

Aid for industry proposal studied

By JOHN BLANTON

THE Industry Department has set up a high-powered subcommittee to take a closer look at proposals contained in a recent report that pinpointed shortcomings in Hongkong's plastics conversion industry.

But the report, and as a result, the subcommittee, have taken on an importance far beyond the initial scope of the project, with the possibility of the Government taking action that would represent a radical shift away from current industrial policy.

Among the recommendations contained in the \$1.8 million study conducted by US consultants SRI International was the establishment of an industrial loan fund to provide investment incentives to Hongkong's traditionally penny-pinching manufacturers in all sectors.

Such a fund would be the first of its kind in the territo-

ry, where the vicissitudes of the marketplace have always reigned supreme.

"It's too early to tell how and how far the Government will act on the proposal," said a well-placed Industry Department source. "But just the fact that it is being considered is enough to give an indication that they're thinking seriously about it, and that the policy of non-intervention could be in for major revision."

"If something does come of it, it shouldn't be considered a form of subsidy for industry," the source added.

"It would be more like a last-ditch effort to prod manufacturers into upgrading their plant and equipment, which is what they must do, and fast, if they want to remain competitive."

A stubborn resistance among manufacturers to investing in plant and research and development is one of

several problems identified in the report.

The plastics industry, it says, also suffers from low levels of technology, poor quality and maintenance of equipment and lax quality control.

An urgent reversal of the situation is all the more important, the report says, because the industry's traditional markets are becoming less bargain-conscious and more in favour of quality upmarket goods.

"A loan fund of the kind being considered would go a long way to correcting all the problems, not just in the plastics industry, but in the entire manufacturing sector," the source said. "It's just a matter of whether the Government is willing to take that step."

For years, the Government has rebuffed criticism from the manufacturing sector that it does too little to

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help industry in the face of the competitive threat posed by Taiwan, South Korea and other countries in the region.

The Government, for its part, always points to the funding of manpower training through the public education system and facilities set up, such as the Hongkong Productivity Council, to aid technological development.

Long-term investment in capital improvement and research and development, however, has remained paltry by international standards.

Even as competition has increased in the last decade, Government statistics show that such investment has actually declined in real terms in the past two years.

The Government, and the report, do not lay the blame solely on manufacturers, but also upon the banks.

"The major factor for the high cost or restricted availability of loans to manufacturers lies in the poor understanding of manufacturing businesses in general and an apparent inability of banks to make meaningful evaluations of the risks associated with industrial loans," the report states.

It points to the recent example of a foreign bank which called upon the productivity council for help in training staff for the purpose of evaluating industrial loan applications and risks.

"The proposed solution is

to set up, through the participation of about five foreign and local banks, a Hongkong Industrial Loan Fund to make loans to manufacturers," the report says.

The banks stand to gain the obvious benefit of a boost in business, as well as better risk exposure through automatic syndication among member banks.

For manufacturers, the establishment of the fund would mean easier access to money, translating into a greater willingness to invest in order to upgrade plant and equipment.

The Government apparently agrees with the report, as the new subcommittee was organised at the prompting of the Industry Development Board, which is chaired by the Financial Secretary.

The IDB subcommittee, which is chaired by Director of Industry K. Y. Yeung, draws its members from various fields related to manufacturing industry, including the chairman of the Federation of Hongkong Industries, Mr Dennis Ting.

Other proposals in the study directed to the manufacturing sector as a whole include an increase in the depreciation allowance for productive equipment from the present 100 per cent to 125 per cent.

Parity of wages for professionals in the public and private sectors in order to maintain a sufficient pool of technical knowhow in the private sector is also called for. The latter would mean a slowdown in the rate of increase of starting salaries and annual rises for public sector employees.

Over the next few months, the IDB subcommittee is to consider the report's recommendations to decide which can be supported.