

[For Immediate Release]

HKIoD's Response to the 2013-14 Budget

A Budget in Line with Policy Direction

The Hong Kong Institute of Directors (“HKIoD”) made the following statement in response to the 2013-14 Budget.

HKIoD believes the Budget announced on 27 February 2013 is in line with the policy direction.

HKIoD is of the view that economic growth remains our best friend when it comes to finding new resources to address housing, poverty, ageing population and environmental problems. We are pleased the Financial Secretary is with us when he said in the Budget speech that it is also his steadfast belief to “provide everyone opportunities to change his life through developing the economy, creating quality employment opportunities, investing vigorously in education and training to increase social mobility.”

Developing the Economy

We welcome the measures mentioned in the Budget speech aiming at expanding and strengthening the pillar industries. Among the measures, we agree the focus of developing the financial industry is diversification. We believe the development of fund and asset management, captive insurance and Reminbi business will make Hong Kong more able to play to its own strength and to better play its role as “springboard”.

We welcome the move to reserve sites dedicated to building logistics facilities and to releasing them at appropriate times. On the feasibility of Container Terminal 10, not only should port cargo growth be considered but also air cargo, in order to deduce the overall long-term trend of cargo traffic. Only then could we come up with the ideal location and timetable for the new container terminal. We believe it is essential for the Government to devise a comprehensive long-term plan in order to enhance Hong Kong’s role as an international shipping centre.

On industrial transformation, the Financial Secretary mentioned that, “if we can transform technology research outcomes into products with market potential, coupled with industrial production, our technological development can make an even greater contribution to Hong Kong's economy.” This goes along with what the HKIoD has been advocating. Regrettably,

we don't see in the Budget too many new tactics or measures in this regard.

Hong Kong should spend real efforts at building a Creative Economy, so as to turn Hong Kong into the hub of creativity and innovation. We believe it is necessary to provide more assistance to encourage R&D, for example, by expanding the Research and Development (R&D) Cash Rebate Scheme, by offering tax incentives for R&D expenditure and by extending other tax deductions. The aim is to help Hong Kong enterprises turn innovative ideas into sought-after products and services.

Long-Term Development Requires Talents to Match

Long-term development requires the right talents to match. HKIoD agrees that we should develop an orderly framework of education, vocational training and qualification accreditation that features diversity, provides multiple pathways and enjoys high recognition, all towards a seamless integration of education, training, business and employment.

The Budget encourages other industries in keen demand for labour to follow the example of the construction industry in launching systemic training plans and complementary initiatives to bring in more new recruits. This we concur. We are with the Financial Secretary that “we must find the right match between the industries and the workforce.” To attract youngsters to take skills training courses and vocational programmes and to join sectors like logistics and nursing care is not only beneficial to industry development but also social welfare.

We are for investing in education and developing talents, but that should not be limited to nurturing teachers. The Budget is to fund outstanding local students to attend prestigious overseas universities, but the scheme is restricted to those who take English or early childhood education programmes and the recipients are required to teach in Hong Kong schools when they graduate. The Financial Secretary may have a wish to raise the quality of teachers to in turn improve the quality of education. That is perhaps something we can appreciate. But in our mind, if we are to nurture talents for different sectors and for them to foster our industrial transformation, the scheme really should not be so narrow in scope.

HKIoD believes lifelong training for directors in corporate governance knowledge and skills is an important yet often neglected segment when it comes to nurturing talents for the economic development of Hong Kong. To maintain Hong Kong's role as a major international financial centre, Hong Kong must keep up with other major financial markets at efforts to improve banking and financial regulations, and to raise corporate governance. But corporate governance is not just for big corporations. Owners of SMEs and those who are thinking about starting a business should also pay attention.

Company directors are ultimately responsible for corporate governance. Better quality company directors should mean better corporate governance. HKIoD believes that company directors should have a firm measure of competence to perform when they first assume their posts. Over time, they should strive to remain up-to-date with best corporate governance practices. Similarly, directors of social enterprises, charitable organisations and statutory bodies should also be ready and prepared to discharge their duties when they start out and to keep up-to-date with best governance practices over time.

The Institute recommends the Government to draw up measures to help directors of business companies and organisations of various kinds, whether those who now are or those who aspire to be, to obtain quality training so as to raise the level of their corporate governance practices.

**To make SMEs owners and entrepreneurs
better at corporate governance is to support SMEs**

We welcome the measures that are to support SMEs. Setting up more Design Galleries, increasing the cumulative amount of the grant for SMEs under the SME Export Marketing Fund, and providing exporters with more flexibility in taking out insurance cover will go some way to help SMEs tap new markets.

The Institute also agrees with extending the special concessionary measures under the SME Financing Guarantee Scheme. We have, however, been pointing out that SMEs may find it difficult to take full advantage of loan schemes of one kind or another. One common impediment is that many SMEs could not demonstrate proper internal control and are ill-prepared to submit sound loan proposals.

Raising the corporate governance level of owners of SMEs and those who are thinking about starting a business is a crucial way to support SMEs. We wish the Financial Secretary could listen to us, to make it easier and make it more affordable for SME owners to obtain training to enhance their corporate governance practices.

Solve Present Problems, Invest for the Future, Develop the Bond Market for Real

HKIoD supports the development of a bond market and we welcome another round of iBond offerings. While we are to further develop a bond market, we can make better use of bond offerings as the means to finance high price tag solutions to some of our social problems. It is conceivable that we can sell bonds to raise the war chest required to re-acquire the interests in the cross harbour tunnels to better manage usage and traffic flow. We can also sell bonds to finance new infrastructure projects.

Relief Measures Seems Waning

Overall, the relief measures in the Budget seem to be on the wane. Many in the bottom echelon of society, and they may not be small in number, may simply not benefit. The measures intending to relieve the burden of the middle class would in substance also seem pale when compared with the last Budget.

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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. Website: <http://www.hkiod.com>.

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