

**Hong Kong Retail Management Association**  
**Submission on**  
**2015 Policy Address and 2015-16 Budget Consultation**  
30 December 2014

**I. Introduction**

It has been a long-standing concern of the retail industry that Hong Kong's competitiveness is continuously deteriorating on many fronts. The worrisome trend is aggravated by the Occupy Movements taking place in the fourth quarter of 2014 as the prolonged unrests have done serious damages to Hong Kong's internal cohesion as well as its international image.

At this challenging juncture, we think the Government should take immediate measures to heal the wounds done by the Occupy Movements, while taking a proper health check on our economic and societal development in order to craft its forthcoming policy direction and budget in a holistic manner that could be accurately addressing the pressing needs of Hong Kong.

In this regard, the Association would like to make some suggestions to the Chief Executive's 2015 Policy Address and the Financial Secretary's Budget for 2015-16 in the ensuing deliberations.

**II. Aftermath of Occupy Movements – Immediate Measures to Revitalize Hong Kong**

*Launch events in the affected areas to stimulate traffics*

2. The government should consider organizing festive events in the occupied areas namely Causeway Bay and Mongkok to rejuvenate shopping sentiment and boost up customer traffics as some retailers experienced double-digit sales drop during the Movement.
3. To add novelty, other than the traditional event venues such as Victoria Park or Macpherson Stadium, special festive events could be held on the street level when the safety and logistics concerns are addressed.

*Provide special assistance to SMEs in affected areas*

4. To alleviate the cash flow problems facing the SMEs in the affected areas, the Government should render focused support such as postponing or even cancelation of rates and business license fees, and extending special loans.

*Provide spending incentives to visitors*

5. To encourage overseas visitors to revisit Hong Kong, they could be given cash coupons when leaving if they have reached a certain amount of consumption in Hong Kong. These cash coupons can be used in their next visit with a spending threshold to stimulate consumption.

*Redefine Hong Kong's International Image*

6. Hong Kong has been losing its attractions to overseas visitors, even without the Occupy Movements. It is timely to mobilize additional financial outlays to uplift Hong Kong's international image on a global scale via activities and networks of the Hong Kong Tourism Board (HKTB), the Hong Kong Trade Development Council and related government and/or statutory bodies.
7. Strategically, the Government should strive to solicit and render support to international mega events that can be held in Hong Kong. The Mega Event Fund (MEF) should step up its effort and spend money in these areas.

*Strengthen incentives to lure Mainland tourists*

8. To remedy the slowing growth of mainland visitors under the Individual Visitor Scheme (IVS) due to the "locust episodes" earlier this year and the late Occupy Movements, the HKTB should forcefully promote more mainland Group Tours to Hong Kong, while rejuvenating interest of IVS visitors.
9. The HKTB should organize more mega promotional campaigns in cooperation with the industries to attract overnight stay mainland tourists by offering attractive packages such as air ticket privilege, hotel package (Bonus night), theme parks discount, and shopping vouchers.

### **III. Hong Kong's Competitiveness**

#### *Uphold Hong Kong's unique advantages*

10. It is of utmost importance that the Government should uphold Hong Kong's distinct attractiveness when facing unprecedented external and internal challenges, in particular including the rule of law, free and open market, free flow of information and a business friendly environment, which are hard core values in anchoring investors' confidence.
11. The Government should implement further improvement measures in easing bureaucracy, lowering compliance cost, uplifting air quality and the environment, providing investment incentives and enough international school places, and more.
12. The strategic position of Hong Kong in China's economic development is unbeatable in the past. However, we must not be complacent with achievements so far but to constantly expand our uniqueness and international characteristics so that Hong Kong is irreplaceable by other mainland cities, and stays competitive in the region.

#### *Curb Cost of Doing Business*

13. The cost of doing business in Hong Kong is increasingly expensive and uncompetitive. We suggest the Government to lower the corporate profit tax to 15%, reduce the business license fee, and offer additional tax incentives to ease difficulties of businesses, especially the SMEs.
14. The higher credit card transactions fee, which is commonly at about 1.5% to 2% as imposed on SME retailers by card issuers and banks should be reviewed. The same situation for high Octopus charges on SME retailers warrants review as well.

#### *Avoid excessive regulatory measures*

15. The increasing number of regulatory measures and legislations imposed in recent years induces high compliance cost and excessive burdens on SMEs. The Government should avoid over-legislating and not to copy overseas laws without carefully considering Hong Kong's situation.

16. The Government should adhere to a proper legislating procedure by conducting Regulatory Impact Study (RIS) before law formulation; and introducing main bills with details of implementation and guideline.

#### *Competition Ordinance*

17. In view of its vast impacts, the Guidelines of the Ordinance should set clear parameters for businesses with certainty in their application, and avoid the risk of over-regulating in respect of different business arrangements which are very common and crucial to the Hong Kong economy, such as vertical agreements, franchising, concession and consignment, and exclusive arrangements.
18. The Government should ensure that the Ordinance would not deter innovation and vigorous competitive behaviour in Hong Kong, which ultimately may result in reduced quality and less choice for consumers, and may put Hong Kong at a competitive disadvantage regionally.

#### *Standard Working Hours (SWH)*

19. Hong Kong's labour force will start to diminish in 2018, it is important that the SWH should be considered in a wider perspective of Hong Kong's population policy; otherwise a piece-meal legislation on working hours will only exacerbate labour shortage and further undermine Hong Kong's competitiveness. We urge the Government to conduct an independent assessment on Hong Kong's future manpower requirements and to devise a holistic approach to combat the challenges.
20. Regulating working hours has a widespread and significant implication to labor market and the economy. We urge the Government not to pursue legislating working hours hastily and to conduct the followings in a comprehensive manner: (a) identify the root cause of long working hours in Hong Kong; (b) assess working hours of various industries; and (c) explore different options to promote work-life balance.

#### *Maintain the Government's fiscal health*

21. The Government's fiscal sustainability appraisal on Hong Kong's public finances released in July 2014 depicted different scenarios of anticipated structural deficit that Hong Kong may face in the coming years. We urge that the Government should be cautious on the pressures on fiscal

sustainability and act in a responsible manner by containing its expenditure growth and adopting other appropriate fiscal measures.

#### **IV. Population Policy & Manpower Development**

22. Hong Kong's population is aging rapidly. It is urgent for the Government to devise a population policy to cope with heightening challenges in regard to an aging workforce, healthcare financing, talent development, and provision of public education responding to the market needs, whilst ensuring fiscal sustainability.
23. To alleviate the tight labour market that impedes infrastructure developments and growth of many industries, the Government should seriously review the Supplementary Labour Scheme and to make it flexible enough to assist sectors whereby labour shortage is threatening their sustainability and even survival.
24. To nurture a diverse pool of talents for the future and to address young people's frustration on the lack of career opportunities, the Government should diligently promulgate prospect of vocational and technical training which is now seriously under-rated by young people and their key decision influencers such as parents, career masters and school masters.

#### **V. Retail & Tourism Development**

*Lobby the Mainland authorities for preferential custom treatments for goods bought in Hong Kong*

25. The Government may lobby the Mainland authorities to grant special custom duty quota to mainland visitors who have purchased goods from Hong Kong. This preferential custom treatment should be more competitive than those giving to goods bought from other places like Singapore, Korea, Japan and European countries.
26. At the same time, the Government may lobby for an increase in the current duty-free limit for mainland visitors from RMB 5,000 to RMB 20,000 or higher.

### *Individual Visit Scheme (IVS)*

27. The Government should not change its policy on IVS or to restrict the number of IVS visitors to Hong Kong. Hong Kong's status as a free port and its hospitable culture should be protected via the upholding of the scheme.
28. New measures should be implemented to address the specific needs of day trippers and parallel importers such as setting up shopping facilities with popular items near the border zones.

### *Diversify visitors' portfolio*

29. Over the years, the number of non-mainland visitors has been decreasing. To maintain a healthy mix of visitors' portfolio, the government should make Hong Kong a must see stopover for any visitors travel to China or Asia.
30. The Government should also provide incentives for organizing international mega events in lifestyle areas such as sports, arts and films, and entertainments, which will not only bring in general visitors, but also new visitors with specific interests.
31. Another area is to organize mega sales events in designated areas such as the cross-border zones with special appeals in selling discounted branded products. This would attract high spending visitors from the mainland and countries with high import tax, and helps minimize the negative impacts on Hong Kong's traffic network and people's daily lives.

### *Promote Hong Kong as a MICE destination*

32. In 2013, Hong Kong received 1.61 million MICE visitors, about 2% of the total number of visitors (54 million); whereas in Singapore, it accounted for around 22% (3.5 million) of the total number of visitors (15.6 million). And Singapore was selected as the leading meeting city in the world according to the 2013 Global Rankings of the Union of International Associations (UIA).

33. The Government should forcefully step up efforts to expand the MICE tourism as it brings in visitors with longer stay and greater spending power, and to fend off the fierce competition in the region without further delay.

*Strengthen international & regional connectivity*

34. It is a top priority to enhance the connectivity and ease of travel via Hong Kong. Our airport is almost close to its full capacity, the construction of the third runway should commence without delay as our aviation industry, tourism, retail, and finance industries cannot grow without it.
35. Hong Kong has a number of world class infrastructures such as the Hong Kong-Zhuhai-Macao Bridge, Kai Tak Cruise Terminal, the road and express railway networks to China. Nevertheless, the Government needs to urgently upgrade the peripheral facilities to maximize the positive benefits brought by these projects.

*Continue the Government's retail policy support*

36. The retail industry is a major pillar of Hong Kong economy and it creates a great variety of job opportunities for different age groups. To position well the retail industry in Hong Kong's development blueprint, we suggest the Government to conduct a strategic study to assess the industry's long term competitiveness covering issues like manpower, retail space, IT expertise, warehousing, and service levels.
37. We welcome the HK\$130 million earmarked in the Government's 2014 Budget to develop retail manpower, however, we strongly urge that this first ever policy support with funding should be on a continued basis so that the industry could revitalize with supply of new blood and enhanced efficiency.
38. Quality service is a key success factor to the retail industry. The recent HKTB's statistics revealed that the retail service level rated by non-mainland visitors had recorded a drop. We urge the Government to work closely with the industry to promote quality service training and render financial assistance where applicable.

### *Expand retail facilities & tourist reception capacity*

39. To solve prevailing bottlenecks and uplift development of the retail and tourist industries, the Government should give policy priority to expand retail facilities and tourist reception capacity by allocating additional land space and developing new tourist attractions.
40. In particular, we suggest the Government to speed up the development of North Lantau Island as a new one-stop tourist and shopping hub as it enjoys proximity to the airport and Hong Kong-Zhuhai-Macao Bridge.

### *Develop new warehousing space*

41. The growth of retail industry is being constrained by the severe shortage of warehouse space that acutely impedes our competitiveness and e-commerce capability.
42. As the Hong Kong-Zhuhai-Macao Bridge will operate in 2016, the Government may explore the feasibility of setting up warehousing clusters in Zhuhai to ease the over-congestion in Kwai Tsing Port by providing co-location of boundary crossing facilities between the two places. This would help expand Hong Kong's warehousing space beyond border while the land in Kwai Tsing areas could be converted for residential use.

### *Retail education & training*

43. The retail Qualifications Framework (QF) is an established platform to promote professionalism and life-long learning. We suggest the Government to grant subsidies to employers and educational institutes to develop QF-linked courses as the minimum returns at the start-up stage may deter interest.
44. To promulgate the benefits of retail QF and its application to a wider pool of employers, it is required to ease the accreditation process of those in-house QF-linked training courses developed by employers.
45. In addition to the industry image building promotion campaigns to be funded by the Government's allocation, we suggest the Government consider to give extra resource to the education institutes such as the VTC to step up their promotion on retail training.

46. To attract new talents, it would be essential to correct the misconception from the public and young people towards the retail industry, and inform them with latest development and landscape of the industry. In this regard, we suggest the Education Bureau to proactively cooperate with the industry to organize activities and seminars for students, parents, school and career masters.
47. On a policy level, the Government should review the bridging of retail education to the DSE curriculum and tertiary institutes; while at the same time, the prospect of technical and vocational training should be proactively promoted to young people.

*Set up an agency to oversee retail & tourism development*

48. To inject new growth impetus to the economy, the Government should consider setting up a permanent agency to oversee the development of tourism, hospitality and retail industries to promote greater synergy amongst these sectors.

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