

**Motion on
“Maintaining a business-friendly environment in Hong Kong”
moved by Hon Jeffrey LAM, as amended by Hon Michael TIEN,
Hon IP Kin-yuen, Hon YIU Si-wing and Hon Charles Peter MOK
at the Legislative Council meeting of 22 May 2013**

Progress Report

Purpose

At the meeting on 22 May 2013, the Legislative Council passed a motion on “Maintaining a business-friendly environment in Hong Kong”. The wording of the passed motion is at **Annex**. This paper briefs Members on the latest developments.

Supporting small and medium enterprises (SMEs)

(i) Promoting Hong Kong brands

2. To help our enterprises capture the massive opportunities arising from the National 12th Five-Year Plan, we will continue to implement the dedicated fund of \$1 billion (BUD Fund) to provide funding support for individual enterprises and non-profit-distributing organisations, with a view to assisting enterprises in enhancing competitiveness and furthering business development in the Mainland through developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland. As at the end of June 2013, over 120 applications have been approved, with a total funding amount of over \$120 million. In addition, non-profit-distributing organisations can also apply for the SME Development Fund (SDF) administered by the Trade and Industry Department (TID) to implement projects which aim at enhancing the competitiveness of SMEs in general or in specific sectors, including organising market promotion activities.

3. At present, the Hong Kong Trade Development Council (HKTDC) operates Design Galleries in Beijing and Guangzhou to offer platforms for Hong Kong enterprises, especially SMEs, to test their products in the Mainland market and to build up greater awareness of Hong Kong brands. To help more Hong Kong enterprises develop domestic sales in the Mainland, HKTDC will set up more Design Galleries in the Mainland. Design Gallery shops located in Qingdao and Chengdu are expected to open in August 2013 and mid 2014 respectively. "Shops-in-shop" will also be opened inside department stores, for

example, the ones in Shanghai and Wuhan have already opened in March and April this year. New “Shops-in-shop” will also open in Wuhan and Beijing in October 2013. On the other hand, our offices in the Mainland will also continue to join hands with trade associations and other organisations to organise “Hong Kong Week” events in the Mainland to promote Hong Kong products and services. The latest “Hong Kong Week” event was held in Xiamen of Fujian Province from end April to early May 2013. The event was well received, with more than 180 enterprises participating in the trade fair.

(ii) Supporting SMEs to use information technology

4. Since 2004, the Government has been promoting the use of information and communication technology (ICT) among SMEs through the Sector-specific Programme (SSP) and the IT Training Programme for SMEs (ITTP), so as to help SMEs enhance their operational efficiency and competitiveness. To date, we have successfully completed 21 projects benefiting over 17 000 SME practitioners. One more project is expected to be completed by early 2014. We have also launched a new round of SSP in May 2013, setting aside \$3 million for sponsoring local non-profit making organisations to develop applications or solutions for individual sectors to encourage SMEs to suitably adopt ICT to enhance their operational efficiency and create business opportunities. We are now inviting proposals and expect to award sponsorship within 2013. Besides, we are also working with the Hong Kong Productivity Council to explore ways to encourage and facilitate SMEs to adopt cloud computing services.

(iii) Training to SMEs

5. The SDF, administered by TID, provides support to non-profit-distributing organisations, such as trade and industrial organisations, to implement projects which aim at enhancing the competitiveness of SMEs in general or in specific sectors, including the provision of training courses. In addition, the Government has implemented various measures relating to manpower training to help the workforce, including SME employees, enhance its skills and competitiveness. For example, the apprenticeship schemes as well as the pilot traineeship schemes targeting at service industries, both implemented by the Vocational Training Council (VTC), provide youngsters employed in relevant industries structured on-the-job training. By adopting a market-driven and employment-oriented approach, the Employees Retraining Board also offers a diversified range of training

courses covering various industries for eligible local employees aged 15 or above and with education attainment of sub-degree level or below.

(iv) Supporting start-up technological companies

6. Through the Small Entrepreneur Research Assistance Programme (SERAP) under the Innovation and Technology Fund, we have been providing funding support to eligible companies on a matching basis up to \$6 million per project to undertake research and development projects that have innovative technological content. As at end June 2013, SERAP has approved over 370 projects and the funding involved amounted to \$428 million. Furthermore, in early 2010, the Hong Kong Science and Technology Parks Corporation spearheaded the set-up of the Hong Kong Business Angel Network, a platform for technology start-ups to meet angel investors regularly. As at the end of June 2013, 17 start-ups have already received more than \$100 million of investment funding from angels and venture capitalists.

(v) Procurement policy

7. Government procurement is guided by the principles of open and fair competition, value for money, transparency and public accountability. The current government procurement regime has provided sufficient flexibility for bureaux and departments to meet their policy objectives. For example, adequate information on government IT projects would be provided in the market and where possible, large projects would be divided into smaller ones with a view to encouraging more SMEs to submit tenders for the projects. Depending on the value of the contracts and the financial capability of the successful tenderers, the requirement of contract deposits may be waived or reduced so as to relieve the financial burden of SMEs.

Maintaining a business-friendly environment

(i) Business facilitation

8. The Government continues to partner with the business community to explore ways to improve the regulatory environment for businesses in Hong Kong. On the advice of the Business Facilitation Advisory Committee and its three Task Forces, the Government has come up with many useful ideas to facilitate business compliance with government regulations. The Government has also been pushing forward

the “Be the Smart Regulator” Programme to further improve Hong Kong’s overall business licensing environment and long-term competitiveness.

9. Relevant departments have been regularly reviewing the relevant procedures with a view to lowering or controlling the cost of providing licensing services through introducing measures to raise operational efficiency. Any savings will be reflected in the fee adjustment proposals.

(ii) Competition Ordinance

10. With the enactment of the Competition Ordinance (the Ordinance) by the Legislative Council in June 2012, the Government has been actively preparing for the full implementation of the Ordinance in collaboration with the Competition Commission and the Judiciary. The Ordinance will come into full operation only when all the preparatory work is completed. The general public and the business sector can make use of this period to familiarise themselves with the new legal requirements and make necessary adjustments to their business practices.

(iii) Promoting free flow of information

11. We are working closely with different bureaux and departments in making available more new datasets, and enriching the “Data.One” portal in terms of content and functionality. The Office of the Government Chief Information Officer has planned to roll out another series of publicity, online resources, talks and a Public Sector Information (PSI) application competition later this year, thereby encouraging wider re-use of PSI by the community.

Labour Rights

(i) Review of Statutory Minimum Wage (SMW) rate

12. The implementation of SMW since 1 May 2011 has been smooth. The overall employment market has remained stable and the employment earnings of low-income employees have continued to improve notably. The SMW rate was adjusted upwards from \$28 to \$30 per hour on 1 May 2013. The Administration will continue to closely monitor the implementation of SMW and the Minimum Wage Commission has commenced a further study of the SMW rate.

(ii) Working hours policy

13. Working hours policy is a highly complex and controversial subject. Set up in April 2013, the Standard Working Hours Committee, comprising members from the business, labour, academic and community sectors as well as government officials, provides a good platform for following up and promoting informed and in-depth discussion of the community on the working hours policy. At its first meeting convened in May, members of the Committee agreed to conduct wide consultation on working hours issues, collect relevant information and contemplate further statistical surveys for members' reference and discussion on the way forward. The Committee will discuss its workplan at the second meeting in July.

(iii) Collective Bargaining

14. The Government is committed to promoting collective bargaining on a voluntary basis. If labour disputes cannot be resolved by employers and employees through voluntary negotiation, the Labour Department will conciliate among the parties concerned to help resolve their disputes amicably. We believe that employers and employees are long-term partners. Frank, direct and ongoing communication between them or their respective organisations on the basis of mutual understanding is the key to forging and maintaining harmonious labour relations. The Labour Department will continue to encourage and promote voluntary negotiation and effective communication between employers and employees or their respective organisations at the central, industry and enterprise levels.

Enhancing Education

15. The Government has been investing heavily in education to nurture talents and promote social mobility to achieve the sustained development of Hong Kong. The total government funding for education in 2013-14 is \$76.9 billion, of which the recurrent expenditure amounts to \$63 billion, which is more than one fifth of the recurrent government expenditure. Education is the biggest expenditure area amongst various policy areas.

(i) 15-year free education and small class teaching in secondary schools

16. The Education Bureau has set up the Committee on Free

Kindergarten Education (the Committee) in April 2013 to examine the various issues relating to the provision of free kindergarten education and make practicable recommendations on how to implement free kindergarten education. The Committee has held three meetings since its establishment. Five Sub-committees have also been formed under the Committee to study and analyse in detail issues in specific areas and report their findings to the Committee.

17. There are views in the sector that in light of the temporary decline in the population of secondary school students in the coming few years, small class teaching should be implemented in secondary schools. To address the temporary drop in S1 student population, the Education Bureau announced in 2012 a basket of targeted relief measures¹ with a view to maintaining the stability of the teaching workforce and the strengths of the schools. Besides, we have, after balancing the needs and interests of different stakeholders, adopted a district- and school-based approach to reduce progressively the number of students allocated to each S1 class from the 2013/14 to 2015/16 school years to cater for the differences among districts and schools. In considering whether to implement small class teaching in secondary schools, we must take into account the existing conditions of secondary schools, the teaching and learning environment as well as provision of support for secondary schools, overseas experience and resource implications. As a matter of fact, the student-to-teacher ratio in public sector secondary schools has improved significantly in the past few years and has been reduced progressively from 18.0:1 in the 2005/06 school year to 14.5:1 in the 2012/13 school year. Further, with the adoption of subject grouping at senior secondary levels, the actual number of students in each teaching class/group is rather small.

(ii) Strengthening vocational education and training

18. The VTC currently offers around 260 000 vocational education and training places for various courses that combine professional knowledge as well as general education and training, putting equal weight on both theory and practice. Students having completed the courses can

¹ Relief measures include relaxing the “not less than three classes” requirement; allowing schools, on the basis of the relaxation of the criterion for approving S1 classes to 25 per class, to operate two S1 classes with a minimum intake of 26 students, i.e. 13 students on average per class; allowing schools operating only one S1 class to continue operation through various school development options; allowing schools operating two S1 classes or less to participate in the following SSPA cycle with a cap of three S1 classes; and extending the retention period for surplus teachers arising from any packing of S1 classes from one year to three years.

enter the labour market, or opt for further education.

19. In 2008, the Government launched the Qualifications Framework to establish an accessible articulation pathway and multiple progression pathways to help learners pursue further studies and career development with a view to integrating education, training, business and employment seamlessly. As at end June 2013, the Government has assisted 19 industries to set up their Industry Training Advisory Committees (ITACs)², covering about 46% of the workforce in Hong Kong. Twelve of these ITACs have drawn up the Specification of Competency Standards (SCSs) of their respective industries, and the other ITACs will complete their SCSs successively, so as to specify the competency standards of various levels of their industries for human resources management purpose. The ITACs also draw up the progression pathways of their industries based on the SCSs to enhance practitioners' understanding of the progression and learning opportunities of the industries concerned.

(iii) Increasing the numbers of publicly-funded sub-degree programme places and publicly-funded bachelor's degree programme places

20. Starting from the 2012/13 academic year, the University Grants Committee (UGC)-funded first-year first-degree (FYFD) places have been increased to 15 000 per annum and senior year undergraduate intake places will also be increased to 4 000 per annum in phases. Taking into account the parallel development of the self-financing sector, we envisage that in the next two years, over one-third of our young people in the relevant cohort will have the opportunity to pursue degree-level education. Taking sub-degree places into account, nearly 70% of young people will have access to post-secondary education. Looking ahead, in view of the decreasing population of the relevant age cohorts, the post-secondary education participation rate will continue to increase in the coming years.

(iv) Increasing the number of local students admitted to postgraduate programmes in graduate schools of universities

21. Under the existing policy, UGC-funded institutions may admit non-local students to their taught postgraduate programmes which are

² Printing & Publishing, Watch & Clock, Chinese Catering, Hairdressing, Property Management, Electrical & Mechanical Services, Jewellery, Information & Communication Technology, Automotive, Beauty, Logistics, Banking, Import & Export, Testing, Inspection & Certification, Retail, Insurance, Manufacturing Technology (Tooling, Metals and Plastics), Elderly Care Services and Security Services.

mostly self-financing hence do not involve public subvention. Non-local and local students will compete for admission by their individual merits such as working experience, academic results, etc. As for research postgraduate programmes, the aim is to enhance academic standards and extend the frontiers of knowledge through funding research. Therefore, UGC-funded institutions admit students on a merit basis, taking into account students' academic results, research capability, etc., but not their place of origin.

Commerce and Economic Development Bureau
Economic Analysis and Business Facilitation Unit
Education Bureau
Financial Services and the Treasury Bureau
Labour and Welfare Bureau
July 2013

(Translation)

Motion on
“Maintaining a business-friendly environment in Hong Kong”
Moved by Hon Jeffrey LAM
at the Council meeting of 22 May 2013

Motion as amended by Hon Michael TIEN, Hon IP Kin-yuen,
Hon YIU Si-wing and Hon Charles Peter MOK

That, with the slow recovery of the global economy and rapid ageing of Hong Kong’s population, the welfare spending is bound to increase significantly, and Hong Kong must vigorously expedite its economic development to ‘make a bigger cake’, the prerequisite of which is to maintain a business-friendly environment for small and medium enterprises (‘SMEs’); in this connection, this Council urges the Government to, apart from adopting proactive policy measures and devoting more resources to assist SMEs, make strenuous efforts to mitigate the increasingly tense labour relations in Hong Kong in recent years, and ensure employees not only having reasonable protection for their rights and interests but also fully recognizing the impacts of various labour policies and measures (e.g. reviewing the minimum wage level and conducting studies on the regulation of working hours and the right to collective bargaining, etc.) on the business environment of SMEs, in an endeavor to achieving mutual understanding and a win-win situation for both sides, with Hong Kong’s economy being also developed in a consistently rapid way; this Council also urges the Government to devote resources to enhance educational and manpower training, implement 15-year free education and small-class teaching in secondary schools, strengthen vocational education and training, and increase the numbers of publicly-funded sub-degree programme places, publicly-funded bachelor’s degree programme places and local students admitted to postgraduate programmes in graduate schools of universities, so as to nurture local talents to provide manpower resources for the sustainable development of pillar industries and the diversified development of the economy; this Council also urges the Government:

- (1) to subsidize small and medium enterprises, so as to motivate the relevant enterprises to make use of information technology;
- (2) to increase the expenditure on subsidizing the training of practitioners in industries, so as to raise the professional standards of industries;

- (3) to regularly co-ordinate industries of the same kind to jointly organize external promotional activities, and appropriately subsidize such activities; and
- (4) to reduce or waive the licence fees for the relevant enterprises of industries with operating difficulties;
- (5) to review and reform the Government's information technology procurement policy, reform the guiding principle that 'the lowest bidder wins' and the requirement for huge amounts of performance bonds, which have all along been criticized by the industry, strengthen the assessment elements of 'local research, original applications' to encourage innovation in its procurement policy, and increase the opportunities for small and medium enterprises to participate in the bidding for the Government's information technology contracts, so as to accumulate more capital and experience for expansion of their enterprise scale;
- (6) to open up more Government data and, putting the public interest first, encourage developers to make use of such data at liberty and free of charge, so as to promote the development of more mobile and internet applications conducive to people's livelihood and social-economic activities, so as to foster innovative applications by small and medium enterprises, enhance work efficiency, and create room for developers to identify business opportunities;
- (7) through policy support and venture capital funds involving Government investments, to encourage the development of local 'Angel Funds' and venture capital activities, so as to provide local start-up companies with more effective early-stage seed funding; and
- (8) to inject capital into and re-activate the Small and Medium Enterprises Training Fund, so that small and medium enterprises may have sufficient resources for training staff and enhancing competitiveness.