

For Information

Business Facilitation Advisory Committee

Summary of views received from the SME focus groups

Purpose

This note summarises for Members' information the major views gathered from the SME focus groups held on 5 December 2008.

Background

2. As agreed in the last Business Facilitation Advisory Committee (BFAC) meeting held on 13 November 2008, two SME focus group meetings were held on 5 December 2008 to explore whether there were any regulations or regulatory barriers which particularly affected SMEs rather than the wider business community.

3. Around 20 trade representatives nominated by the four major business chambers of commerce and the coalition of SME associations led by Mr Joseph Wong participated in the focus group discussions, including Messrs Joseph Wong himself and Alex Fong. Mr Dennis Kwok attended the meetings as observer. The trade representatives noted that SMEs still had difficulty in obtaining loans and credit facilities from the banking sector. As a matter of priority, they appealed to the Government for more proactive and prompt action to provide financial support to the SMEs and lower business operating costs. They considered it important for the Government to avoid over-regulation and duly assess the impact of new regulations on businesses, particularly SMEs. As SMEs generally lacked resources to understand new regulatory requirements and influence policy-making, they considered it important for the Government to strive to lower compliance costs and provide clear guidance to facilitate SMEs' understanding and compliance of the regulations. However, they did not identify any regulations or regulatory barriers which particularly affected SMEs rather than the wider business community. A list of the trade participants is at **Appendix I**. A summary of the major views made by the trade participants and the preliminary assessment by the Secretariat/action being taken by the Government is set out at **Appendix II**.

Way forward

4. The Secretariat will refer the trade's views to the relevant bureaux and departments for consideration, and follow up regulatory issues which fall under the purview of the BFAC and its Task Forces.

Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office
December 2008

Appendix I

A list of trade representatives who participated in the SME focus group discussions on 5 December 2008

Trade representative	Organisation
Mr Johnny Chan	The Chinese General Chamber of Commerce
Mr Leslie Lee	The Chinese General Chamber of Commerce
Mr Jimmy Kwok	The Chinese Manufacturers' Association of Hong Kong
Ms Joey Chan	The Federation of Hong Kong Industries
Ir Dr David Ho	The Federation of Hong Kong Industries
Mr Alex Fong	Hong Kong General Chamber of Commerce
Mr Joseph Wong	Hong Kong SME Forum
Mr Wong Siu-leung	SME Mentorship Association Limited
Mr Gary Lo	Federation of International SME
Mr Simon Wan	Hong Kong Chinese Medicine Merchants Association Limited
Dr Anthony Wong	Kowloon Chamber of Commerce
Mr Danny Lau	Hong Kong Small and Medium Enterprises Association
Mr Chris Yip	New Territories Small and Medium Enterprises Association of Hong Kong
Mr Felix Chung	Hong Kong Apparel Society Limited
Mr Anthony Wong	Hong Kong Logistics Association
Mr Felix So	Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited

A summary of the major views made by the trade representatives and the assessment by the Secretariat/action being taken by the Government

(1) Financial support to SMEs

- (a) The trade representatives noted that SMEs still had difficulty in obtaining loans and credit facilities from the banking sector despite the Government's recent enhancement measures to the SME Funding Schemes and the enhanced measures of the Hong Kong Export Credit Insurance Corporation (ECIC). They appealed to the Government for more proactive and prompt action to provide financial support to SMEs. They suggested that the ECIC might consider seeking recommendation from the four local business chambers in conducting credit assessments for SMEs.
- (b) The Government should consider expanding the remit of the ECIC to provide cover for the payment risks of local sales.
- (c) In view of the outdated definition of SME adopted by the SME Funding Schemes, the Government should consider updating the definition of SME and expanding the remit of the SME Funding Schemes to cover more SMEs in the service sectors.

(2) Business operating costs

- (a) The Government should waive Government rates/rents and freeze the fees of public services relating to business operation.
- (b) The Government should consider allowing businesses to holdover the payment of provisional profit tax.

(Secretariat's assessment – For (1) and (2), similar views were raised in the SME Summit convened by the Secretary for Commerce and Economic Development in collaboration with five major chambers of commerce on 23 October 2008 and earlier discussions in the Legislative Council. The Government will assess the feasibility of the suggestions and provide appropriate support for the SMEs. The Chief Executive has recently announced that the Government will provide up to \$100 billion in loan guarantees for enterprises.)

(3) Business operating environment

- (a) The Government should accord priority to clear backlogs of various business-related applications pending approval by bureaux/departments so as to maintain the momentum of economic activities. For example, the processing of applications for conversion of land use of buildings in the NT should be expedited.
- (b) The Government should expedite various business licensing processes and improve inter-departmental coordination to facilitate business operation.
- (c) The Government should formulate measures to facilitate the transformation of vacant industrial buildings to more productive uses such as factory outlets, studio apartments, restaurants, etc.
- (d) The Government should provide stronger support and incentives to the waste recovery industry. For example, the Government should consider allowing the use of vacant space in industrial estates and public housing estates and vacant industrial premises for recycling operations.
- (e) To attract the setting up of new industries such as environmental protection industry in the NT, the Government should facilitate applications for change of land use. The related applications procedures should be simplified and the short-term waiver fee should be lowered.
- (f) The Government should provide a more business-friendly environment for the development of the Chinese medicine industry. Consideration should be given to relax the licensing conditions of Chinese herbal medicines tradeshow licence, which restrict the duration and venues of tradeshow.
- (g) The Government should consider relaxing the over-stringent licensing conditions of factory canteens and rationalizing the enforcement action.
- (h) The Government should consider ways to help the food businesses alleviate impact arising from the smoking ban.
- (i) The Government should rationalize the regulatory requirements of food licences to facilitate the food business (e.g. issuing a liquor licence to a corporation or otherwise allowing multiple authorized persons to supervise the liquor licensed premises).

- (j) The Government should provide stronger support to SMEs in protecting their intellectual property rights in product design so that the SMEs can retain their market share. The current procedures involved in getting patents in different countries were complicated and costly.
- (k) The Government should provide stronger support to the logistics industry. The Government should consider relaxing the list of controlled goods for air transshipment, reducing the import/export declaration fee, expediting the construction of the Tuen Mun-Chek Lap Kok Link, providing land to support the logistics industry, allowing the logistics industry to occupy industrial estates, etc.
- (l) The trade supported the Government's pledge to develop our creative economy. The Government should work with the garment manufacturing industry to transform it to fashion industry.
- (m) The senior echelon of the Government and relevant bureau/department heads should take the lead to help attract more overseas investment and facilitate business start-up.
- (n) The Government should consider measures to promote the development of sectors such as elderly care service, day nursery, heritage protection, environmental protection, greening, etc. to provide more business opportunities for SMEs.

(Secretariat's assessment –

The trade's views will be reflected to the Bureaux/Departments concerned for consideration as appropriate.

The Government will continue its efforts to improve the efficiency, transparency and business-friendliness of its licensing services under the "Be the Smart Regulator" Programme. The Government will continue to promote a business facilitation and customer-centric culture within the civil service.

On (3)(c), the Government is considering ways to facilitate the transformation of vacant industrial premises following an earlier discussion in the BFAC, and will report progress to the BFAC in due course.

On (3)(f), the Retail Task Force will follow up regulatory issues governing the registration of proprietary Chinese medicine.

On (3)(g), (h) and (i), the Food Business Task Force has completed reviews on factory canteen and liquor licensing and made recommendations to rationalise the regulatory regimes. The FBTF will monitor the implementation of recommendations. The FBTF is following up the trade's concerns about the technical feasibility on "smoking rooms".

On (3)(l), the Government will set up a dedicated office for the creative industries under the Commerce and Economic Development Bureau. The office will be responsible for inter-bureau/departmental coordination and will work closely with the industries to jointly drive development of this sector.

(4) Regulation/regulatory issues

- (a) SMEs generally lacked resources to understand the new requirements and influence policy-making. Drawing on the good practice of the European Commission, the Government should adopt a "think small first" principle and a SME-friendly policy in regulation. The Government should understand the actual operation of businesses and duly assess the impact of new regulations on businesses, particularly SMEs.
- (b) The Government should avoid over-regulation and strive to lower the compliance costs of new regulations. The trade was concerned about the cumulative effect and unintended consequences of a myriad of new regulations. New regulations should be compliable. The Government should provide clear guidance to facilitate SMEs' understanding and compliance of the regulations.
- (c) In view of the economic downturn, the Government should avoid rushing through the Statutory Minimum Wage Bill and the Competition Bill, which would have significant impact on business and employment. The Government should fully present the pros and cons of the proposals to facilitate an informed discussion by different sectors of the community.

- (d) The introduction of Statutory Minimum Wage law would lower the competitiveness of businesses and likely reduce the employment opportunities of old and unskilled workers.
- (e) The competition law might make the operating environment for SMEs more complex and increase their operating costs. SMEs might unwittingly fall foul of such a law. The power of the proposed Competition Commission to investigate and determine whether an infringement of the law has taken place should be subject to checks and balances.
- (f) The Government should consider whether the cumbersome requirements on company director under the Company Ordinance could be rationalized.
- (g) In view of the operational difficulties encountered by the trade in meeting the Euro IV emission standards, the statutory emission requirements for newly registered vehicles, the Government should duly assess the readiness of the market and business sectors concerned before introducing new emission standards for ships.

(Secretariat's assessment –

The trade's views will be reflected to the Bureaux/Departments concerned for consideration as appropriate.

The Economic Analysis and Business Facilitation Unit (EABFU) has developed a draft BIA framework to help Bureaux/Departments assess the business impact of their regulatory proposals. The EABFU will continue to promote the importance of smart regulation and the use of BIA as a good practice within the civil service.

On 4(d), the Labour Department will be requested to brief the BFAC of the Statutory Minimum Wage proposal and include the BFAC in its consultation list.

On 4(f), the Government is conducting a Company Ordinance Rewrite exercise. The new Companies Bill is tentatively scheduled to be introduced into the Legislative Council in the third quarter of 2010.)