

立法會
Legislative Council

LC Paper No. CB(1)938 /00-01
(These minutes have been seen
by the Administration)

Ref : CB1/PL/TI/1

Panel on Commerce and Industry

Minutes of meeting
held on Monday, 12 February 2001, at 4:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Kenneth TING Woo-shou, JP (Chairman)
Hon HUI Cheung-ching (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon SIN Chung-kai
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS

Member absent : Prof Hon NG Ching-fai

Public officers attending : **For Item IV**
Ms Yvonne CHOI
Deputy Secretary for Commerce and Industry(1)

Miss Hinny LAM
Assistant Secretary for Commerce and Industry

Mr Richard LUK
Principal Assistant Secretary for Economic Services

For Item V

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

Mr Philip CHAN
Principal Assistant Secretary for Commerce and Industry

For Item VI

Mr Francis HO, JP
Commissioner for Innovation and Technology

Mrs Shirley LAU
Assistant Commissioner for Innovation and Technology
(Projects)

Attendance by invitation : For Item V

Mr Justin YUE
Chief Executive Officer
Tradelink Electronic Commerce Ltd.

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Ms Queenie YU
Senior Assistant Secretary (1)6

I Confirmation of minutes of previous meeting
(LC Paper Nos. CB(1)550/00-01 and 557/00-01)

The minutes of the special meeting held on 27 November 2000 and the minutes of meeting held on 11 December 2000 were confirmed.

II Information paper issued since last meeting

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

III Date of the next meeting and items for discussion
(LC Paper No. CB(1)552/00-01(01) - List of outstanding items for discussion
LC Paper No. CB(1)552/00-01(02) - List of follow-up actions)

Members

3. Members noted that the next Panel meeting would be held on Monday, 12 March 2001 at 4:30 pm in the Chamber of the Legislative Council (LegCo). The Administration indicated that it did not have any proposed topics for discussion for the time being. As members made no proposals at the meeting, the Chairman invited them to forward their proposed topics to the Clerk after the meeting.

IV Provision of additional convention and exhibition facilities in Hong Kong

(LC Paper Nos. CB(1)552/00-01(03) and (04))

4. At the Chairman's invitation, the Deputy Secretary for Commerce and Industry(1) (DSCI(1)) elaborated on the Administration's assessment on the requirements for additional convention and exhibition (C&E) facilities in Hong Kong and the preliminary options for construction of such facilities. The details were set out in the information paper provided by the Administration (LC Paper No. CB(1)552/00-01(03)).

5. Members noted the submission of the Hong Kong Exhibition and Convention Organisers' and Suppliers' Association (HKECOSA) (LC Paper No. CB(1)552/00-01(04)). The Chairman invited the Administration to respond to the views put forward by HKECOSA. The Principal Assistant Secretary for Economic Services (PAS(ES)) informed members that the Airport Authority (AA) was studying the proposal to develop an exhibition facility in the Airport North Commercial District, which would tie in with the separate Strategic Overview of Major Airport Development (SOMAD) Study. HKECOSA's submission would also be referred to AA for consideration in this context.

6. Ms CHOY So-yuk would like the Panel to invite HKECOSA's representatives to attend the meeting to give oral representation. The Chairman informed members that HKECOSA had indicated interest to attend the meeting. However, as the SOMAD Study had yet to be completed, members could only discuss the preliminary options at this stage. The Panel should discuss the issue at another meeting upon the completion of the study. Representatives from the industry could express their views on the specific proposals then.

Study reports of the Economic Services Bureau (ESB) and AA

7. Referring to the consultancy study commissioned by ESB as mentioned in the information paper, Mrs Sophie LEUNG enquired about its objectives. In reply, DSCI(1) advised that the Government was committed to developing Hong Kong into an international business and financial centre, as well as a trade fair capital. ESB commissioned a consultancy study in 1998 to make an overall assessment on the demand for C&E venues in Hong Kong, so as to ascertain whether Hong Kong required additional C&E facilities to promote its development into a regional C&E centre. She supplemented that the summary of ESB's consultancy report had been uploaded onto the Government's web site for information of the public.

Admin

8. Pointing out that AA had already completed its consultancy study in December 2000, Dr LUI Ming-wah wondered why AA had to conduct another study. DSCI(1) replied that the SOMAD Study, which was being conducted by AA, aimed at devising a development plan and prioritizing the strategic options for major developments at the airport, including the proposed C&E facility. PAS(ES) added that the financial arrangement of the proposed C&E facility was also one of the focus area of the SOMAD Study. Responding to Dr LUI Ming-wah's request for the submission of the study report completed last December for the Panel's information, PAS(ES) undertook to refer the request to AA for consideration.

9. Members noted that according to HKECOSA, AA's existing mandate and priority were to run an international airport and to go for privatization. As the construction of a C&E facility was a slow and low yielding investment project, the development plan would ultimately be delayed to avoid adverse effects on investors' participation in the airport's privatization project. Mr NG Leung-sing enquired whether the Administration had reached a consensus with AA on this matter. PAS(ES) advised that at this stage, AA had not considered the above proposal in connection with the privatization of the airport. He however pointed out that the feasibility study would cover all the relevant factors, including the purposes of AA, and the legislative requirement that AA should conduct its business according to prudent commercial principles.

Charges and occupancy of C&E facilities

10. Responding to Mr HUI Cheung-ching's enquiry on the charges of new C&E facilities and their impact on the existing ones, DSCI(1) pointed out that replies had been given to such questions raised at LegCo meetings many times before. As the proposed additional C&E facilities were still under deliberation, it was too early to consider the charges concerned at this stage. She however believed that the provision of additional C&E facilities would enhance competition, which would in turn help lower charges of similar facilities. Mrs Sophie LEUNG opined that in determining charges, considerations should be given to the charges of similar facilities in Hong Kong and neighbouring regions. She pointed out that users in general considered the charges of the Hong Kong Convention and Exhibition Centre (HKCEC) too high. Some users even relocated their C&E activities to other venues such as hotels.

Admin

11. Referring to HKCEC's overall occupancy of 51% in 2000 and the expected saturation of demand in peak months by 2007 as mentioned in the paper, Mr CHAN Kam-lam enquired how these figures were projected. DSCI(1) responded that the Hong Kong Trade Development Council (HKTDC) projected the above figures from current bookings and the future demand for C&E facilities. As regards the details of calculation, she undertook to provide the information for members' reference after making enquiries with HKTDC. Mr CHAN hoped that the information to be provided would include the respective development of neighbouring regions. Mrs Sophie LEUNG hoped that the occupancy distribution of HKCEC in 2000 could be provided to

facilitate exploring ways to promote these facilities during low season. DSCI(1) replied that the figure mentioned in the paper was the overall occupancy of HKCEC in 2000. In response to Mr Henry WU's question on the occupancy distribution of HKCEC, DSCI(1) replied that in 2000, the respective occupancy of HKCEC's exhibition and convention facilities was 48% and 61% on average. She added that in general, the occupancy during peak season was the basis for assessing whether the demand was saturated. Dr LUI Ming-wah requested the Administration to provide the occupancy of the exhibition facilities in neighbouring areas such as Tokyo, Singapore, Korea, Taiwan and Shenzhen. The Chairman hoped that the requested information could be provided afterwards to address members' concerns raised at the meeting.

Admin

12. Mr WU enquired whether the Government had estimated the implications of the additional 51 000 sq m of C&E space as proposed in ESB's consultancy study on the average occupancy of HKCEC. DSCI(1) responded that to her belief, the overall occupancy of HKCEC on average would drop in the first few years and then rise gradually afterwards. She pointed out that similar situation was observed after the completion of the HKCEC Extension. Mr HUI Cheung-shing enquired whether there were any measures in place to boost the occupancy of HKCEC. DSCI(1) pointed out that since the completion of the Extension in 1997, C&E business of HKCEC had recorded steady growth and the overall occupancy of HKCEC had risen from 40% in 1998 to 44% in 1999 and 51% in 2000. She advised that HKCEC's management company had implemented many measures, especially during non-peak season, to boost HKCEC's occupancy. These measures included freezing the rental charges of several venues, increasing the number of low season months for which discount rate would be offered, increasing the discount rate to 40% and offering special discounts to sponsors who had rented the venues for three consecutive years.

13. Regarding the conclusion of ESB's consultancy study as mentioned in the paper that there would be a need for an exhibition-based multi-purpose facility by 2005-06, with a usable area of about 51 000 sq m, Mr CHEUNG Man-kwong pointed out that there seemed to be a discrepancy between the findings of this study and the expected saturation by 2007 projected by HKCEC. He was also concerned about HKTDC's recent preliminary study, which aimed at exploring the option of building an underground extension to the east of HKCEC extension to provide an additional 22 000 sq m of exhibition space. He stressed that in deciding whether additional C&E venues and facilities were required, the question of cost-effectiveness must be taken into account. It was also necessary to conduct a detailed assessment and map out a development strategy to avoid over supply in the future, which might cause one or more parties to suffer heavy losses.

14. DSCI(1) clarified that in estimating the additional space required by HKCEC, HKTDC had taken into account the exhibition-based venue to be provided by AA at the airport by 2005-06, with an area of about 51 000 sq m. She pointed out that the HKTDC's preliminary proposal had been submitted to the Government for inclusion into the relevant draft outline zoning plan (OZP)

for the consideration of the Town Planning Board (TPB). Subject to the approval of TPB, the Government would consult the public on the draft OZP. In the meantime, HKTDC would submit the details of the proposal and financial arrangement to its Council for consideration. DSCI(1) said that close liaison would be maintained with AA and HKTDC to ensure that the plan would achieve the anticipated economic benefits. Several members stressed that economic benefits were one of the most important considerations.

Admin

15. Mr CHEUNG further pointed out that the Hong Kong International Trade and Exhibition Centre (HKITEC) in Kowloon Bay had gradually become a venue for popular parties at night. Mr CHAN Kam-lam also enquired about the reasons behind HKITEC's low occupancy. DSCI(1) replied that as HKITEC was operated by a private company, the Administration would try to obtain relevant information from the party concerned for members' reference. She added that the industry had mentioned that HKITEC was too small to accommodate large-scale exhibition. As such, the industry still preferred HKCEC despite its higher rental charges.

16. Ms CHOY So-yuk pointed out that as far as she knew, at present none of the exhibition venues in the world had its occupancy reached saturation or over 90%. Although HKCEC's occupancy had yet to reach saturation, she supported the construction of additional exhibition facilities. She considered that as HKCEC had an area of merely 60 000 sq m and its rental charges were comparatively high, many exhibitions eventually were not held in Hong Kong. For example, the textile industry had decided to hold its exhibition in Singapore and some other exhibitions relating to Chinese products were held elsewhere. Besides, site constraint rendered it impossible to improve the arrangements for the Hong Kong Products Expo which was held in the Tamar Basin Reclamation Site in the past two years. Dr LUI Ming-wah concurred with Ms CHOY's views and cited the newly-completed exhibition facility in Munich with an area of 200 000 sq m as an example.

Location of additional facilities

17. Mr SIN Chung-kai queried the suitability of building a new C&E facility at the airport. He opined that the facility should be located near the urban area which was easily accessible by locals and people from overseas. He also held the view that with hotels and entertainment facilities, the reclamation area in east Kowloon was a suitable location. If a rail link to connect HKCEC on the Hong Kong Island could be included in the plan, the proposal would become even more attractive.

18. DSCI(1) reiterated the intention of the Administration and the Hong Kong Tourist Association to develop Hong Kong into one of the most popular cities for holding conventions and exhibitions. ESB's consultancy study had examined many possible locations including north Lantau, south-east and west Kowloon. After detailed consideration, the consultant concluded that the airport at Chek Lap Kok was the most convenient location in terms of transport. She also pointed out that in Singapore, large-scale C&E facilities were also located in the vicinity of the airport.

19. Mr CHAN Kam-lam disagreed that the new airport was a suitable location for C&E facilities. He held the view that the facilities should be located in the urban area to facilitate overseas tourists' access to various tourist attractions in the urban area. Quoting the views of HKECOSA, he said that for every \$1 spent on exhibition, a further \$4.2 were spent in Hong Kong hotels, restaurants, retail outlets, etc. He believed that choosing the right location would be conducive to the development of tourism and economy in Hong Kong. Mr CHAN further suggested that in the context of the study on south-east Kowloon development strategy, the Government might consider developing the areas near HKITEC in Kowloon Bay, such as the sites of the old airport and the old cruise terminal, with a view to expanding and enhancing the existing C&E facilities.

20. While agreeing with the Administration that Hong Kong should be vigorously promoted as a trade fair capital, Mr Henry WU hoped that the Government should consider whether public money had to be spent on the construction of new facilities. Ms CHOY So-yuk pointed out that exhibition facilities in other places of the world seldom situated at town centre. She reiterated that occupancy of exhibition facilities rarely reached their capacity. She also pointed out that the construction of additional facilities could be regarded as an opportunity to attract inward investment and the proposal should be considered from this angle.

21. Dr LUI Ming-wah held the view that it was not desirable to build an extension to the east of the HKCEC Extension. He pointed out that the annual profit of HKCEC amounted to \$400 to \$600 million. Although HKCEC was profit-oriented, its high rental charges had inhibited its occupancy. He suggested that before assessing whether it was necessary to build additional exhibition facilities, reference should be drawn from the US and German exhibition industries and their modes of operation. In his view, the Government should be responsible for building new exhibition facilities, which would be operated by a non-profit-making management company consisted of members of the business sector. This would provide prospective sponsors with more opportunities to stage exhibition activities. DSCI(1) responded that the Administration recognized the economic benefits brought about by the exhibition industry and would take members' views into consideration.

22. Responding to the Chairman's enquiry on the time when the findings of AA's study would be reported to the Panel, PAS(ES) replied that the Administration would liaise with AA and revert to the Secretariat afterwards.

V Future arrangement for provision of Government Electronic Data Interchange services

(LC Paper Nos. CB(1)552/00-01(05) and (06))

23. At the Chairman's invitation, the Deputy Secretary for Commerce and Industry(2) (DSCI(2)) explained to members the Administration's preliminary thinking regarding the arrangement for provision of Government Electronic Data

Interchange (EDI) services after the expiry of Tradelink's exclusive franchise by the end of 2003. The details were set out in the information paper provided by the Administration (LC Paper No. CB(1)552/00-01(05)).

24. Mr CHAN Kam-lam pointed out that according to the information paper, the Government planned to keep on engaging Tradelink as an EDI service provider after the expiry of its exclusive franchise while in parallel appointing two additional service providers for relevant services to foster greater competition in the market. He was concerned whether the Government, being one of Tradelink's directors, would consider selling its shares in Tradelink through public offers or reselling them to a private company, so as to maintain a level playing field in the market.

25. DSCI(2) informed members that at present, the Government had a 42.5% stake in Tradelink. He pointed out that the Administration decided to develop and promote EDI system and related services with Tradelink many years ago. With the assistance of Tradelink, the Government had by and large achieved the objective of creating a critical mass of traders for the use of EDI in Hong Kong. Besides, given the thriving development of e-commerce in recent years, he concurred that in the long run, the Administration could withdraw gradually from Tradelink and suitable options were being explored. He stressed that the Commerce and Industry Bureau, being the policy bureau responsible for EDI services, would surely play its regulatory role to ensure fair competition in the market.

26. Mr Justin YUE, Chief Executive Officer of Tradelink Electronic Commerce Ltd. informed members that Tradelink had been discussing with the Administration about the detailed arrangements of its listing plan. After Tradelink's listing on the Growth Enterprise Market, the Government's stake in the company would be relatively reduced.

27. Expressing concern about the termination of service providers' contract as mentioned in paragraphs 17 and 22 of the paper, Mr NG Leung-sing suggested that the Government could stipulate clearly in the code of practice the ways to govern the unreasonable and non-compliance acts of service providers. DSCI(2) undertook to take Mr NG's views into consideration when preparing tender conditions and contracts in future.

28. While supporting the introduction of competition in EDI services, Mrs Sophie LEUNG pointed out that the charges for EDI services in Hong Kong were higher than those of the neighbouring countries. She opined that if the Government intended to keep on engaging Tradelink as a service provider beyond 2003, it should state its position as soon as possible so that Tradelink could consider its estimated investment returns and pricing policy on a long-term basis for the benefit of consumers.

29. DSCI(2) responded that ideally, the new service provider could commence operation on 1 January 2004, immediately after the expiry of Tradelink's

franchise. The process for engaging a new service provider and the development of the necessary computer system would probably take two and a half years. The Administration therefore needed to decide on the future arrangement by mid-2001. He pointed out that for import and export declaration, Tradelink charged about \$12.9 for each declaration and such a price was much lower than that of other countries. He informed members that for a similar type of service, the respective charges in Singapore and Thailand were \$25 and \$15.6 on average. In Taiwan, the charges were calculated in a slightly different way, which was mainly based on quantity and the time for submission. During peak hours, each export declaration was charged \$15 on average. As for the charges of restrained textile export licence, the various systems adopted in different places made it difficult to draw a comparison.

30. Mr Henry WU enquired whether it was commercially viable to appoint two additional EDI service providers as Tradelink had more than 50 000 registered customers at present. DSCI(2) replied that the service providers could develop EDI for non-Government related services. The Administration considered that in view of the market size, the number of additional service providers should be limited to two. He also pointed out that the market reaction as reflected in the expressions of interest submitted by interested parties during the open tendering process in future would help to decide whether more than two additional service providers should be introduced.

31. Mrs Sophie LEUNG pointed out that when EDI services were first introduced, the operator had spent a considerable amount of money on unnecessary items. She advised that the Textiles Advisory Board had expressed grave concern about the matter. She opined that the relevant expenditure should be written off to avoid passing the cost onto consumers. DSCI(2) remarked that the Government had out-sourced the front-end EDI services to Tradelink by means of an agreement, which imposed a ceiling on Tradelink's charges and capped its rate of return at 18%. He stressed that Tradelink was a commercial company which was required to operate according to commercial principles. The Government did not have the statutory power to exert influence on its operational decisions, including the writing off of relevant expenditures.

32. Mr Justin YUE appreciated members' concerns about the exclusive franchise and charges of Tradelink. He explained that Tradelink's pricing policy was determined according to the principle that its profit should not exceed the investment made by its shareholders before the expiry of its franchise (i.e. the end of 2003) by 18%. He however pointed out that between 1997 and 2000, Tradelink had exercised flexibility in its pricing policy by freezing and lowering its charges, and offering discounts to small and medium enterprises (SME). In this connection, Tradelink had forgone \$69 million of revenue. Mr YUE further advised that if the Administration decided to keep on engaging Tradelink for the provision of EDI services, Tradelink could further lower its charges before 2003.

33. Ms CHOY So-yuk enquired whether Tradelink and neighbouring countries collected registration fees and service charges from users of EDI

services. In reply, Mr Justin YUE said that Tradelink, like other neighbouring countries, collected registration fees and service charges from its customers. He however pointed out that Tradelink had lowered these two types of charges since 1999 and no registration fees were collected in 2001. He pointed out that in terms of operation, Tradelink was different from its counterparts in other places. As far as he knew, when EDI services were first promoted in Singapore, users had to pay about S\$4,000 for using the software concerned. On the contrary, Tradelink's software was provided to its customers free of charge.

34. Ms CHOY was concerned that not every registered user used EDI services. She enquired whether the Administration had organized any free training courses to facilitate the use of Tradelink's services by SMEs. Mr Justin YUE clarified that Tradelink's services were used by every registered customer. Small companies in general would prefer having the relevant EDI services processed by Tradelink's service centres. He further pointed out that Tradelink had arranged training courses in computer and software applications for its registered customers. As these courses involved other training bodies, participants had to pay a fee of about \$200 but discounts would be offered to SMEs. In addition, Tradelink would organize courses to promote e-commerce with various universities in Hong Kong.

35. Mr HUI Cheung-ching asked whether there were any technical faults during Tradelink's seven-year operation. Mr Justin YUE replied that Tradelink provided services to a large clientele. At present, Tradelink received about 4 000 telephone enquiries each day and provided assistance for general technical problems. If the problem could not be solved right away, Tradelink would send its staff to the customer's registered address to solve the technical problem free of charge.

VI Creation of a Supernumerary Senior Principal Executive Officer post in the Innovation and Technology Commission to enable the secondment of a civil servant to the Hong Kong Applied Science and Technology Research Institute Company Limited
(LC Paper No. CB(1)552/00-01(07))

36. Dr LUI Ming-wah enquired the reasons for the proposed secondment of a civil servant to the Hong Kong Applied Science and Technology Research Institute Company Limited (the Company) to fill the post of Administration Director (AD). He held the view that a suitable candidate could be recruited in the market at lower rates to fill the post.

37. The Commissioner for Innovation and Technology (CIT) pointed out that the AD would head the Administration Division and oversee the administrative work necessary to start up the Company, so as to support the Chief Executive Officer (CEO) to undertake administration, financial management and other related duties. The scope of financial management covered some \$700 million of building works, some \$200 million of recurrent expenses, and some \$3 billion

for implementing research and development projects. The administration work included recruitment matters and the drawing up of competitive terms and conditions of services. He further pointed out that the AD would enable the staff who was responsible for mainstream research to focus on matters relating to strategic, technology, and research and development issues. As the company was a subvented organization, close liaison had to be maintained with the Government concerning the financial and administrative matters of the Company. It was therefore more appropriate to fill the post with a civil servant on secondment. CIT informed members that the secondment arrangement had been accepted by the Board of the Directors of the Company. As the proposal had implications for the civil service establishment, approval had to be sought from the Establishment Subcommittee and the Finance Committee for the creation of the AD post.

38. In reply to Dr LUI Ming-wah's enquiry on the time when the Institute could start its work, CIT advised that the Company had identified a suitable candidate through open recruitment for appointment as its CEO. If negotiations ran smoothly, an agreement would be signed with the appointee. It was expected that the appointee could assume duty in early April 2001 and start the planning work immediately. The research work could formally commence in the second half of the year.

VII Any other business

39. There being no other business, the meeting ended at 6:40 pm.

Legislative Council Secretariat
4 April 2001