their members in the form of collective bargaining, or developing IT software for the common use of SMEs in the respective sectors, thus enabling SMEs to apply IT at lower costs. This would promote a wider application of IT among SMEs to facilitate their production and development.

23. In reply, Mr Anthony AU pointed out that according to statistics, about 5% of the some 300 000 SMEs in Hong Kong did not have any computers and among these SMEs, 70% believed that IT was not conducive to their business expansion. In view of this, the Working Group on Technology Application would, in addition to studying the costs of IT application, also conduct in-depth studies on various aspects, such as SMEs' receptiveness to IT, the ways to change the mind-set of SMEs' management, and the IT support and maintenance required by SMEs. These studies were aimed at achieving the goal of enhancing the application of IT and other necessary technology by SMEs. As regards collective bargaining, Mr Danny NGAI, Convenor of the Working Group on Market Expansion informed members that more than 10 trade organizations were discussing issues related to collective negotiation with software suppliers for cheaper prices on behalf of their members. He stressed that SMEC was very concerned about this matter and would offer assistance as far as practicable. Moreover, Mr CHAN Wing-kee also agreed to Mr SIN's suggestion that trade organizations could develop common software for SMEs of the respective sectors.

Funds to be recouped from the Special Finance Scheme for SMEs

24. In reply to Mr CHAN Kam-lam's enquiry regarding the captioned issue, Mr CHAN Wing-kee advised that SMEC was exploring how to use the some \$2 billion recouped funding under the Special Finance Scheme for SMEs. Given that SMEC's objective was to encourage SMEs to stand on their feet and be less dependent, it would not consider distributing directly the recouped funding to SMEs as an expedient means to ease their financial hardship. On the contrary, SMEC would examine vigorously how to use the recouped funding to provide SMEs with effective and specific support so that they could consolidate their strength to develop their businesses. In this connection, Mr NG Leung-sing suggested that SMEC and the Administration should establish partnership with the banks and to solicit actively their views in order to explore effective the ways to optimize the recouped funding for supporting SMEs.

Consultation matters

25. Mrs Selina CHOW pointed out that there were more than 300 000 SMEs in Hong Kong engaging in various trades and industries, which in general were not so proactive in expressing their views. Since SMEC had only consulted

some 50 trade and industrial organizations during the two discussion sessions, she was concerned whether SMEC could fully understand the actual circumstances under which SMEs operated and the support they required. In response, Mr CHAN Wing-kee pointed out that the first discussion session was targeted mainly at SMEs engaging in manufacturing industries and import and export trade while the second one at those engaging in service industries and professional services. He stressed that SMEC had already extended its invitation to SMEs and the organizations concerned. However, since some organizations or bodies were not available at the time, only some 50 bodies had attended the two discussion sessions.

26. In reply to Mr NG Leung-sing's question, Mr CHAN Wing-kee point out that upon completion of the three-week consultation, the five working groups under SMEC would consolidate, analyze and study the views so collected. These views and recommendations would be put forth to SMEC for deliberation in mid-April this year. SMEC would then submit a detailed report on the effective measures for supporting SMEs to CE before 15 June. As CE was very concerned about the development of SMEs, he believed that CE would make an early decision after considering SMEC's report.

27. To conclude, the Chairman said that in view of the imminent support required by SMEs, particularly in the area of financing, he hoped that SMEC could draw up feasible proposals as soon as possible after collecting views from various sectors and members, so that CE could finalize the specific policies for supporting SMEs.

28. The meeting ended at 5:55 pm.