

Hong Kong Retail Management Association
Submission on
2018 Policy Address and 2018-2019 Budget Consultation
15 September, 2017

Executive Summary

I. Introduction

1. The retail industry has finally stopped its downward trend with a zero growth for the first 7 months of 2017. The Association expects there will be a 0-1% growth for 2017 as a whole.
2. Against the uncertain economic backdrop, the Association's recommendations on the Chief Executive's 2018 Policy Address and 2018-2019 Budget Consultation are summarized in this Executive Summary.

II. Hong Kong's Competitiveness is being Challenged

Dropping International Ratings of Competitiveness

3. The 2016-2017 Global Competitiveness Index of the World Economic Forum showed that Hong Kong's ranking dropped from No. 7 to No. 9 in the world, while Singapore remained No. 2. (Annex 1)
4. The International Institute for Management Development ranked Hong Kong No.1 as the world's most competitive economies in 2017; however, it ranks No.7 in terms of digital competitiveness, whereby Singapore is top on the list.

Take Urgent Measures to Enhance Competitiveness & Innovation

5. Against the alarming situation, the Government is suggested to take urgent measures to:
 - a) Protect Hong Kong's unique advantages, including the open and free market principle, legal system, rule of law, freedom of speech, free flow of information, an efficient public sector, world-class protection of personal safety, and high-level of convenience in daily living.

- b) Promote entrepreneurial spirit by rationalizing existing SME assistance schemes; and providing additional incentives, such as reduction in business license fee and other related expenses.
- c) Provide assistance to encourage companies to drive innovation in a holistic manner.
- d) Promote progressive and evolving legal and regulatory framework to accommodate and facilitate new economy businesses.
- e) Implement Mrs. Lam's proposal of 2 tax reduction proposals, including a two-tier profit tax to relieve the burden on SMEs, and super tax deductions for corporate expenditure in R&D, and other innovative initiatives.

Spearhead Growth of New Businesses under New Economic Order

- 6. To have vision, leadership, and courage to overcome hurdles and resistance within existing business structure so as to foster development of new businesses e.g. mobile payments, initiatives on shared economy.

III. An Over-regulated Business Environment will Disadvantage Hong Kong's Competitiveness

Growing Trend of Over-regulating

- 7. Evaluate critically the prevailing over-regulating approach which often neglects the cumulative effect caused by legislative changes on enterprises and Hong Kong's competitiveness.
- 8. Conduct in-depth study to gauge the overall implications and compliance cost of the legislations and regulations introduced in past 8 years.
- 9. Assess enforcement impacts of new legislations in the pipeline, such as charging on municipal solid waste management and glass containers, MPF offsetting, standard working hours, and voluntary health insurance scheme.

Regulatory Impact Assessment (RIA)

- 10. Adhere to a proper legislating procedure by conducting RIA for new and existing

legislation, with implementation details and guideline.

MPF Offsetting Mechanism

11. To be more receptive to consider counter-proposals by trade associations or political parties on the MPF offsetting mechanism.
12. Not to set a “cut-off” date and earmark a sum to assist employers after the abolition is implemented, as this could be devastating to the employers, especially SMEs, after the Government’s contribution is used up.

Standard Working Hours (SWH)

13. Support to legislate the written specification of working hours term and overtime compensation.
14. Object to interfere the employment contract in the free labour market by formulating sector-specific working hour guidelines.
15. Take lead to tackle the root problem of long working hours in Hong Kong, i.e. acute shortage of labour.

Statutory Minimum Wage (SMW)

16. Review the SMW rate with caution, in particular, its ripple effects on labour market of low pay sectors, and Hong Kong’s competitiveness.
17. Adhere to an evidence-based and rational approach.

IV. Developing Human Capital

Ensure Stable Labour Supply

18. Foster a right mix of human capital and a sustainable pool of employable workers.

Promote Technical and Vocational Occupations

19. Strengthen the promotion of technical and vocational occupations to young people.

Relax Labour Importation Requirements

20. Review the Supplementary Labour Scheme, and its relevancy to specific sectors.
21. Consider large-scale sector-specific importation of labour, and to assist employers to provide accommodation for import workers.

V. Stepping Up Tourism Development

Devise Long-Term Tourism Strategies

22. Evaluate the overall development and prospect of our tourism industry, and formulate long-term blueprint.

Allocate Additional Funding

23. Welcome a one-off annual additional funding to Hong Kong Tourism Board (HKTB) in 2018, however, the Government should allocate sufficient funding for market promotion and development on an ongoing basis.

Develop High-end Tourism

24. Attract high-end visitors and continue the promotion of Individual Visit Scheme (IVS) to high spending mainlanders.
25. Assist the trade to capitalize on global travel trends.
26. Seize opportunities to stage more international mega events in Hong Kong.

Capitalize on Enhanced Connectivity

27. Speed up the setting up of peripheral facilities and supporting services for the Hong Kong-Zhuhai-Macao Bridge, Express Railway to China, and Kai Tak Cruise Terminal without delay.

Improve Tourist Attractions, Reception Capacity & Services

28. Enhance tourist attractions and reception capacity; and to improve services at diverse touch-points with tourists.

VI. Strengthening Retail Development

Uplift Government's Support with a Designated Unit

29. Set up an independent, cross-departmental unit to oversee and devise a long term overarching development blueprint for retail and related industries.

Groom Retail Talent - Strengthen Promotion of Retail Earn & Learn Scheme

30. Orchestrate VTC to render greater student recruitment effort, and to allow budget flexibility in promotion of the scheme and the industry.

Groom Retail Talent - Promote Retail Qualifications Framework (QF)

31. Provide subsidies or tax incentives to employers and educational entities to develop QF-linked courses.
32. Ease the accreditation process for company's in-house QF-linked training programme.

Groom Retail Talent – Introduce as a Formal Academic Discipline

33. Incorporate “Retail” as a discipline in the secondary and tertiary education curriculum and further cooperate with the industry to educate major stakeholders about the diverse retail career prospects.

Groom Retail Talent – Develop E-Commerce Practitioners

34. Speed up the education and training of e-commerce practitioners through formal education ladder as well as other in-service training platforms.
35. Step up the promulgation of the E-Commerce Specification of Competencies (SCS); and to coordinate industry assistance from various funding schemes.

Develop Retail Space & Warehousing

36. Provide more retail space and diversify shopping clusters in the long-term land use planning.

37. Expedite the feasibility of establishing warehousing zones in nearby mainland areas.

VII. Driving Retail Innovation & Technology

Capitalize on New Retail Normal & China's E-Market Potentials

38. Support Hong Kong retailers to capitalize on the retail paradigm shift to omni-channel retailing, O2O (online-to-offline) integration, and the flourishing trend of overseas online shopping in China.

Overcome Limitations of Hong Kong Retailers

39. Facilitate Hong Kong retailers to overcome limitations in innovation and technology adoption so as to combat threat of mainland visitors' diminishing interest to shop in Hong Kong.

Pledge for Government's Forceful Support

40. Devise a holistic policy support to assist Hong Kong retailers, who are mostly SMEs, to transform into online-to-offline (O2O) mode.
41. The Innovation and Technology Bureau to take the lead in setting up a cross-bureau taskforce to formulate retail innovation and technology adoption strategies.

Adopt HKRMA's "Proposal on Enhancing Technology Adoption to Uplift Competitiveness of HK Retail Industry" (July 2016)

42. Adopt HKRMA recommendations to the then Financial Secretary in 2016, set out at the ensuing paragraphs.

Recommendations - Government-led Measures

- 42.1. Orchestrate the building up of a Hong Kong-based top-notch, neutral e-Commerce platform.
- 42.2. Review Hong Kong's Free Trade Agreements (FTA) with the mainland and other countries to obtain greater preferential treatments.

42.3. Collaborate with other countries to speed up custom clearance and preferential taxation for Hong Kong based e-commerce transactions.

Recommendations – Government Support and Enterprise-led Programmes

42.4. To provide funding support in 3 key areas including industry development, human capital, and incentive projects to stimulate concerted efforts from the industry and stakeholders.

42.5. The funding on industry development would be gearing towards to the following:

- a) Facilitate the building up and sharing of a larger customer base.
- b) Encourage enterprises to develop affordable solutions to be mass deployed among SME retailers.
- c) Facilitate the sharing of best practices of retail technology adoption.

42.6. Take lead to nurture a new generation of related talent, and strengthen in-service training.

42.7. Orchestrate the cross-linking of public funded projects as well as supplier incentive projects.

Recommendations – Government Funding

42.8. Streamline some 17 funding schemes eligible for SME retailers including Retail Technology Adoption Assistance Scheme for Manpower Demand (ReTAAS), which is the only retail-specific funding scheme. (Annex 2)

42.9. Consider to earmark a portion of existing funding schemes to uplift retail technology adoption and innovation.

Closing Remark

43. A copy of “Proposal on Enhancing Technology Adoption to Uplift Competitiveness of HK Retail Industry” (July 2016) is enclosed for consideration and adoption.

-END-