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HKIoD's recommendations for Government Budget 2014-15

The Hong Kong Institute of Directors issued the following statement ahead of the Budget Speech scheduled to be delivered on 26 February 2014.

Get down to business, do what needs to be done

The Policy Address delivered in January is a strong showing of this Administration's commitment to promote economic development and to improve people's livelihood. We now require fiscal and budget measures to turn the many policy ideas and propositions into action, to do what needs to be done.

The Policy Address made commitments that will bring up recurring expenditure. If we are to tackle the many deep-seated social problems, we cannot eschew those spending but should rather find ways to afford them. We need to get down to business, bring diversity to our economy, and make the whole economy grow at a faster rate. After all, economic strength is our best friend for new monies to solve livelihood issues.

The need for fiscal prudence must be put in the context of our need to invest in Hong Kong's future development. Fiscal reserves in vast quantity are a gift to Hong Kong. They can be and should be better deployed, to generate earnings that support our social expenditure now and in future, to invest in infrastructure, and to be seed monies for our economic development.

Invest to be competitive once more

Financial Services Bureau Chief Professor K C Chan recently spoke of an urgent need to raise competitiveness. We agree. We need to be competitive to keep up that economic strength to have sustained firepower to solve livelihood issues. To make us competitive once more and keep it that way, we must invest.

We must invest to shape up our workforce. The Budget Speech can show us the Administration is serious about long-term talent development. The call for 15-year free education has been long. We know the matter is now in the hands of a Committee but could be there for another year. This Budget Speech can start with some fiscal commitments, so the money is ready when the Committee comes up with the details.

We must continue to make it more affordable to get vocational training that will lead to jobs in demand now, real career development over time, and recognition and respect later on. We can do more to tweak social policy and business practices to wrestle more people out of retirement and attract some more to rejoin the workforce. But right before us, we have acute labour shortage in construction, elderly care, retail and tourism-related sectors, a shortage so pressing that could make it an immediate choke on the economy. We need some pragmatic measures right away.

We must invest in infrastructure. We need the capacity to truly welcome a growing number of visitors and to meet their seemingly insatiable shopping appetite. If the Government has set its sight on the over-night vacationers or conference goers, then show us the way towards more hotel rooms, attractions and convention facilities.

We must invest to spur economic development. Appropriate incentives and concessions have the effect of channeling investments into areas of the economy we want to develop. We should end the wait for a comprehensive review of tax regime that will make it more competitive and which will reinstitute the notion of fairness and refresh its compatibility with business reality.

Invest to better city life, to improve cityscape

We must invest in better ways to deal with municipal waste. Details to the HK\$1billion Recycling Fund should come earlier than later. And before we can institute a levy on garbage disposal that is fair, we must first have the wherewithal to allow residential households and commercial tenants to segregate waste at the source, and we must have a recycling industry at work.

A handsome HK\$1.8 billion have been allocated to District Councils, HK\$100 million each, to improve their districts. If we could afford that quantum of money on contrived district landmarks, we could probably spend commensurate amounts of money to do a few things to better our city life and improve our cityscape. We can have nicer more level pavements that won't trip people over or sprain their ankles. We can have ramps for wheelchairs at every street corner. We can surely have nicer stylish street lights and fences that give the whole of Hong Kong some distinct character.

With many old districts undergoing redevelopment, neighborhood shops disappear, in come chain stores. Many are feeling that our street economy is fading away. The street economy is a cityscape to be cherished. The possibility of living on the town along street fronts darterd with shops of all kinds is a character of living in Hong Kong and a source of the Hong Kong community spirit. As we build new housing estates and as we redevelop old districts, we have to keep that cityscape and community spirit.

Relief for the middle class

We can observe strong currents among the middle class that they have been left out in the recent Policy Address. HKIoD believes the middle class can benefit if we can indeed get the economy going, but they have for now a high burden that needs relief. Yet we now hear words that the Financial Secretary will scale-down one-off reliefs, possibly eliminating some over time.

The middle income earners contribute much fiscal revenue, but they are also squeezed by ever higher living costs. HKIoD members will support the increase in personal income tax deduction allowances, both as to quantum and to type, to help middle class families make their ends meet. We must also consider appropriate widening of the tax bands in salaries tax assessment, to relieve the tax burden on the middle class.

Corporate governance and the New Companies Ordinance

The New Companies Ordinance will get implemented in just a few weeks. Among the many changes that affect company directors, the NCO notably brings in a statutory statement of director duties

Mr Financial Secretary, you can take the occasion of this Budget Speech to give directors some assurance. You can remind all company directors, that there is rising expectation on how they perform. Indeed, company directors must have and must continue to improve on their skills, knowledge and qualities required to meet the corporate governance demands of

today. When they first assume their posts, they should have a firm measure of competence to perform; and over time, they should strive to remain up-to-date with best corporate governance practices.

And you can assure those company directors who are armed with proper tools to perform, and who have been working hard and put the interests of their company before their own, that they should not have too much to worry over the new statutory statement.

But, Mr Financial Secretary, if we are to expect more from directors, we should also give them shields to protect. You must make it crystal clear, that the NCO is not to tell judges to second-guess the good faith business judgment and decisions directors make. Hindsight bias would have it that bad outcomes could easily be viewed as knowable beforehand. But that is not true. Even the best able judge cannot always set apart careful decisions that do not turn out good results from plain bad ones. Absent fraud or egregious behaviour, directors should not be made to operate in a sphere where someone, and someone with much less knowledge of the company's situation and need, will second guess the decisions they make.

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About The Hong Kong Institute of Directors

The Hong Kong Institute of Directors is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. A non-profit-distributing organisation with membership consisting of directors from listed and non-listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism.

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