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**FHKI welcomes 2018 Policy Address carrying on momentum
and staunchly support Hong Kong's economic development**

Chief Executive Carrie Lam today (Wednesday) announced her second *Policy Address*, to which Federation of Hong Kong Industries (FHKI) Chairman Jimmy Kwok welcomes the Government setting out clear targets and pushing forward Hong Kong's diversified economic development, nurturing of talents and establishing a better Hong Kong pragmatically and innovatively.

He said that the recent US-China trade disputes and other external factors have brought uncertain prospects to various industries. By swiftly responding to the market changes and needs of the business community, the Government has introduced measures to support re-industrialisation, innovation and technology (I&T) and exploring new markets in a bid to foster Hong Kong's long-term economic development.

"We are glad to see that the Government has accepted our recommendation by giving priority to re-industrialisation. The Chief Executive has announced to allocate HK\$2 billion for launching a 'Re-industrialisation Funding Scheme' to subsidise manufacturers, on a matching basis, to set up smart production lines in Hong Kong. An additional HK\$2 billion for building manufacturing facilities required by the advanced manufacturing sector in industrial estates is also set aside. This will encourage more Hong Kong manufacturers to carry out high value-added production activities in the territory, which will have a positive impact on Hong Kong's economy, research and development (R&D) landscape and development of talents. We hope that the Government will introduce more measures to help Hong Kong manufacturers achieving upgrade and transformation, and formulate a strategic blueprint for elevating Hong Kong's industries and economic competitiveness," said Mr Kwok.

FHKI is supportive of the measures announced in the *Policy Address* to promote I&T which included injecting HK\$20 billion into the Research Endowment Fund under the Research Grants Council, launching a Research Matching Grant Scheme with a total commitment of HK\$3 billion, and introducing Fellowship Schemes to attract and retain R&D talents. The Government also intended to increase the funding for Technology Transfer Office of each university, Technology Start-up Support Scheme for Universities, each State Key Laboratory and each Hong Kong branch of the Chinese National Engineering Research Centre.

Mr Kwok opined that by setting up a Smart Government Innovation Lab, opening up Government data, introducing a pro-innovation Government procurement policy and allocating HK\$500 million for organising an annual "City I&T Grand Challenge" would unleash our strengths in scientific research, promote business co-operation and thereby commercialise innovative ideas. Tying in with the launch of 5G mobile service in the foreseeable future, Hong Kong can swiftly develop into a smart city.

“In light of the recent development across the globe, particularly the US-China trade conflict, it is of utmost importance to explore new markets. FHKI is pleased to see that the Government is active in seizing the opportunities arising from the development of the Guangdong-Hong Kong-Macao Bay Area and Belt and Road Initiative, evidenced by actions such as planning on entering into more international trade agreements, stepping up international legal and dispute resolution services, lining up business matching activities and establishing overseas Economic and Trade Offices. We are also grateful for the Government in keeping close contact with the business community since the outbreak of the US-China trade dispute and rolling out various support measures addressing our needs,” continued Mr Kwok.

As for land supply, Mr Kwok is supportive of the Government to step up in land development and releasing land supply. The *Policy Address* suggested to restart the “Industrial Building Revitalisation Scheme” and provide motivational incentives to property owners. The incentive option being considered include property owners can apply for re-modification of the whole industrial building and fee-waiver for the application of “Change of Building Usage” exemption on condition that 10% of the total floor area is used for the designated usage specified by the Government. The Administration is also considering relaxation of the statutory and administrative requirements for industrial building usage, for example, to allow the establishment of cargo handling-related facilities, recycling centres for recyclable materials, telecommunications centres, computers and data processing centres, and creative industries to operate in certain industrial buildings or floors. FHKI urged the Government to roll out such projects as soon as practicable so that economic development would not be hindered by shortage in industrial and commercial land supply.

With regard to labour welfare, the Government has confirmed to abolish the “offsetting” arrangement under the Mandatory Provident Fund (MPF) Scheme. The Administration is planning on extending the duration of the second-tier subsidy to 25 years and increasing its financial commitment to HK\$29.3 billion. Mr Kwok said that such arrangements will help alleviate the pressure on enterprises, especially the SMEs. However, details of the revised proposal are subject to the discussion by the Labour Advisory Board. Meanwhile, the business sector has repeatedly reflected that apart from the issues of high cost and low return of MPF, the employers’ additional 1% contribution saving accounts should be managed by the Government or its appointee, so as to reducing the administrative costs and providing stable returns. The Government can also take advantage of the data for further analysis.

The *Policy Address* also suggested to extend the statutory maternity leave from 10 weeks to 14 weeks. Employers can make applications to the Government for reimbursement of additional related expenses, while those with monthly salary below HK\$50,000 shall be fully borne by the Government. Mr Kwok opined that this arrangement helps to alleviate the pressure of working mothers in taking care of their newborns and the financial burdens caused to the employers. Nevertheless, the Government should work with the enterprises on bridging the labour gap. On the other hand, FHKI supports the measures of enhancing childcare services as this might motivate working women to stay in the work force.

The Chief Executive also mentioned that the unemployment rate in Hong Kong was only 2.8%. Individual sectors have been haunting by the problems of manpower shortage and recruitment difficulties with the technology sector in particular. FHKI once again urges the Government to relax the eligibility criteria for the "Science and Technology Talents Entry Scheme" so that more enterprise can apply for the import of technology talents. On the other hand, several sectors (eg the construction, food and beverage and elderly care service sectors) are facing severe labour shortage. To this end, FHKI urges the Government to face up to the problem and implement measures to remedy the situation. Separately, FHKI is also pleased to learn that the Government has taken up its recommendation in expanding the Vocational Training Council's plans and increasing quota so that more students are able to pick up specialised skills under the "Earn & Learn" model.

Media Enquiries:

Carmen Wong

Tel : 2732 3178

Email : carmen.wong@fhki.org.hk

Theo Cheung

Tel : 2732 3169

Email : theo.cheung@fhki.org.hk

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