

April 16, 2003

HKGCC RECOMMENDED MEASURES

In view of the effect of SARS on the Hong Kong economy

I. RECOMMENDED IMMEDIATE ECONOMIC MEASURES

1. Provisional tax payments: In the Chamber's most recent Budget Submission, we suggested "...SMEs may be given a longer lead time to pay the Final Tax and not be required to pay Provisional Tax." This would provide immediate cash flow benefit. Money in pockets, welcomed by the vulnerable companies, with very minor loss of income to government. **The Chamber recommends** that the Government temporarily waive provisional payments, or take the step to eliminate it altogether.

2. Airport: **The Chamber recommends** that the government fund the Airport Authority to reduce or temporarily waive airport landing and parking fees, and office or retail rentals under the Airport Authorities' responsibility, for three months. Also consider free parking of idle coaches that belong to travel agencies. This will provide immediate cash flow benefit for the hard hit travel sector and encourages airline companies, with very low load factors now, to continue to fly in and out of Hong Kong.

3. The SME Loan Guarantee Scheme: It currently requires bank approval and then government approval. **The Chamber recommends** modifying the process to allow applicants to receive pre-approval from the government—conducted by certified accountants at a set fee—before seeking bank approval. Thus SMEs will be able to shop around different banks for the best terms, and avoid delays. This means less government responsibility for screening and approval; new business for approved accountants; faster bank approval; and more rapid access to funds for SMEs at this challenging time.

4. Reducing water and sewage charges: This extends the 2002-03 Budget concession; the continual waiving would mean the additional \$1 billion revenue earmarked from water rate charges would be forgone. This concession would provide immediate cash flow benefit for companies and households. Useful for SMEs and for restaurants and shops. **The Chamber recommends** a return to 2002-03 concessions for six months.

5. Freezing Government fees and charges: Again, this would provide immediate cash flow benefit. It has direct impact on company cash flow, particularly SMEs, regardless of companies' profitability. **The Chamber recommends** a return to 2002-03 freeze for six months.

6. General Rates: The 2003-04 Budget proposes an end to last year's \$5,000 deduction on rates, leading to an additional \$4.2 billion in revenue. **The Chamber recommends** that this concession be extended for one quarter, with no ceiling on deduction. This concession should be only for specific industries most affected-- *restaurants, retail, tourism, and entertainment*, and would bring immediate cash relief.

7. Waive Business Registration Fee: The budget anticipates a \$1.2 billion increase in fees this year. **The Chamber recommends** a waiving for one year.

8. Reduce or waive rent for Housing Authority commercial complexes for three months: **The Chamber recommends** that the Government look at tenants case-by-case and reduce or waive as their hardships dictate. This directly affects companies' bottom line, and can be implemented without negotiation among private landlords. It shows strong moral leadership of the government.

9. SME Export Marketing Fund: **The Chamber recommends** an increase of the fund ceiling from \$40,000 to \$80,000. This money assists companies participating in overseas trade shows and exhibitions. Be flexible in allowing use of this fund. This would create opportunities for businesses affected by cancelled or postponed exhibitions and trade shows.

10. Trade shows: **The Chamber recommends** that the government fund TDC in helping SME exhibitors reduce their losses. This would involve reducing participation fees and negotiating with exhibition contractors and venues.

11. Web-site promotion: **The Chamber recommends** that TDC help companies promote their web sites through the TDC portal, with special pages for events and industries affected.

12. Using various government funding to assist business: These include the four funds to assist SMEs (totaling \$1.9 billion), the Professional Services Development Assistance Scheme (\$100 million), and the Innovation Technology Fund (\$5 billion), which could be disbursed much faster than originally planned. **The Chamber recommends** that the coverage of these funds can be made more flexible to encompass more innovative uses consistent with the spirit of the funds. For example, extending the use of specific-purpose funds (such as the Pneumoconiosis Compensation Fund) to related uses. This provides an immediate cash flow benefit and puts already committed money to work when it is most needed. Another morale booster that costs no additional amount.

13. Encouraging banks to assist in restructuring loans to customers: **The Chamber recommends** that the government take a leadership position in lobbying the banks to treat with sympathy their long-time customers who are clearly damaged by SARS. This could include extension of loan payback period or payment of interests only, or other means that can be worked out between the customer and the bank. This would be especially useful for SMEs with cash flow problems. The Chamber will be working with the banks also on this idea.

II. RECOMMENDED IMMEDIATE CRISIS MANAGEMENT MEASURES

1. Need an authoritative spokesman to send out a clear and confident message:

The Chamber recommends a greater coordination and transparency in Government reporting on SARS. Use an *authoritative spokesman* to put out information per day who has an international projection. Right now, the messages are from too many people and too confusing—with some good news not even being emphasized, and the official spokesmen too low level and technical and have no international impact. He/she should speak with authority, pre-empt all stations at a fixed time per day, giving out progress and facts and dispelling rumors and speculation. This spokesperson can also answer questions which increases our understanding and takes away some “unknowns”, like: What kind of people have recovered? How many people have been infected in MTR, taxis, shopping centers or restaurants? How many have actually been infected by a sick passenger on an airplane? What steps are being taken next and how do we measure previous steps?

The assumption now in the community is that the virus is rife everywhere in Hong Kong and you can be victimized anywhere. This discourages consumption locally, and is also the international perception, which makes Hong Kong business people unwelcome in other countries in addition to no one coming here. If only a minority of cases is due to community sporadic infection and not due to close contact with patients, visitors, relatives, medical personnel, then say so. The Chamber believes that this kind of authoritative, transparent, non-speculative, and forward-looking information dissemination would show that we are “in control”, and create greater confidence in Hong Kong by residents and overseas cities.

2. More pro-active and higher-profile cooperation with internationally recognized public health experts from WHO, USCDC etc:

There is a need to show the people of Hong Kong and the world that Hong Kong officials are working hand in hand with renowned world public health agencies on disease containment planning. Cooperation with Mainland health officials should also be highlighted. This would boost the morale of our medical personnel also. **The Chamber recommends** this highly pro-active approach, reflecting the international character of Hong Kong, as opposed to managing with mainly local experts. The whole world is working on this problem, and we are leveraging off advances and suggestions globally. It also gives “ownership” of problem solution here to international organizations that judges our ability to handle crisis.

3. Using our international connection: **The Chamber recommends** that the government, working with local chambers, should aggressively lobby international chambers of commerce and consulates in Hong Kong to lobby their own governments and domestic trade organizations to keep the door open to Hong Kong business and travelers. This would include organizing expatriate businesspeople to meet international and local journalists. This is crucial to allow Hong Kong businessmen to continue to have their international links. The Chamber will be using our foreign invested members and working with the international chambers on this effort. We will also be writing to foreign chambers overseas on the SARS story.

4. International negotiations: The Chamber recommends that in conjunction with other Asian governments, the government should try to establish with others a fair set of travel rules defining when restrictions will be imposed and ground-rules on how to treat arrivals. We should explain to them what we are doing to ensure that passengers leaving Hong Kong will be healthy, and prevent discriminating treatment of Hong Kong people either at the border or in business before it happens. This could be done by our government or via the central government.

5. Medical supply/personnel support: The Chamber recommends that the government work with Beijing and other governments on equipment supply replenishment, and urge Hong Kong based-airlines to offer free transport for foreign medical experts and supplies to come to Hong Kong. Certain shortages in intensive care units here can be supplemented by overseas equipment, and personnel can also come from overseas or from the Mainland in intensive care.

6. Clean the City: The Chamber supports a serious long term campaign to clean the city, coupled with a vigorous “greening Hong Kong campaign”. Putting together a highly publicized effort to scrub streets and buildings would win a lot of attention, and might actually do some good. Hygienic standards must be raised in Hong Kong, with a seal of approval of hygiene to be devised for restaurants. This is vital to keep SARS under control and also might create some jobs. This could start now and must continue to give us a healthier place with better quality-of-life.

III. RECOMMENDED MID- TO LONG-TERM MEASURES

1. Promotion I (Re-launch Hong Kong as a business centre): This would be for when conditions improve, at least in Hong Kong, and when “knowns” outnumber the “unknowns” about the disease. **The Chamber recommends** a large-scale campaign to send private business executives abroad, to “sell” Hong Kong in skeptical markets and bring business travelers back. The flip side would be a program to invite business leaders to Hong Kong, to see for themselves the state of the (post-crisis) economy, and to hold international conferences here. Once the worst has passed, we need a pro-active plan with government and the business community joining hands to target the right audiences.

2. Promotion II (Re-launch Hong Kong as a tourism centre): As conditions improve, as the number of new cases declines significantly and the World Health Organization lifts its travel advisory, **the Chamber recommends** implementing a large-scale publicity campaign to attract tourists back to Hong Kong. Consider full-page ads on the day of the lifting of travel advisory, adding benefits such as suspension of the hotel accommodation tax and air passenger departure tax for 1-3 months. Coordinate with full restoration of airline services and perhaps a vacation package for Hong Kong’s “health care heroes”. Spending vouchers to encourage consumption. The right campaign at the right time would encourage a more rapid return to normal and would reduce the lingering effect and mis-perception time.

3. Promotion III (Re-launch Hong Kong spirit): The Chamber recommends a post-crisis celebration theme. Promote charitable events with international celebrities to improve community sense of well being and raise money for those who have suffered personally or financially. In essence, this will be a “celebration” of the end of the crisis, drawing this experience we have all lived through to a close.

4. Medical insurance reform: This crisis highlights the fundamental health care funding problem in Hong Kong. This crisis can be the catalyst to review how health insurance and health care should be reformed. This is long overdue, and system is so stressed now that reform is necessary to look at sources and manner of contribution. **The Chamber recommends** a feasibility study.

5. Urban renewal: As a “come back” measure with some “promotion” element, initiate a very large scale (\$100 billion?) urban renewal program targeting old flats and commercial premises. **The Chamber recommends** a feasibility study.

6. “Sustainable Development”: Invest in massive government projects under the “sustainable development” umbrella: local-level public works projects, waste management and disposal efforts, conservation (buying wetlands for recreational use). **The Chamber recommends** a feasibility study. Both this and the previous initiative make Hong Kong a healthier and more livable place.

7. Biotech and healthcare industries: The government should use this opportunity to invest in universities and other infrastructure to support the development of a biotech and healthcare industry, perhaps with emphasis on infectious diseases. **The Chamber recommends** a feasibility study.

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