

For information

Legislative Council Panel on Commerce and Industry
Meeting on 27 October 2008
and
Finance Committee Meeting on 28 October 2008

Summary of views received from the SME Summit

PURPOSE

This note summarises for Members' information the major views received from the SME Summit held on 23 October 2008.

BACKGROUND

2. The Secretary for Commerce and Economic Development, in collaboration with five major chambers of commerce, convened an SME Summit on 23 October 2008. There were more than 40 participants including Legislative Council Members, representatives of major chambers of commerce and SME associations. During the meeting, the participants made substantive comments and suggestions on ways to support the SMEs amidst the global financial turmoil. A summary of their major views is at **Annex**.

WAY FORWARD

3. The Government is committed to providing appropriate support for the SMEs during this difficult time. We are liaising with the relevant bureaux and departments to assess the feasibility of the suggestions received.

Commerce and Economic Development Bureau
Trade and Industry Department
October 2008

**SME Summit on 23 October 2008
Concerns and Suggestions Received**

(1) Bank Credit Facilities

- Agreed with the Government's proposed measures to enhance the SME Funding Schemes and hoped that the measures could be implemented as soon as possible
- Suggested strengthening communication with the financial sector, with a view to restoring the financial institutions' confidence in SMEs
- Urged financial institutions to (i) stop withdrawing standby facilities from financially viable enterprises; and (ii) to extend the repayment deadline of existing loans of these enterprises, in order to prevent further aggravation of the credit crunch problem
- Suggested that when making use of the Exchange Fund to back up financial institutions, the Hong Kong Monetary Authority should follow the practice of overseas jurisdictions in requiring these institutions to constructively fulfill their social responsibility of providing loans to SMEs, whilst they enjoy the security pledged by the Government
- Suggested that the Government should discuss with financial institutions ways to improve the liquidity of enterprises, such as making reference to account receivable provided by relevant enterprises when approving loans (whether or not they come under the SME Loan Guarantee Scheme)
- Hoped that the Hong Kong Monetary Authority could discuss with financial institutions on suspending the arrangement to postpone reimbursement of credit card sales proceeds to travel agents

- Suggested suspending travel agents' Fund levy payments to the Travel Industry Compensation Fund, and extending the scope of the Fund to cover items such as purchases of airline tickets or booking of hotel accommodation through travel agents, in order to boost consumer confidence in small-sized travel agents
- Hoped that the Government could consider suitably increasing the current guarantee ratio of the SME Loan Guarantee Scheme from 60% to 80%
- Hoped that the Government could assume a more active, or even a leading, role in considering loan applications under the SME Loan Guarantee Scheme
- Proposed that the Government should establish funds to directly provide credits to enterprises with good operating conditions, but having difficulties in raising funds
- With a view to specifically addressing the needs of SMEs, suggested that applications for loans of relatively small size (i.e. approximately below \$300,000 to \$500,000) should be handled with greater flexibility
- Hoped that the Government could strengthen support to the services sectors

(2) Functions of the Hong Kong Export Credit Insurance Corporation (ECIC)

- Suggested that the Government should consider expanding the remit of ECIC so as to provide guarantee to transactions between enterprises and other non-overseas buyers (e.g. suppliers, Mainland buyers and local offices of overseas enterprises)
- Suggested that ECIC should make use of the data maintained by the Commercial Credit Reference Agency as a basis for conducting credit assessments for enterprises in order to facilitate financing

- Suggested that consideration should be given to allowing ECIC to provide guarantee to Hong Kong-owned enterprises operating in the Mainland for their transactions relating to the Mainland domestic market
- Suggested that ECIC should increase the indemnity ratios for various insured items so as to lower the risks faced by exporters
- Suggested that the Government should establish an agency to guarantee trade and industry financing so as to assist enterprises to raise funds when credit is tightened

(3) Business Operating Environment

- Hoped that the Government, through the Hong Kong Trade Development Council (TDC), could help enterprises explore business opportunities in emerging markets and promote domestic markets, and to provide various forms of preferential treatments (like lowering the exhibition fees), so as to minimize the effects of decreasing business orders on SMEs
- Suggested that TDC should lead delegations to overseas markets and organize roadshow by manufacturers accord by business sectors and geographical regions with a view to identifying large buyers
- Suggested that the definition of “export promotion activities” for the Export Marketing Fund should be expanded beyond exhibitions and business missions
- Hoped that the Government could explore the feasibility of requiring all pre-cast building components used in Government projects to be locally made

(4) Business Operating Costs

- Hoped that the Government could waive rates for one year
- Hoped that the Government could consider allowing businesses to holdover payment of profits tax, or adjusting the proportion between the first and second payment of provisional tax; but there were also views that the suggestions would not benefit businesses without profits
- Hoped that the Government could freeze or lower the fees of public services relating to business operation (e.g. applications for licences and certifications)
- Proposed that the Government should further implement measures to facilitate business operation, with various departments streamlining and expediting licensing procedures relating to restaurants and works projects
- Proposed to relax ratio restrictions applicable to the use of industrial land for other purposes so as to attract industries returning to Hong Kong
- Hoped that the Government would negotiate with Link REIT and urged it to lower the rent of its shopping arcades
- Suggested that supporting organizations may provide land and supporting services for SMEs

(5) Mainland Laws and Regulations

- Hoped that the Government would strengthen its communication with the Mainland authorities to urge them to suspend the implementation of laws/ regulations and policies with major impact on Hong Kong-owned enterprises operating in the Mainland (such as the regulation relating to democratic management in enterprises), or to withdraw the adjustment to the processing trade policy
- Suggested that the Government should urge the Mainland authorities

to clarify reports concerning the annual adjustment to the minimum wage under the Labour Contract Law

Commerce and Economic Development Bureau
Trade and Industry Department
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