

LCQ6: Government's support for emerging industries

Following is a question by the Hon Paul Tse and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (July 14):

Question:

The Government launched the Food Truck Pilot Scheme (Food Truck Scheme) some four years ago, which attracted a group of small business operators to invest money and time in operating food trucks. However, a number of food truck operators have relayed that due to the excessive restrictions imposed by the Government on the operation of food trucks and the lack of support for them, they have been struggling long and hard to keep their businesses afloat, and they may eventually close down their businesses to reduce loss. Some members of the public have relayed that the Government does not understand business operation, and has been wasting time and effort on causally promoting those emerging industries whose development is unsuitable for Hong Kong. In this connection, will the Government inform this Council:

(1) whether it has reviewed the reasons for the failure of the Food Truck Scheme and learned a lesson; if it has reviewed, of the outcome; if not, whether it will conduct such a review expeditiously and assess whether, in the event that the Scheme comes to an undesirable ending, public confidence in the Government's formulation and implementation of policies for boosting the economy will be undermined;

(2) whether it will review the modes by which the Government supports emerging industries, as well as provide more concessions (such as tax relief and interest-free loans) for the relevant industries, cut bureaucratic procedures and remove red tape, so as to create a business-friendly environment; and

(3) as some members of the public have criticised that the research and development project on a nasal vaccine against the Coronavirus Disease 2019 led by the University of Hong Kong has received a funding of mere \$20 million from the Government, which is much less than the some \$50 million deployed for the construction of the music fountains at the Kwun Tong Promenade, and this situation reflects the Government's short-sightedness and inability to proactively grasp advantageous opportunities in respect of supporting scientific research industries, whether the Government will, by making reference to the practice of the Singapore Government, set up a sovereign wealth fund to proactively invest in scientific research projects in Hong Kong and abroad with potentials and plough the huge sum of profits yielded from successful projects back to the fund, so as to allow the fund to recycle capital for investment?

Reply:

President,

Part (1) of the question raised by Hon Paul Tse is under the purview of our Bureau. For parts (2) and (3), I have consulted the Financial Services and the Treasury Bureau and the Innovation and Technology Bureau and provide a reply as follows:

(1) The first part is about food trucks. In the Budget presented in 2015, the Government put forward its plan to consider introducing food trucks. It is hoped that the Food Truck Pilot Scheme (the Scheme) would become a tourism promotion project implemented in the form of a pilot scheme.

The Commerce and Economic Development Bureau (CEDB) and the Tourism Commission of the CEDB within their policy framework, have all along provided support and assistance to food trucks as a tourism promotion project. However, food truck is also a commercially operated project. Each of the food truck operators participating in the Scheme should also have the requisite operating conditions to enable them to generate revenue and allow the Scheme to continue.

As a matter of fact, the CEDB has, since the commencement of the Scheme, provided a lot of support and refined the Scheme in response to the operational difficulties and challenges faced by food trucks and, as mentioned by the Hon Tse, relaxed limitations as far as possible in order to expand their business opportunities and flexibility. Such work includes:

- (a) Exploring new operating locations continuously for the operation of food trucks and introducing eight new operating locations in addition to the original eight designated locations;
- (b) Relaxing restrictions by offering a more flexible operation schedule so as to facilitate the operators to secure location and trading period with more business opportunities including allowing food trucks to operate in different venues at day time and night time; operators to bid for available vacant pitch either by drawing lot or on a first-come-first-served basis; and to swap trading period of the same venue with another operator;
- (c) Adopting suggestion of the operators to identify new operating venues;
- (d) Expanding the mode of operation by allowing food trucks to participate in self-identified events which are open to the public with appropriate licences obtained. Since the commencement of the Scheme, operators have applied for operation in 103 self-identified events and all were approved to proceed; and
- (e) Alleviating their burden by reducing the operating cost substantially and allowing operators to opt whether to operate at individual venue and pay rental fees for operation days only.

Besides the five measures mentioned above, in view of the impact of the

riots and the epidemic on food truck operation, a series of helping measures implemented by the Government have also benefitted operators of food trucks, including waiving all license fees and first vehicle examination fees for food trucks; providing a one-off subsidy of \$80,000 to all operators; offering 75 per cent rental concession at government venues; and facilitating rental reduction for venues at the two theme parks respectively.

Apart from the policy support of the Government, we observe in our previous evaluation that the business performance of food trucks actually also hinges upon the business strategy of operators, for example, the food choices, food types, services and pricing and whether they can meet the preference and spending power of the patrons. Therefore, the business performance of the 15 food trucks varied since their commencement of business. Up till now, three of them had suspended business. Twelve food trucks remain and among which five maintain relatively regular operation.

The Government has all along been pragmatic and supportive to food trucks and has been offering its support as far as possible. Though the Scheme encountered difficulties when it was first launched, and was affected by the riots in 2019 and the epidemic afterwards, the Government has been providing continuous support and assistance. Hence, the Government has extended the Scheme twice, until February 2, 2022. We are reviewing the data and the effectiveness of the Scheme to determine its way forward from the perspective of its sustainability, scalability and contribution to tourism, etc.

(2) Hong Kong has been practising a low and simple tax regime. The Government's policy is to strategically utilise our tax measures to enhance Hong Kong's competitiveness and to promote the development of our industries and economic diversification. The Government will consider the development needs of the local economy and industries, fiscal implications, and international tax standards, etc. in formulating tax measures.

In terms of support for small and medium enterprises (SMEs), the Government has been committed to helping enterprises resolve financing problems, and providing funding for enterprises to explore business opportunities. In April 2020, we launched the Special 100% Guarantee Product under the SME Financing Guarantee Scheme to provide low-interest loans for enterprises affected by the epidemic, with over \$62 billion of loans approved so far.

We have also strengthened financial support for SMEs, including increasing the funding ceiling and expanding the funding scope of the SME Export Marketing Fund and the Dedicated Fund on Branding, Upgrading and Domestic Sales by four times and 12 times respectively to allow SMEs to utilise Government funding to engage in market promotion and business expansion in the Mainland and overseas. Over 14 000 enterprises have received more than \$2.3 billion funding in the past four years.

(3) In the past four years, the Government has been making efforts to promote Hong Kong's innovation and technology (I&T) development along various areas.

The Government has so far committed more than \$110 billion to further enhance Hong Kong's I&T ecosystem, of which encouraging investment and supporting technology start-ups have formed an integral part, with more than \$10 billion being devoted through the Innovation and Technology Fund (ITF) and other schemes. It is also announced in this year's Budget that the Government would inject \$9.5 billion in total to the ITF two years in a row.

With the smooth rolling out of various I&T policies, all these efforts have brought significant enhancements to the local I&T ecosystem. For example, the number of local startups increased from more than 1 000 in 2014 to more than 3 300 in 2020, with their number of employees increasing from more than 2 000 to more than 12 000. Investment from venture capital funds in Hong Kong also increased drastically from \$1.2 billion in 2014 to about \$10 billion in 2020. We are happy to see that there are currently 11 unicorns in Hong Kong. In fact, Hong Kong enjoys tremendous strength in scientific research. Many start-ups have successfully commercialised their research and development outcomes while a few unicorns also benefitted from Hong Kong's I&T infrastructure, policy measures and funding schemes, etc.

The Government will continue to support the industry, academia and research institutes through different schemes under the ITF, covering upstream, midstream, downstream research and to help technology start-ups attract private investment. For example, the ITVF (the Innovation and Technology Venture Fund) under the ITF encourages venture capital funds to invest in local I&T start-ups and currently has nine co-investment partners. Since its inception in 2017 up to June this year, the ITVF has invested around \$120 million in 20 local I&T start-ups.

Furthermore, the tenants (and incubatees) of the Hong Kong Science and Technology Parks Corporation (HKSTPC) and Cyberport attracted more than \$40 billion of investment from 2018-19 to 2020-21 to further support technology start-ups. The HKSTPC will also pump up its Corporate Venture Fund to \$600 million, and Cyberport will pump up a similar fund (the Cyberport Macro Fund) to \$400 million. The scopes of the two funds will be expanded to cover Series B and later stage investments.

Thank you, President.