

SCED's opening remarks (commerce, industry and tourism areas) at LegCo Finance Committee Special Meeting

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Following is the English translation of the opening remarks by the Secretary for Commerce and Economic Development, Mr Gregory So, at the Special Meeting of the Legislative Council (LegCo) Finance Committee on the policy areas of commerce, industry and tourism today (March 7):

Madam Chairman,

The Budget has included matters within the policy areas of commerce, industry and tourism. I would like to set out the progress and content of the key policies.

Support for small and medium enterprises (SMEs)

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SMEs are the pillar of Hong Kong's economy. The Government is committed to providing appropriate assistance to them having regard to the prevailing economic situation.

To demonstrate the Government's continuous support to SMEs, we have sought the approval of the Finance Committee in July 2011 to increase substantially the total guarantee commitment under the SME Loan Guarantee Scheme from \$20 billion to \$30 billion.

Dedicated fund on branding, upgrading and domestic sales

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To support Hong Kong enterprises, in particular SMEs, to develop brands, upgrade and restructure their operations and tap the Mainland domestic market so as to capture the opportunities arising from the National 12th Five-Year Plan, the Chief Executive announced in the 2011-12 Policy Address a proposal to set up a dedicated fund of \$1 billion to encourage them to move up the value chain and explore and develop the Mainland market through developing brands, restructuring and upgrading their operations and promoting domestic sales in the Mainland.

The fund would comprise two parts: to provide funding support to individual Hong Kong companies and non-profit distributing organisations respectively. On one hand,

we would provide funding support for individual Hong Kong companies to undertake projects to develop brands, upgrade and restructure their business operations and promote sales in the Mainland market, so as to enhance their competitiveness and facilitate their business development in the Mainland. On the other hand, we would also provide funding support to non-profit distributing organisations for them to undertake large-scale projects which aim to assist Hong Kong enterprises in general or in specific sectors to develop brands, upgrade and restructure business operations, and promote sales in the Mainland market.

We have consulted the trade earlier and are finalising the operation details of the fund. We plan to seek the funding approval from the Finance Committee of LegCo in April with a view to launching the fund by mid-2012.

#### SME Financing Guarantee Scheme - special time-limited concessionary measures

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In the light of the uncertain external economic environment, local enterprises, in particular SMEs, will likely be adversely affected by liquidity problems brought about by credit tightening. In order to tide enterprises over potential financing difficulties, the Financial Secretary announced in the 2012-13 Budget to introduce special time-limited concessionary measures under the existing SME Financing Guarantee Scheme of the Hong Kong Mortgage Corporation Limited (HKMC).

Under the concessionary measures, the loan guarantee ratio of approved loans will be increased from the existing ceiling of 70 per cent to 80 per cent, while guarantee fees will be reduced substantially, i.e. the guarantee fee payable for an 80 per cent loan guarantee is only about 30 per cent of the existing guarantee fee for a 70 per cent guarantee for approved loans. The Government will make a total guarantee commitment of \$100 billion. The application period of the special concessionary measures will last for nine months.

We believe that the concessionary measures would provide timely and adequate assistance to enterprises in need. We are working closely with the HKMC on the preparatory work and plan to seek the funding approval from the Finance Committee of LegCo in April, with a view to launching the special concessionary measures within the first half of this year as soon as possible.

The Hong Kong Export Credit Insurance

## Corporation (ECIC)'s measures

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To further assist SMEs, with the full support of the Government, the ECIC has since February 6 this year introduced new terms in their insurance policy, which include special concessions for SMEs. For example, SME policyholders will be allowed to insure their exports only for places and buyers of their choice under specified circumstances, and will be offered various premium discounts. Moreover, the ECIC has since February 6 this year further extended the sales-by policy launched in March last year to contracts between Hong Kong exporters' overseas or Mainland subsidiaries, of which the Hong Kong policyholders have control, and their buyers. These new initiatives will further help SMEs maintain their competitiveness, tap into emerging markets and ease their financial pressure.

## Import and export declaration charges

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The uncertain external economic environment has posed, to a certain extent, negative impact on Hong Kong's merchandise trade. The Financial Secretary proposed in his Budget to halve the import and export declaration charges across the board, with a view to providing timely assistance to the import and export trade and alleviating the economic pressure faced by them. We estimate that the reduction would help a local import and export company save an average of about \$9,000 every year and would result in a loss in revenue of about \$750 million for the Government per annum.

## Tourism performance

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Following the recovery and upward trend in 2010, our visitor arrivals recorded significant growth in 2011. Total visitor arrivals increased by 16.4 per cent to reach 41.92 million, surpassing the 40 million mark for the first time.

Mainland visitor arrivals reached 28.1 million in 2011, up by 23.9 per cent over 2010, and accounted for 67.0 per cent of our total arrivals. Some long-haul (+1.7 per cent) and short-haul (+4.6 per cent) source markets, such as Russia and South Korea, also registered satisfactory growth.

Looking ahead in 2012, the Hong Kong Tourism Board (HKTB) expects that visitor arrivals to Hong Kong will grow by 5.5 per cent to 44.23 million.

#### Development of tourism infrastructure

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Tourism is an important pillar of our economy. We will continue to invest in tourism infrastructure to sustain Hong Kong's position as an important tourism hub of Asia.

On infrastructure development, the overall progress of the construction works of the new cruise terminal at Kai Tak is satisfactory. The new terminal will come into operation in the middle of next year. We have largely completed the tender process for the tenancy for operating and managing the new terminal and hope to announce the tender result shortly. We have also allocated additional resources to the HKTB to step up its efforts in promoting the new terminal and cruise tourism in Hong Kong.

We will also continue to develop the two theme parks in order to further enhance their attractiveness. The Hong Kong Disneyland is exploring a more concrete proposal on further expansion within the existing area of the park after completing the current expansion plan. The Ocean Park Corporation (OPC) is also examining the technical and financial feasibility of developing Tai Shue Wan as a new integrated theme zone comprising an indoor/outdoor water park, an ice-skating rink, food and beverage and entertainment facilities, and a car park.

In addition, the OPC is actively preparing for the re-tender exercise of the hotel development project, which includes reviewing the terms and conditions of the re-tender in detail, including how the theme and operation arrangements of the hotel would complement those of the Ocean Park, and the possible impact of such terms and conditions on the tender price. The OPC will announce the details as soon as possible. We will also monitor the demand and supply situation of our hotel market. Hong Kong provides a wide variety of hotels in different price ranges to meet the diversified needs of our tourists. As at the end of 2011, there were 190 hotels providing 62 830 rooms. In the coming two years, there will be 45 new hotels in Hong Kong, providing an additional 8 133 rooms.

#### Mega Events Fund (MEF)

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One of the proposals concerning tourism in the Budget is earmarking \$150 million to extend the operation of the MEF, which is due to expire by the end of this month, for five years under a modified scheme, with a view to attracting more internationally acclaimed mega events to Hong Kong.

We hope to finalise the details of the new operational framework of the MEF as soon as possible and then consult the Panel on Economic Development of LegCo. We plan to submit the funding proposal to the Finance Committee for approval within the 2011-12 LegCo session, so that the MEF can operate under the new mechanism by mid-2012, hence benefiting more events.

Madam Chairman, we also have some other important tasks this year, such as the Competition Bill, the Trade Descriptions (Unfair Trade Practices) (Amendment) Bill 2012 and the protection of intellectual property rights. In view of the limited time available, I will not introduce them in detail.

I would be pleased to answer questions from Members.

Thank you, Madam Chairman.

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