

立法會
Legislative Council

LC Paper No. CB(1)353/00-01
(These minutes have been seen
by the Administration)

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Panel on Trade and Industry

Minutes of meeting
held on Monday, 13 November 2000, 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
Prof Hon NG Ching-fai
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 Henry WU King-cheong, BBS
- Non-Panel Member attending** : Hon CHAN Kwok-keung
- Member absent** : Hon CHOY So-yuk
- Public officers attending** : **For Item IV**

Mr Francis HO, JP
Commissioner for Innovation and Technology

Ms Wendy CHEUNG
Assistant Commissioner for Innovation and
Technology (Funding Schemes)

For Item V

Mr Francis HO, JP
Commissioner for Innovation and Technology

Miss Agnes WONG
Deputy Commissioner for Innovation and Technology
(Ag)

For Item VI

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

Mr Philip CHAN
Principal Assistant Secretary for Commerce and
Industry (5)

Mr Stephen SELBY
Director of Intellectual Property

Mrs Teresa GRANT
Assistance Director of Intellectual Property
(Registration)

For Item VII

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

Mr Philip CHAN
Principal Assistant Secretary for Commerce and
Industry (5)

Mr Lawrence WONG
Assistant Commissioner of Customs and Excise
(Customs Cooperation and Intelligence)

Mrs Stella AU-YEUNG
Customs Civil Secretary

Clerk in attendance : Ms LEUNG Siu-kum
Chief Assistant Secretary (1)4

Staff in attendance : Ms Rosalind MA
Senior Assistant Secretary (1)6

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1)105/00-01)

The minutes of the Panel meeting held on 10 October 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)151/00-01(01) - List of outstanding items for discussion)

3. Members noted that the next regular Panel meeting would be held on Monday, 11 December 2000 at 4:30 pm and agreed to discuss the following items:

- (i) Update on the Applied Research Fund;
- (ii) Support for the manufacturing industry; and
- (iii) Measures to assist Hong Kong businessmen in operating businesses in the Mainland.

4. As the issue "Silicon Harbour", the first item on the list of outstanding items for discussion, was related to a question to be asked by Dr LUI Ming-wah at the Legislative Council meeting on 15 November 2000, members agreed to defer considering whether follow-up actions were required, pending the Administration's reply to the question.

5. Mrs Selina CHOW suggested that the Administration should brief the Panel on the work of the Small and Medium Enterprises (SMEs) Committee, as well as the overall plan in providing support to SMEs, at a future Panel meeting. Members agreed to include the topic in the list of outstanding items for discussion at Panel meetings as and when appropriate.

Secretariat

IV Innovation and Technology Fund (ITF)
(LC Paper No. CB(1)151/00-01(02))

6. The Commissioner for Innovation and Technology (C/IT) briefed members on the contents of the paper and drew members' attention to the areas of concern set out in paragraphs 7 to 16:

- (i) It was observed that the quality of ITF applications had been declining. The major reasons seemed to be that many local researchers were preoccupied with existing projects and that ideas were drying out within the existing institutions in Hong Kong. In order to concentrate the limited resources on research areas which Hong Kong had an advantage over others, the Administration planned to introduce an arrangement for the solicitation of projects.
- (ii) The commercialization of ITF projects was welcome as it proved that the technologies developed were useful and commercially viable. However, in order to govern these commercialization activities more effectively to avoid any abuse of public funds, the Administration was working on a clear set of guidelines.
- (iii) The Administration was conducting a review on the criteria for monitoring approved projects as well as examining the methodologies to be adopted for post-completion evaluation of projects and for conducting "impact studies" on selected projects, such as assessing their contribution to the economic development.
- (iv) As for the financial accountability and discipline of the institutions concerned, the management and application of their project-specific funding was subject to the clear rules as set out in the relevant project agreements, conditions of funding, Guide to the ITF and other rules promulgated by the Innovation and Technology Commission (ITC) from time to time. Any case of non-compliance coming to ITC's attention would be tackled rigorously and ITC had recently set up an investigation team for this purpose.

Solicitation of projects

7. Noting that the Government would introduce an arrangement for the solicitation of projects to address the declining quality of applications, Mr CHEUNG Man-kwong and Mr NG Leung-sing were concerned about the criteria for soliciting projects and the means to identify specific focus areas for ITF's sponsorship.

8. C/IT advised that in determining the criteria and subject areas for solicitation, the Administration had made reference to past researches. Such researches included those conducted by tertiary institutions on the development of industry, science and technology, as well as the annual economic and

technological assessments made by the former Industry Department on the broad direction of industrial development. The Administration also learnt about the latest direction of the research and development (R&D) work in science and technology through discussions with the industries and the academia. He pointed out that in order to optimize the use of limited resources, it was inevitable that specific focus areas for research projects had to be identified. This approach was widely adopted in other places of the world, such as the United States, in funding research projects to prevent limited resources from spreading out too thin, which would in turn result in a lack of depth in research projects. At this stage, the Administration did not intend to change to a subject-oriented approach for all ITF projects. Rather, it would start to solicit proposals in a limited way. The scope of the projects to be solicited would not be too narrow so as to avoid having the subject areas being too confined.

Effectiveness of the commercialization of ITF projects

9. Mr CHEUNG Man-kwong opined that whether an ITF project could be commercialized to bring about actual economic benefits was an important indicator for assessing its success. He enquired about the effectiveness of commercializing the ITF projects completed to date.

10. C/IT responded that in assessing the outcome of ITF projects, one should not focus merely on its commercialization. The nature of the projects should also be taken into account. For example, the findings of researches on the scientific and technological infrastructure in Hong Kong, though could not be commercialized, had provided an impetus to industrial activities. Moreover, researches on upgrading production technology and management skills had also contributed to process improvement and productivity enhancement, albeit in the absence of commercialization. As to the ITF projects completed to date, commercialization had been achieved for some of the projects. For example, the research conducted by the University of Hong Kong on Internet security had been successfully applied to e-commerce. In view of the successful cases of commercialization, the Administration should draft a clear set of guidelines to facilitate effective monitoring to avoid any abuse.

11. Pointing out that the commercialization of a project hinged on the capability and quality of the researchers concerned, Mrs Sophie LEUNG enquired whether ITC provided any assistance and referral service to organizations with innovative ideas for commercialization. In addition, she enquired whether the Administration would make public those ITF projects which had failed to achieve satisfactory results.

12. C/IT replied that under the Small Entrepreneur Research Assistance Programme (SERAP), ITC, in addition to providing financial assistance, would also deploy staff to liaise with the entrepreneurs under sponsorship and to discuss with them the research details and the assistance required. As to the projects which had failed to achieve satisfactory results, the SERAP Secretariat did not keep a list of such organizations but an organization's past performance would

certainly be one of the considerations when the applications were screened. If the performance or the progress of any SERAP project was found unsatisfactory, the Administration might also cease its sponsorship.

13. Dr LUI Ming-wah commented that in the absence of a clear position, the \$5 billion ITF might easily be spread out across a wide range of projects, rendering them incapable of achieving due economic benefits. He asked whether the Administration had a clear objective for the use of ITF. He also pointed out that instead of focusing on university researches which would easily become merely theoretical, SERAP projects should focus on the development of products that would yield economic benefits.

14. C/IT advised that among the four programmes under ITF, both the University-Industry Collaboration Programme (UICP) and SERAP provided funding to researches on product development and technological enhancement conducted by enterprises. For these projects, economic benefits were naturally important targets to meet. At the same time, the Administration took the view that researches on scientific and technological infrastructure or upgrading production technology conducted by academic institutions would also contribute much to the technological development of Hong Kong's industries. With the establishment of Hong Kong Applied Science and Technology Institute and the introduction of the solicitation arrangement, ITF would have a clearer position. Responding to Dr LUI Ming-wah's enquiry on whether the packaging technique of semiconductor was eligible for ITF sponsorship, C/IT advised that ITF had allocated considerable resources to university researches on similar subjects.

Development of evaluation criteria

15. Mr SIN Chung-kai expressed concern about the evaluation criteria for ITF projects being examined by the Administration as mentioned in paragraph 13 of the paper. He pointed out that ITF had already approved over 100 applications and he wondered whether it was too late to develop evaluation criteria at this stage. Moreover, he enquired about the percentage of projects which were rated as satisfactory among the completed ones. He also requested the Administration to submit relevant reports on the outcome of completed projects to the Legislative Council (LegCo) on a regular basis.

16. In response, C/IT said that ITF projects were subject to ITC's monitoring with regard to the set milestones and deliverables. He admitted that the monitoring mechanism was inadequate because even if a project was completed on schedule, whether it would provide an impetus or bring about improvements to the industry regarding science and technology still could not be guaranteed. In order to assess more accurately the effectiveness of the projects in industrial applications to ensure the proper use of resources, the Administration was reviewing the existing evaluation arrangements with a view to developing more specific criteria. He agreed to submit regular reports on the evaluation of the effectiveness of ITF projects.

Financial accountability and discipline

17. Expressing concern about the financial accountability and discipline of recipient organizations as set out in paragraphs 14 to 16, Mr CHEUNG Man-kwong asked whether the Administration had detected any cases of abuse or favouritism among the recipient organizations and the ways to tackle these cases of non-compliance. Mr NG Leung-sing was also concerned if there were any clear guidelines on the sanctions against non-compliance.

18. C/IT responded that isolated cases of abuse of funds were detected during audit inspections. Therefore, it was necessary to strengthen monitoring work by means of random checks. He pointed out that some cases of abuse were caused by negligence or misunderstanding but not with intent. As such, ITC had written to the recipient organizations, explaining to them their financial accountability and reminding the persons-in-charge to exercise prudence in managing the funds allocated. As to the sanctions against non-compliance, it would depend on the nature of the cases involved as there were no specific guidelines at present. In cases where the funds were obtained by deception with intent which carried the element of fraud, the people involved should be held criminally liable. If the loss of public funds was attributed to mismanagement on the part of the organizations concerned, the Government could recover the loss from these organizations.

Other concerns

19. Responding to Mr HUI Cheung-ching's enquiry on the number of ITF projects undertaken by tertiary institutions, C/IT advised that the funds allocated to these projects accounted for 34% of the total amount of funds allocated. Evidently, ITF had put much emphasis on the researches of tertiary institutions.

20. Referring to paragraph 3 of the paper, which mentioned that the grant would be recouped if the completed SERAP project was able to attract follow-on investment or generate revenue, Mr NG Leung-sing sought explanation on the operation of this arrangement.

21. C/IT advised that under SERAP, a recipient company would receive a grant of up to \$2 million in two phases. If the recipient company's performance in the first phase was not satisfactory, it would not receive any grant in the second phase. If an ITF project was successful and able to attract investment, such as the investment of risk funds, the Government would ask the company concerned for sharing a certain percentage of the profit.

V The Hong Kong Science and Technology Parks Corporation Bill (LC Paper No. CB(1)151/00-01(03))

22. C/IT advised that the Hong Kong Science and Technology Parks Corporation Bill (the Bill) was drafted in response to the recommendation of the

Chief Executive's Commission on Innovation and Technology that the Hong Kong Industrial Estates Corporation, the Hong Kong Industrial Technology Centre Corporation and the Provisional Hong Kong Science Park Company Limited should be merged. Major provisions of the Bill had been agreed on by the Boards of Directors of the three organizations concerned. The Government intended to introduce the Bill to LegCo in December 2000.

23. Mr CHEUNG Man-kwong was concerned whether the merging of the three organizations would lead to redundancies. In response, C/IT anticipated that about 12 staff members, who were mostly senior staff while the rest were temporary staff, would be laid off due to the merger. As a proper redundancy package would be offered to the staff concerned, a smooth merging process was expected and staff unrest would not be resulted. Regarding Mr HUI Cheung-ching's enquiry on the savings achieved after the merger, C/IT advised that according to conservative estimates, the annual savings would amount to about \$18 million.

24. Mr CHAN Kam-lam held the view that confusion might arise if the three organizations still used their own names after the merger. He suggested that this should only be regarded as an interim arrangement at the early stage of the merger; in the longer run, the organizations should abandon their original names and use the new name of the merged body instead. Moreover, he pointed out that the Chinese name of the merged body ("香港科技基建有限公司") was not consistent with its English name, "Hong Kong Science and Technology Parks Corporation". He advised that the Administration should look for a more appropriate name. Mr SIN-Chung-kai shared his views regarding the name of the merged body.

25. C/IT explained that after the merger, the three organizations would only use their original names for the purpose of labelling their services which would become part of the services provided by the Hong Kong Science and Technology Parks Corporation. The spirit of the merger was to place the three types of related services under the management of a single Board of Directors and an executive team. In future, the merged body would provide a one-stop service to the industry and offer a comprehensive range of services. Such an arrangement would only provide convenient services to the industry rather than giving rise to confusion. As to the Chinese name of the merged body, it had been agreed on by the three organizations. However, a more appropriate name could be explored, having taken members' views into consideration. Regarding Mr SIN Chung-kai's enquiry on the location of the future headquarters of the merged body, C/IT advised that it would be decided by the Board of Directors of the merged body.

VI Intellectual Property (Miscellaneous Amendments) (No. 2) Bill 2000
(LC Paper No. CB(1)151/00-01(04))

26. Deputy Secretary for Commerce and Industry (2) (DS/CI(2)) advised that the major amendments proposed in the Bill were technical in nature and they did not involve any policy changes. The Government intended to introduce the Bill to LegCo on 20 December 2000. The consultation paper in relation to the Bill had been uploaded onto the homepage of the Intellectual Property Department for reference of the public.

27. Responding to the Chairman's enquiry on paragraph 8 of the paper, DS/CI(2) advised that the amendment proposed therein aimed at simplifying patent application procedures by requiring a statement in the application only in cases where the applicant claimed priority or non-prejudicial disclosure.

VII Creation of a Supernumerary Post of Assistant Commissioner of Customs and Excise (D2)
(LC Paper No. CB(1)151/00-01(05))

28. DS/CI(2) briefed members on the justifications for the creation of a supernumerary post of Assistant Commissioner of Custom and Excise (AC/C&E) (D2). As the Customs and Excise Department, in the name of Hong Kong, China, was elected as the Vice-Chairman of the World Customs Organization (WCO) for the Asia Pacific Region, the Commissioner of Customs and Excise (C/C&E) had exercised his delegated authority to create a supernumerary post of AC/C&E for six months with effect from 14 July 2000 to cope with the workload so arose. The post would lapse on 13 January 2001. The present proposal was to extend the duration of the post to 13 July 2002. The Administration intended to seek the approval of the Establishment Subcommittee on 20 December 2000 and the Finance Committee on 12 January 2001 to formally create the post.

29. Mr SIN Chung-kai pointed out that the tenure of the WCO Vice-Chairman for the Asia Pacific Region was one year, although the Government indicated in its paper that it was an established practice for the Vice-Chairman to be re-elected for another year. He enquired about the future plan of the supernumerary post created for this purpose if Hong Kong was not re-elected in July next year. He also asked who the current WCO Chairman was and whether there was any chance for Hong Kong to be the WCO Chairman in future.

30. Assistant Commissioner of Customs and Excise (Customs Cooperation & Intelligence) (AC/C&E(CC&I)) responded that Dubai was the current WCO Chairman and he did not rule out the possibility for Hong Kong to hold the post in future. On the re-election of the Vice-Chairman, he pointed out that according to normal practice, no formal election would be held at the expiry of the one year tenure. The post-holder would only be required to report on his/her re-election for one more year unless he/she refused to seek re-election of his/her own accord. DS/CI(2) supplemented that as the proposed supernumerary post

was created mainly to undertake the duty of WCO Vice-Chairman, the post could be deleted if Hong Kong was not re-elected for another term. However, in case there were some other new duties for the post to discharge at that time, the Administration would seek LegCo's approval for extension of the post.

31. Mrs Sophie LEUNG was concerned about the staffing arrangements in respect of the supernumerary post. Mr CHAN Kam-lam shared her concerns and enquired about the posting arrangements of the post-holder at the expiry of the post in July 2002. AC/C&E(CC&I) responded that he himself was the existing holder of the supernumerary post through internal deployment and his original post was filled on an acting basis. Upon the deletion of the supernumerary post, he would resume his original post and the acting appointment would be ceased accordingly.

32. The Chairman enquired whether more opportunities would be created for the contact and communication with the customs authorities in the Mainland after Hong Kong had become the WCO Vice-Chairman for the Asia Pacific Region. This would facilitate the implementation of "customs clearance by the two authorities at one checkpoint", thereby simplifying customs formalities between Hong Kong and the Mainland. Mrs Sophie LEUNG also pointed out that Hong Kong, as the WCO Vice-Chairman, should promote actively the well-being of the member states. For example, efforts should be made to simplify customs formalities for the import and export of goods to facilitate their efficient movement with a view to promoting trade. Moreover, Hong Kong should also urge the member states to make early preparations to bid for the accession to the World Trade Organization.

33. AC/C&E(CC&I) responded that simplifying as well as enhancing the efficiency of the customs formalities between Hong Kong and the Mainland had been jointly examined by the two authorities concerned. One of the duties to be undertaken by the proposed supernumerary post was to assume the role of the Chief Liaison Officer (CEO) of the Customs and Excise Department, who was responsible for handling liaison and exchanging intelligence with the Mainland's Customs General Administration. As such, the CEO could have direct contact and dialogue with his Mainland counterparts, who was the Director of International Cooperation, Customs General Administration, so as to strengthen the ties between the two customs authorities. Regarding the proposal of "customs clearance by the two authorities at one checkpoint", a detailed feasibility study should be conducted in conjunction with the Mainland's customs authorities under the principle of one country, two systems whereby the Hong Kong Special Administrative Region retained its status as a separate customs administration. Thanking Mrs Sophie LEUNG for her concerns, he advised that one of the major duties of the WCO Vice-Chairman was to simplify and harmonize regional customs procedures and practice, which was one of the important areas advocated by the WCO. To this end, the WCO had amended the Kyoto Convention recently and Hong Kong also planned to join the revised Convention.

VIII Any other business

Discussion on the proposed terms of reference of the Panel (LC Paper CB(1)151/00-02(06))

34. Members unanimously endorsed the proposed terms of reference of the Panel.

Overseas duty visits of the Panel

35. The Chairman asked members to consider whether it was necessary to arrange any overseas duty visits for the Panel in the 2000/2001 LegCo session. Should there be any proposals, the details could be forwarded to the Clerk for discussion at the next Panel meeting.

Special meeting of the Panel

36. The Chairman reminded members that a special meeting would be held on Monday, 27 November 2000, at 2:30 pm to receive the briefing by Heads of the Overseas Hong Kong Economic and Trade Offices.

37. There being no other business, the meeting ended at 6:10 pm.

Legislative Council Secretariat
28 December 2000