立法會
Legislative Council

LC Paper No. CB(1)2665/08-09
(These minutes have been seen by the Administration)

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Panel on Commerce and Industry

Minutes of special meeting
held on Monday, 1 June 2009, at 8:30 am
in the Chamber of the Legislative Council Building

Members present	:	Hon Vincent FANG Kang, SBS, JP (Chairman) Hon WONG Ting-kwong, BBS (Deputy Chairman) Hon Fred LI Wah-ming, JP Hon Emily LAU Wai-hing, JP Hon Tommy CHEUNG Yu-yan, SBS, JP Hon Jeffrey LAM Kin-fung, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon Ronny TONG Ka-wah, SC Dr Hon LAM Tai-fai, BBS, JP Hon Tanya CHAN Dr Hon Samson TAM Wai-ho, JP
Members attending	:	Hon IP Wai-ming, MH Hon Paul TSE Wai-chun
Members absent	:	Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP Hon Timothy FOK Tsun-ting, GBS, JP Hon CHIM Pui-chung Hon Starry LEE Wai-king
Public officers attending	:	Mrs Rita LAU NG Wai-lan, JP Secretary for Commerce and Economic Development Miss Yvonne CHOI, JP Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)

Mr Joseph LAI Yee-tak, JP
Director-General of Trade and Industry

Miss Vivian LAU Lee-kwan
Deputy Director-General of Trade and Industry (Commercial Relations, Controls and Support)

Mr Howard LEE Man-sing
Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry)1

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Ms Annette LAM
Senior Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Progress update on the support measures for small and medium enterprises arising from the global financial turmoil

(LC Paper No. CB(1)1764/08-09(01) -- Administration's paper on measures to support Hong Kong enterprises)

Briefing by the Administration

At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the detailed measures proposed to enhance the Special Loan Guarantee Scheme (SpGS), the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF), the SME Development Fund (SDF), and the services provided by the Hong Kong Export Credit Insurance Corporation, as well as support measures relating to the tourism sector. Details of the enhancement measures were set out in the Administration paper (LC Paper No. CB(1)1764/08-09(01)).

Discussion

The enhanced SpGS

2. Mr Tommy CHEUNG welcomed the proposed enhancement measures. He believed that the increase in loan ceiling for each borrowing enterprise from $6 million to $12 million, and the increase in revolving credit line from $3 million

to $6 million under the enhanced SpGS would help ease the pressing liquidity problem of enterprises. However, he expressed concern about the difficulty of the catering and the tourism sectors which were hard hit by the financial crisis and the recent Human Swine Influenza (HSI) in obtaining loans from the participating lending institutions (PLIs). Referring to the relatively low default rate for the "Loan Guarantee Scheme for Severe Acute Respiratory Syndrome (SARS) Impacted Industries" with a loan guarantee ratio of 100% introduced in 2003, he said that there was no cause for worry that a higher Government guarantee ratio would entail a higher default risk and give rise to moral hazards. He reiterated the Liberal Party's request to further increase the Government loan guarantee ratio to 90% and urged the Administration to review the requirements/conditions of the loan schemes and lower the threshold for loan applications. Mr WONG Ting-kwong agreed with Mr CHEUNG that the Administration should consider lowering the application threshold and relaxing the loan conditions so that more enterprises could become eligible for the schemes. In this connection, Mr Paul TSE opined that instead of doubling the loan ceiling for each borrowing enterprise from $6 million to $12 million, it would be more practical to lower the application threshold and relax the loan conditions so as to benefit more enterprises.

3. SCED replied that the industry-specific special loan guarantee scheme introduced during the SARS period was a time-limited scheme whereby the loans granted could only be used to finance staff salary and business operating costs. She highlighted that while PLIs were encouraged to be as flexible and accommodative as possible to address the liquidity needs of their customers, it was equally important for banks to maintain a proper balance between exercising flexibility and ensuring prudent risk management. She believed that the increase in Government guarantee ratio would provide further incentive for PLIs to lend to business enterprises, especially those marginal cases rejected under the current phase of SpGS.

4. Dr LAM Tai-fai enquired whether SME borrowers with loans approved prior to the implementation of the enhanced scheme could also enjoy the new enhancement measures. He asked whether the Administration would consider increasing the guarantee ratio for SGS. SCED advised that subject to FC's approval, the enhancement measures for SpGS would apply to new loans, i.e. applications submitted to the Trade and Industry Department (TID) for the first time on or after the implementation of SpGS. Borrowing enterprises which had not yet used up their increased loan ceiling/credit limit could apply under the enhanced SpGS and benefit from the enhancement measures such as the extended loan guarantee period. As regards SGS, SCED said that the total loan guarantee commitment was proposed to be increased from $12.6 billion to $20 billion to sustain its operation. The scheme had been operating well as a standing supportive measure for SMEs and there was no plan to change the current 50% guarantee ratio.

5. Mr Jeffrey LAM and Mr Andrew LEUNG expressed strong support for the enhanced SpGS and urged for an early implementation of the enhancement measures. SCED assured members that subject to FC's approval on 5 June 2009 and upon completion of the necessary procedures and legal documentation, the enhancement measures of SpGS were expected to come into operation on 15 June 2009.

Reviewing the unsuccessful applications

6. Mr WONG Ting-kwong noted from Annex IV to the Administration's paper (LC Paper No. CB(1)1764/08-09(01)) that as at 24 May 2009, a substantial number of applications (totally 1 926 cases) had been rejected by PLIs on the grounds that the applicants' financial position was too weak. He enquired about the basis for the rejection, and asked whether SME borrowers who were unsuccessful in their first application could reapply under the enhanced SpGS. He urged the Administration to follow up with PLIs on the rejected cases to ascertain whether PLIs had been too stringent in their assessment. Sharing a similar view, Mr Tommy CHEUNG and Dr LAM Tai-fai called on the Administration and PLIs to take the initiative in reviewing the unsuccessful applications to see whether any such marginal applications could be more favourably considered with 80% Government guarantee.

7. In response, The Director-General of Trade and Industry (DGTI) advised that the reasons for rejection and the respective breakdown as set out in Annex IV were provided by PLIs. TID would rely on PLIs which had the professional expertise to exercise their prudential professional judgment in assessing the loan applications. While PLIs might have different yardsticks in making credit risk assessment, generally speaking, they would examine SME borrowers' financial strength based on the financial information provided by SMEs concerned such as financial reports and statements, cashflow position, business nature and annual turnover. In this regard, TID, in collaboration with the Hong Kong Association of Banks and the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies, had developed a "Guide for SMEs in Obtaining Business Loan from Lending Institutions". He believed the guide would help SME borrowers better understand the banks' requirements and provide the requisite information when applying for loans. SCED added that business enterprises were free to choose from any PLIs and applicants rejected by one PLI could reapply or approach other PLIs on the participation list under the enhanced scheme.

Interest rates charged under SpGS

8. Mr Andrew LEUNG expressed concern about the interest rates charged under SpGS. He urged the Administration to further liaise with the banking sector to lower the interest rates. He opined that with the increase of Government loan guarantee ratio to 80% and with signs of more orders being received by SMEs, PLIs' risk exposure would be correspondingly reduced.

9. In reply, SCED highlighted that the Administration had reflected to PLIs the industry's concern about loan interest rates. She said that the majority of the loans approved thus far were charged an interest rate effectively at 7% or below (roughly equivalent to prime lending rate +2% or below). She reiterated that the proposal to increase Government's loan guarantee ratio from 70% to 80% should help boost PLIs' confidence in lending as their risk exposure would be reduced. The reduction in risk to be borne by PLIs would normally be suitably reflected in the interest rates. Nevertheless, the actual rates charged was essentially a commercial decision between an individual PLI and its customer determined in accordance with market principles.

Preservation of jobs

10. Ms Emily LAU expressed concern that some beneficiary companies had laid off staff instead of retaining them, despite the easing of liquidity under SpGS. She sought details of the staff lay-off by these companies. DGTI advised that as at 24 May 2009, TID had received 338 completed questionnaires from successful applicants of SpGS representing a response rate of 65%. Nearly 90% of the respondents reported no change in the number of employees. Some 30 companies (9%) stated that they had recruited more staff ranging from one to 10, while 14 companies (4%) had cut staff ranging from one to five, mostly due to natural wastage. SCED highlighted that the issue of making job preservation a condition under the scheme had been discussed at the FC meeting held on 12 December 2008 when considering a series of enhancement measures to SpGS. It was however considered not appropriate for the Administration to include employment-related terms to loans granted under the scheme.

Estimated number of beneficiaries

11. Referring to the Government's estimation that about 40 000 companies would benefit from SpGS during its initial six-month operation period, Ms Emily LAU expressed concern that only about 10 000 applications had been received so far. She enquired about the justifications for the Government's estimation and the estimated additional number of beneficiaries that would benefit from the proposed increase in Government guarantee ratio and loan ceiling.

12. In reply, SCED and DGTI explained that the estimation was calculated based on the total loan guarantee commitment of $100 billion and the assumption that the average amount of loan guarantee for each enterprise would be $2.5 million. As SpGS was demand-driven, the estimation was a planning assumption and not a target. The actual number of applications and beneficiaries would depend on factors such as market demand and the actual amount of loan guarantee granted in each case. Assuming full utilization of the unused loan guarantee commitment and an average loan guarantee of $3 million for each enterprise, it was estimated that the enhanced SpGS might support an additional 30 000 applications.

Developing business opportunities in new emerging markets

13. Mr WONG Ting-kwong, Mr Jeffrey LAM and Mr Andrew LEUNG welcomed the injection of additional provision of $1 billion into EMF and SDF as well as expanding the scope of reimbursable items under EMF to include advertisements placed on eligible trade websites as might be approved by DGTI. They called on the Administration to step up efforts in assisting Hong Kong enterprises to develop the Mainland domestic market and explore business opportunities in new emerging markets.

14. SCED advised that the Hong Kong Trade Development Council had been actively assisting enterprises to develop and expand business opportunities in new emerging markets and the Mainland market through organization of and participation in export promotion activities and trade fairs held in new emerging markets and various regions in the Mainland. Large-scale Hong Kong consumer product fairs would continue to be organized in various Mainland cities for Hong Kong enterprises to promote their brands and market their products to Mainland consumers directly.

Support measures for the tourism industry

15. Mr IP Wai-ming said that the tourism industry was hard hit by the double blows of the financial tsunami and HSI resulting in substantial decrease in the number of inbound and outbound visitors. He urged the Administration to support measures to help reduce the trade's operation cost. In this regard, he enquired about the latest development of the industry's requests for a waiver of travel agents'/tourist guides' licence fee, examination fee, and admission fee to tourist attractions such as the Hong Kong Disneyland (HKD) and the Ocean Park (OP) as well as training courses to enhance the industry practitioners' employability and competitiveness in the labour market. He requested that a tri-partite meeting be arranged for the Administration, industry practitioners and the Travel Industry Council of Hong Kong (TIC) to further discuss the trade's concerns.

16. SCED advised that the Administration proposed to waive travel agents' licence fee for one year. Furthermore, in response to the industry's requests, the Administration had secured the agreement of HKD and OP to waive the fee for tourist guides' passes for one year with effect from 1 June 2009. Both Ngong Ping 360 and the Wetland Park were offering free admission to tourist guides holding the Tourist Guide Pass issued by TIC. Furthermore, TIC had agreed to engage industry practitioners in a review of the examination policy and fees. SCED welcomed close dialogue with trade associations and TIC to address the industry's concerns.

17. Pointing out that June and July were the peak periods for licence renewal, Mr Paul TSE urged for an early waiver of licence fee so that travel agents could benefit from the waiver immediately instead of waiting till the next renewal. SCED said that subject to FC's approval, the Administration would prepare the

necessary subsidiary legislation to implement the one-year licence fee waiver as soon as possible so that those who had yet to apply for licence renewal could benefit from the waiver immediately.

Summing up

18. The Chairman concluded that the Panel supported in principle the Administration's proposals. He urged the Administration to take note of members' requests for PLIs to lower the interest rates, relax the conditions and lower the threshold of loan applications, and to proactively review individual loan applications rejected under the current phase of SpGS to ascertain whether any such applications could be more favourably considered with the 80% Government guarantee. The Administration undertook to follow up with PLIs and to reflect in the FC submission members' concerns and the Administration's response.

(*Post-meeting note*: The relevant proposals were approved by FC following consideration of the Administration's paper (FCR(2009-10)22) and deliberations at the FC meeting held on 5 June 2009.)

II. Any other business

19. There being no other business, the meeting ended at 9:40 am.

Council Business Division 1
Legislative Council Secretariat
28 September 2009