



# THE HONG KONG INSTITUTE OF SURVEYORS

## 香港測量師學會

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8th June 1998

The Financial Secretary  
Financial Secretary's Office  
Government of the HKSAR  
12/F Central Government Offices  
West Wing, 11 Ice House Street  
Central, Hong Kong

**Attn: The Hon. Donald Tsang**

Dear Sir,

### **Tackling Unemployment**

Your letter dated 29th April 1998 refers.

Hong Kong is now experiencing the after effects of asset value inflation and regional financial turmoil. The current adjustment, though painful, will ultimately help us regain our competitiveness when all our production costs are sufficiently adjusted. There may well be a tempting tendency to pressurize the Government to intervene the market, one should be careful not to over play government's involvement in a free economy like HK's. While measures to boost short term employment with limited chance of being sustained in the longer term. Thus they can only be a transitional arrangement.

The HKIS wishes to offer some of our views which hopefully will generate more discussions and stimulate more thoughts in how best the whole HKSAR could help collectively fight rising unemployment.

### **Short Term**

- a) **Increase liquidity in the money market** : Notwithstanding that HKSAR has very substantial monetary reserve, we are ironically facing liquidity shortage, driving many businesses into involuntary lay offs or even collapse. Economic confidence is declining and worst of all there is still no sign of stabilising. The Administration's seemingly unwillingness to release some of our substantial reserve to help the currently tight economy will aggravate tension between society and the Administration. This loss of economic confidence if remains unchecked could well deteriorate to a point where political confidence would be undermined. The measures already announced by Government on 29th May 1998 is most welcome but we believe they may be too slow and not significant enough to alleviate the tight money supply situation. Is it possible to inject



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Re : Tackling Unemployment

**Short Term (Con'd)**

some of HKSAR's foreign reserve back into our local economy? It is only natural that an individual will use some of his bank saving if and when his income temporarily diminishes. The situation faced by some small and medium enterprises is that they have assets but insufficient cashflow which forces them to trim down operation and staff size which in turn will further depreciate their asset value. Increased money supply will help otherwise healthy SMEs stay in business and prevent further deterioration of unemployment.

- b) **Early implementation of major infrastructure projects** : While this is welcome, particularly for the production of serviceable land for future housing needs, Government must ensure that local goods and services providers are given priority. As almost all of our materials, plans and equipment are imported, the more we spend on import-biased infrastructure work, the bigger will be our cash outflow. Thus the need to use local services providers becomes more of an issue. Government should not however embark upon projects with the sole aim to create short term employment but which are not otherwise needed or have no or low economic value.
- c) **Outsourcing** : More government or quasi-government run services could be contracted out to the private sector. This will have the effects of creating employment, being more cost effective, avoiding conflict between government and service recipients, and avoiding unnecessary expansion of the civil servants. Good examples are Housing Authority's estate management, design consultancies, land and property valuation consultancies, etc.
- d) **Avoid uneven employment opportunity** : 不患寡而患不均 Very often we see tenders for government or quasi-government consultancy services being invited on team basis where a lead consultant will choose his own subconsultants. While this is administratively convenient, it creates an ill effect of uneven work distribution among subconsultants where the selection of subconsultants is left to the mercy of the lead consultant when there may well be other better subconsultants around. While achieving the same level of competition from the bidding teams (as from individual consultants and subconsultants) government does not, however, have direct access to the subconsultants who are subject to the undue influence of the lead consultant. This is particularly obvious on matters where the subconsultant's services are both supporting to and controlling over the lead consultants' e.g. cost economics (by subconsultant) against design preference (by lead consultant).
- e) **Help the middle class** : While the recent economic downturn hits almost everyone from the very rich to the very poor, the hardest hit, however, is the middle class. Being the main money earning force of our economy, they contribute most, pay the most tax, yet they are the least looked after and an increasing number of them are joining the unemployment contingent. Can they be given more tax relief e.g. the



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Re : Tackling Unemployment

**Short Term (Cont'd)**

\$100,000 tax concession introduced last year for building mortgage interest is a definite benefit for the middle class? Can this amount be increased or similar concession be considered?

**Medium Term to Long Term**

- a) **Tourism Promotion** : We all recognise the contribution of the tourism industry to our economy, yet we do not have a tourism policy bureau with a single objective on tourism development and promotion. In the long term the establishment of such a policy bureau will only be beneficial for sustaining the growth of our tourism industry.
- b) **Export of Services** : While the present economic climate is not conducive to export of services to the SEA region, we shall encourage more export to the Mainland where economic reform on state enterprises will offer opportunities for our "brain". However, our target clients may not be the state enterprises themselves. Instead, services recipients would probably be those foreign investors who acquire interest in or J/V with them. The HKSAR government, overseas trade representatives, TDC, HKTA, etc. in liaison with Mainland's relevant authority should be able to provide some leads.
- c) **Quality of our people** : To sustain long term growth of our service oriented economy and to develop high-tech industries we need to educate, train and groom our own people and attract international talents if warranted. To this end increasing teacher/student ratio, building more schools, high-tech education programme, research, etc. will also help generate employment. On the other hand uneducated and unskilled immigrants should be discouraged as they would only be a burden to and adding unemployment pressure on our society.
- d) **Postpone the CPF?** Another cash outlay pressure soon to be faced by the SMEs will be the Compulsory Provident Fund. In the current tight economic situation, it would be a great help if the effective date could be put on abeyance until such time when our economy stabilises. Besides, much of the fund pool would probably not be invested locally if our economy remains in the doldrum which will be another monetary outdrain.

Yours faithfully,

T.N. Wong

President

The Hong Kong Institute of Surveyors

cc : The Hon. Edward S.T. Ho