

立法會
Legislative Council

LC Paper No. CB(1) 1891/00-01
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Monday, 11 June 2001, at 4:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)
Hon HUI Cheung-ching (Deputy Chairman)
Hon NG Leung-sing
Prof Hon NG Ching-fai
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon SIN Chung-kai
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Members absent** : Dr Hon LUI Ming-wah, JP
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam
- Public officers attending** : **For Item IV**
Miss Yvonne CHOI
Deputy Secretary for Commerce and Industry (1)

Miss Anita CHAN
Principal Assistant Secretary for Commerce and
Industry

Ms Joyce TAM
Principal Assistant Secretary for Information
Technology and Broadcasting

For Item V

Mr Kenneth MAK
Deputy Secretary for Commerce and Industry (2)

Mr Philip CHAN
Principal Assistant Secretary for Commerce and Industry

Ms Esther LEUNG
Principal Assistant Secretary for the Treasury (Revenue)

Mr Simon WONG
Assistant Commissioner of Customs and Excise (Administration and Excise)

Attendance by invitation : **For Item IV**

Dr W C KEUNG
Branch Director, Information Technology and Services, Hong Kong Productivity Council

Mr Edward TAM
Principal Consultant, Information Technology and Services, Hong Kong Productivity Council

For Item V

Mr Justine YUE
Chief Executive Officer, Tradelink Electronic Commerce Limited

Clerk in attendance : Mrs Florence LAM
Chief Assistant Secretary (1)4

Staff in attendance : Ms Rosalind MA
Senior Assistant Secretary (1)

I Confirmation of minutes of previous meeting

(LC Paper No. CB(1)1433/00-01)

The Chairman advised members that Mr Eric LI had proposed an amendment to paragraph 20 of the minutes of the meeting held on 9 April 2001. The proposed amendment was tabled at the meeting for members' consideration. Members agreed to the amendment and confirmed the revised minutes of the meeting.

II Information papers issued since the last meeting

2. Members noted that no information paper had been issued since the last meeting.

III Date of the next meeting and items for discussion

(LC Paper No. CB(1)1450/00-01(01))

3. Members noted that the next meeting would be held on 9 July 2001 and agreed to discuss the following items:

- (a) The Small and Medium Enterprises Committee Report; and
- (b) Chemical Weapons (Convention) Bill.

4. As Mr CHAN Wing-kee, Chairman of the Small and Medium Enterprises Committee, would leave Hong Kong for a business trip in the afternoon of 9 July 2001, members agreed that the meeting on that day should start at 8:30 am instead of 4:30 pm as originally scheduled.

5. Furthermore, at the Administration's request, members agreed to discuss the following items at a special meeting to be held on 26 June 2001 at 10:45 am in Conference Room A:

- (a) Funding arrangement for Science Park, Phase II;
- (b) Proposal to liberalize parallel importation of computer software;
and
- (c) Proposal to license stamper manufacturers.

6. The Chairman advised that members could contact the Clerk to the Panel if they required any background briefs on the above items from the Secretariat.

IV Assistance provided to the business sector in the use of computer software

(LC Paper No. CB(1)1450/00-01(02)&(03))

7. The Deputy Secretary for Commerce and Industry (1) (DSCI1) briefed members on various measures adopted by the Government to promote the use of information technology (IT) in the business sector. As set out in the paper provided by the Commerce and Industry Bureau (LC Paper No. CB(1)1450/00-01(02)), the Government currently provided the business community, particularly the Small and Medium Enterprises (SMEs), with the necessary support and assistance in the adoption of IT through a four-pronged strategy:

- (a) Provision of the necessary infrastructure;
- (b) Enhancing awareness of IT in the business sector;
- (c) Provision of funding support and assistance; and
- (d) Government leading by example.

8. Miss CHOY So-yuk asked whether the Administration would consider the practice of the Singapore Government of purchasing software in bulk from suppliers so as to obtain more favourable prices. The software would then be distributed to various government departments and organizations, and would be sold to SMEs. In this way, all industrial and commercial organizations could share the benefit of collective bargaining.

9. In response, DSCI1 said that the Government had enhanced the awareness of the business sector in the adoption of IT and electronic commerce (e-commerce) through different means, such as organizing seminars for SMEs, promoting e-commerce through large scale exhibitions and producing reference materials on e-commerce. Principal Assistant Secretary for Information Technology and Broadcasting (PAS/ITB) supplemented that besides establishing the necessary information infrastructure to support the adoption of IT, the Government also endeavoured to enhance the awareness of SMEs in the adoption of IT. The Government was also committed to leading by example in the adoption of IT. In the 2001 Digital 21 IT Strategy published in early May this year, "Government leading by example" was featured as a key result area of the strategy. The various support and assistance measures provided by the Government to the enterprises were set out in the information paper submitted to the Panel for reference. These measures included the provision of tax incentives and funding support, and the provision of different support services and technical assistance in collaboration with industry support organizations. As regards the implementation of collective bargaining to seek more favourable prices from software suppliers, due to the efforts made by the Hong Kong Productivity Council (HKPC), some major software suppliers had agreed to offer discounts to 57 trade associations at different rates. At present, the Government did not have any plans to provide enterprises with direct financial assistance for purchasing software as it would be more appropriate to maintain competition in the software market end to allow prices to adjust accordingly.

10. Citing the example of Trade@Anywhere, a system developed by HKPC in collaboration with the Hong Kong Chinese Exporters' and Importers' Association, Mr HUI Cheung-ching commented that the co-operation between HKPC and trade associations in developing computer systems could definitely provide SMEs with practical support in the use of IT and e-commerce. Hence, projects of similar nature were worth promoting. He also pointed out that SMEs had been deterred from making use of IT because of high prices of legitimate software. An effective way to overcome this barrier would be to amend the Copyright Ordinance expeditiously so as to allow parallel importation of computer software. He asked whether the Administration could finalize this proposed amendment as soon as possible.

11. In response, DSCI1 said that due to the absence of competition in the market of office application software in the past, the prices of mainstream software products were on the high side. With the commencement of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000, many industrial and commercial organizations had to give due regard to purchasing authorized software. The increase in demand should induce more software developers to introduce new products, which would in turn facilitate competition. Software prices would then be reduced. As for the proposed legislative amendment to allow parallel importation of computer software, the Government's position was clear. Efforts were being made to expedite the drafting of the amendment for the Legislative Council's consideration.

12. Miss CHOY So-yuk asked whether the Government had any long-term plans for developing new office application software so as to break the dominant position held by Microsoft in the market over an extended period. She commented that it was necessary for various government departments and subvented organizations to take the initiative in using other non-mainstream software products such as Linux to facilitate their development. If government organizations could take the lead, the popularity of these new products would increase. Industrial and commercial enterprises would be willing to follow suit and to switch to the new software. However, the dominant position of the mainstream products would be strengthened, if the Government just encouraged other enterprises to use the newly developed software while its departments, being the major users, continued to use the mainstream software.

13. DSCI1 advised that the Government expected the newly amended Copyright Ordinance to play a positive role in encouraging the use of legitimate software in enterprises, inducing software developers to devote resources for product development, and promoting market competition. HKPC would be committed to exploring and promoting alternatives for mainstream software products in the light of the actual needs of SMEs, such as conducting training programmes on the use of Linux. Furthermore, it would encourage the local software industry to explore the feasibility of developing application software with open source codes and to conduct tests on newly developed software.

14. PAS/ITB added that the adoption of asset management policies in the Government would ensure the use of authorized software in the departments. As for the use of non-mainstream software products, the Information Technology Services Department had been providing government departments with the prices and reference materials on various communal information systems and other IT products. However, it was necessary for the departments to choose products which could meet their operational needs. It would not be appropriate for the policy bureaux to set rigid requirements. Instead, they would provide relevant information and encourage the use of newly developed software in the departments.

15. The Branch Director of Hong Kong Productivity Council (BD/HKPC) also said that owing to the demand for office application software and the late development of non-mainstream software products, such as software operating on Linux platform, there were still many practical problems affecting their popularity. It would take some time for the software operating on Linux platform to develop. One could hardly expect its full development overnight. The co-operation among enterprises and the efforts of software developers were most important for the development. In view of the interest expressed by users and developers in Linux, HKPC had stepped up its efforts in providing training and was prepared to develop the product in collaboration with the developers.

16. Mr Henry WU also shared the view of Miss CHOY So-yuk that the Government should take the lead to use non-mainstream software products. Noting that the Government was taking the lead to develop an e-marketplace for the transaction of business, he asked whether it would allow the organizations concerned to use non-Microsoft software, such as Linux, so as to enhance the popularity of non-mainstream software products. He considered that although the development of non-mainstream software might not be mature, the Government should conduct early studies and make preparations so as to facilitate the popularization of new software in the market.

17. Mr SIN Chung-kai also pointed out that some individual government departments only accepted public submissions in Microsoft Word format. This was against fair competition. He suggested that the Government should encourage the public to use other word processing software in making submissions. He also asked how HKPC could further assist in promoting the development of Linux.

18. In response, PAS/ITB said that as mentioned by BD/HKPC, the development of Linux was not mature enough and it would take some time for it to be used extensively. The Government had to explore further the compatibility of different software products with the Government's electronic transaction systems before it could ascertain the feasibility of making its systems to support the use of all kinds of software products. She said that the Government would consider the issues concerned.

19. BD/HKPC advised that HKPC would assist in training SMEs to use newly developed software. HKPC had also set up an Information Technology Advisory Committee to exchange views with 32 representatives of different trade associations and organizations on their requirements for IT, and to provide such information for the software developers' reference. The Asian Solutions Centre, which was established in 2000, had also offered different locally developed office application software to SMEs, thus enabling them to make comparison and select the most suitable software.

20. The Chairman said that government officials should also participate actively in the Linux-based training programmes held by HKPC to enhance their understanding in the application of non-mainstream software products. Moreover, if the Government could accept submissions prepared by different software, the authorities concerned should strengthen the publicity in this regard, so as to achieve the objective of encouraging the use of non-mainstream software products.

V Fees for using electronic data interchange service related to Dutiable Commodities Permits

(LC Paper No. CB(1)1450/00-01(04))

21. The Deputy Secretary for Commerce and Industry (2) (DSCI2) briefed members on the contents of the paper. Paragraph 7 of the paper set out the fees proposed by Tradelink. Based on these proposed fees, those previously approved by the Government for services already launched and the projected fees for cargo manifest, Tradelink projected that its internal rate of return over the franchise period would be about 9%, which was substantially below the ceiling of 18% as set out in the agreement with the Government. Paragraphs 9 and 10 of the paper set out an assessment of the impact of the fees on users. Due to the high usage rate of the service, the proposed fees would generate a greater impact on the applicants of Ship's Stores Permits (SSPs) financially. However, over 90% of SSPs was issued to five users. As these were organisations of considerable size, they could afford the expenditure involved. Tradelink had also consulted the industry on the proposed fees and lowered the originally proposed fee of \$60 per application to the present level at the request of the industry.

22. Mr HUI Cheung-ching commented that if Tradelink was not suffering from great financial pressure, it should not propose to raise the fees of various services in 2003.

23. Mrs Sophie LEUNG also pointed out that even if the Panel approved the paper, it did not necessarily mean that members agreed to the fees proposed by Tradelink for 2003. She asked whether Tradelink had conducted extensive consultation in the industry on these proposed fees. The Chairman also expressed the same concern.

24. Mrs Selina CHOW shared Mrs Sophie LEUNG's view that the proposed fees for 2001, if approved by the Panel, did not signify a similar endorsement for the proposed increase of fees in 2003. She commented that as the current business environment in Hong Kong was unfavourable and Tradelink had an exclusive franchise, users had no choice. In view of the increase in the use of the service in the years to follow, she urged Tradelink to freeze the fees so as to avoid increasing the burden on businessmen.

25. In response, Chief Executive Officer, Tradelink Electronic Commerce Limited said that Tradelink appreciated the difficulties encountered by the industry. Therefore, after the consultation, it had taken the initiative to lower the originally proposed fee of \$60. Upon the introduction of the service, the fees proposed had to be increased in 2003, if an average annual profit of 3% were to be achieved in the next five years. This had taken into account the estimated increase in the use of the service. He pointed out that based on this calculation, Tradelink had in fact taken considerable risk because a return period of five years would exceed the franchise period of Tradelink. If the Government subsequently introduced other competitors, Tradelink might suffer losses due to a reduction in market share.

26. DSCI2 said that according to the agreement between the Government and Tradelink, as long as the increase in Tradelink's fees did not exceed 7% of the fees approved by the Government, there was no need for Tradelink to seek any approval. The approach taken by Tradelink to set out the proposed fees for the following three years in its paper was a means to enhance transparency. As to the consultation exercise that members were concerned about, DSCI2 said that the industry had been extensively consulted on the proposed fees. In addition, the Dutiable Commodities Customer Liaison Group, which was established by the Customs and Excise Department and comprised customs officers, representatives of Tradelink and users, had exchanged views on the matter regularly.

27. Mrs Sophie LEUNG was concerned whether a certain amount of capital spent due to poor management during the initial stage of Tradelink's establishment had been included as a cost item when its profit level was calculated. She had doubts as to whether this significant amount should be regarded as capital invested by Tradelink in developing the new business. Being a shareholder of Tradelink, the Administration should seriously consider writing off the amount from the development capital as soon as possible to prevent causing unfairness to the users under the user-pays principle. Mrs Selina CHOW agreed to this view and urged the Government to make a decision to write off this amount as soon as possible in order to remove the industry's worry that Tradelink might pass this expenditure onto the users.

28. DSCI2 advised that since 1992, Tradelink had been the only company providing front-end services for the processing of documents under the franchise granted by the Government. Therefore, the resources assigned to develop this

service during the initial establishment of Tradelink constituted investments in the business. Whether the company could completely write off the investment made before the formal introduction of the service had to be decided by the directors of the company. Even though the Government had a 44% stake in Tradelink, it was not in a position to make the decision for other shareholders.

VI Any other business

29. There being no other business, the meeting ended at 6 pm.

Legislative Council Secretariat

30 August 2001