

LCQ1: Measures to support retail industry

Following is a question by the Hon Shiu Ka-fai and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 18):

Question:

Some members of the retail industry have relayed that the disturbances arising from the opposition to the proposed legislative amendments persisting for more than half a year and the recent pneumonia epidemic have dealt a heavy blow to the retail industry, bringing the business turnover down by 30 per cent to 70 per cent. Quite a number of shop operators have closed down or are prepared to close down their businesses, whilst those who continue their businesses have to arrange their staff to take no pay leave, stop providing replacement for staff members who have left, or even lay off staff, in order to reduce costs. Some shopkeepers have relayed to me that their total monthly income has reduced significantly from \$30,000 to \$40,000 in the past to around \$10,000, which has gravely affected their livelihood. Employees who need to raise children or make mortgage repayments are in greater financial straits. In this connection, will the Government inform this Council:

(1) whether it will consider introducing concessionary measures for retailers and eateries to enable them to obtain interest-free loans for paying staff salaries; if so, of the details; if not, the reasons for that;

(2) given that low-income employees and self-employed persons are exempted from making Mandatory Provident Fund (MPF) contributions in an amount equivalent to 5 per cent of their income, and that the authorities announced in January this year that they would make the relevant contributions on behalf of those persons, whether the authorities will draw reference from this measure and make MPF contributions on behalf of the owners and staff of retail shops for six months to one year; and

(3) given that a rental concession for another six months has been provided by the Government for the retail shops operating in its properties, whether the authorities have other measures in place to urge the landlords of private shop premises (especially the landlords of shopping centres) to follow the Government's practice and reduce the rents of their tenants so as to ride out the hard times with the shop operators in the retail industry?

Reply:

President,

Thank you for the question raised by the Hon Shiu Ka-fai.

The Government understands that different sectors have since last year been suffering from the threefold impact of the US-China trade conflict, the social unrest in Hong Kong and the COVID-19 infections, facing significant difficulties in running their businesses. We have since last August implemented four rounds of relief measures amounting to more than \$30 billion, and have further rolled out the Anti-epidemic Fund of \$30 billion last month to support enterprises and the general public affected by the epidemic. As mentioned by the Financial Secretary in the Budget, to "support enterprises, safeguard jobs, stimulate the economy and relieve people's burden", the Budget announced in February also launched more than \$120 billion of counter-cyclical measures.

Having consulted the Financial Services and the Treasury Bureau, my reply to Member's question is as follows:

(1) The Government acknowledges that liquidity is one of the biggest difficulties facing by small and medium enterprises (SMEs). Therefore, we have since last September introduced an arrangement of principal moratorium for up to 12 months under the SME Financing Guarantee Scheme (SFGS). We further introduced in December the new 90 per cent Guarantee Product under the SFGS to help smaller-sized enterprises and businesses with relatively less operating experience, as well as professionals seeking to set up their own practices to obtain commercial loans. Response from the trade on these schemes has been positive. Up to end of the last month, the HKMC Insurance Limited (HKMCI) has approved 319 applications, involving a total loan amount of \$528 million.

With the COVID-19 infections, there is an urgent need to further alleviate the pressure on SMEs in business operations, thereby reducing business closures and layoffs. The Financial Secretary announced in the Budget the introduction of a concessionary low-interest loan under the SFGS applicable to SMEs of all sectors, for which the Government will provide 100 per cent guarantee. The maximum amount of loan is the total amount of wages and rents for six months of the enterprise, or \$2 million at most. The maximum repayment period is three years, with an option of principal moratorium in the first six months. The interest rate will be set at a relatively low level, i.e. the prime rate minus 2.5 per cent. The guarantee fee will be waived. The Government will provide a maximum loan guarantee of \$20 billion for approved loans. I just consulted the Legislative Council Panel on Commerce and Industry yesterday, and am grateful for its support. We will soon seek the Finance Committee's approval for funding, with a view to rolling out the new product around one month after funding approval.

On the other hand, the Hong Kong Monetary Authority (HKMA) has requested banks to provide funding support to SMEs as far as their credit policies and risk management principles allow. The HKMA has established a banking sector SME lending coordination mechanism, through which representatives of the Hong Kong Association of Banks, major banks active in SME lending, and the HKMCI have met several times. Banks attending the meetings agreed to adopt a series of measures, such as offering principal moratoriums and extension of loan tenors for SMEs so as to relieve their cash flow pressure; introducing relief

measures targeting specific sectors to allow clients to use their funds more flexibly; and treating SMEs encountering financial difficulties with sympathy and enhanced communication, and avoiding withdrawing credit lines hastily or taking other credit actions that will adversely affect clients' business operations.

Furthermore, the HKMCI and banks have also simplified the application procedures for the SFGS, such as by accepting other forms of financial proof in lieu of financial statements where appropriate. As necessitated by extension of loan tenors, the HKMCI has streamlined procedures to expedite processing of banks' applications for revision of loan terms.

(2) The Chief Executive announced in January this year ten new livelihood initiatives, including paying 5 per cent Mandatory Provident Fund (MPF) contributions for employees or self-employed persons whose income is less than the Minimum Relevant Income Level and are therefore exempted from making MPF contributions, with a view to reinforcing the retirement protection of low-income earners in the long run. It is necessary to put in place certain supporting measures in order to implement the initiative. Hence, the initiative will be implemented when the eMPF Platform is fully launched by the Mandatory Provident Fund Schemes Authority in 2024 at the earliest.

As for the proposal of extending the above initiative to pay MPF contributions on behalf of employers and practitioners of the retail sector, as it involves a number of operational issues as well as a relatively long period of preparation, we consider that the proposal is not the most direct and timely solution to address the current situation.

In fact, the Government has reserved under the Anti-epidemic Fund \$5,600 million and \$3,810 million respectively for implementing the Retail Sector Subsidy Scheme as well as the Licensed Hawkers Subsidy Scheme and the Food Licence Holders Subsidy Scheme. These measures will help retailers and catering operators suffering from sharp decline in sales turnover arising from a significant drop in the number of inbound tourists and weak local consumption. We expect that around 100 000 enterprises will be benefited.

(3) A number of measures to help reduce business operating cost have been introduced in the Budget, including waiving profits tax, rates for non-domestic properties and business registration fees, subsidising electricity charges, waiving water and sewage charges as well as reducing rental and charges for Government premises and Government land, etc.

The Government will continue to implement counter-cyclical measures and appeals to other sectors to co-operate and implement corresponding measures for riding out the crisis together with enterprises and the general public.

Thank you, President.