

For information  
on 27 November 2000

**Legislative Council Panel on Economic Services**  
**WORK OF THE COMPETITION POLICY ADVISORY GROUP**

**PURPOSE**

This note informs Members of the work of the Competition Policy Advisory Group (COMPAG).

**BACKGROUND**

2. COMPAG, chaired by the Financial Secretary, was established in December 1997 to provide a high level, dedicated forum to review, among other things, issues related to competition which have substantial policy or systemic implications, and to examine the extent to which more competition is needed in both the public and private sectors.

3. Since its establishment, COMPAG has issued two annual reports on its work. The reports were presented by the then Trade and Industry Bureau to the previous Legislative Council Panel on Trade and Industry in April 1999 and May 2000 respectively. Copies of the COMPAG Report 1999-2000 have been sent to the Legislative Council Secretariat for distribution to Members before the meeting.

**PRESENT POSITION**

4. As from 1 July 2000, the Secretariat of COMPAG was transferred from the previous Trade and Industry Bureau to the Economic Services Bureau. Since the Administration's last report to the then Trade and Industry Panel of this Council, COMPAG has requested all policy bureaux and departments to propose new initiatives to promote competition and to review existing practices from the competition policy standpoint. In response, bureaux and departments have proposed new

initiatives in various sectors, e.g. in the broadcasting and financial services sectors.

5. COMPAG, bureaux and departments have also continued to closely collaborate with the Consumer Council in monitoring the state of competition in different sectors and in handling competition-related issues and complaints.

### **WAY FORWARD**

6. COMPAG will continue to encourage new initiatives to promote competition, and keep track of competition-related cases or complaints received from different sources. It will also continue to maintain close collaboration with the Consumer Council in the promotion of competition.

7. Furthermore, in the coming year, we are going to arrange more publicity on the work of COMPAG and training sessions for bureaux and departments on pro-competition principles.

Economic Services Bureau  
November 2000

COMPETITION POLICY  
ADVISORY GROUP REPORT

**1999~2000**

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## 1 Introduction

1.1 The Government is fully committed to the promotion of competition. The objective of the Government's competition policy is to enhance economic efficiency and free flow of trade, thereby also benefiting consumer welfare.

1.2 The Competition Policy Advisory Group (COMPAG) was set up under the chairmanship of the Financial Secretary in December 1997 to review competition issues that have substantial policy or systemic implications. The terms of reference and the membership of COMPAG are set out in the Annex. In May 1998, COMPAG promulgated the *Statement on Competition Policy* (Policy Statement) which offers some specific pointers to facilitate compliance with the competition policy by both the public and private sectors. All bureaux and departments are responsible for overseeing competition issues within their portfolio in accordance with the Policy Statement. Where necessary, the Government will promptly take sector-specific measures, including licensing conditions, code of practice, and legislation to rectify anti-competitive behaviour and to promote competition.

1.3 This document reports on the work carried out by the Government to promote competition, since the publication of the *Competition Policy Advisory Group Report 1998* in March 1999.

1.4 In 1999-2000, COMPAG focused on the following areas of work:

- to encourage new initiatives to promote competition;
- to identify areas that may not be fully compatible with the competition policy, and review scope for refinement;
- to keep under review the various competition-related issues examined in 1998;
- to keep track of competition-related cases or complaints received from different sources, and review, on a need basis, those cases which have policy or systemic implications; and
- to monitor discussions in international fora on competition issues that may have a bearing on Hong Kong.

## 2 New Initiatives to Promote Competition

2.1 In 1999-2000, COMPAG again sought returns from bureaux and departments on new initiatives to promote competition and on "exceptions" to competition policy. COMPAG also initiated a number of reviews in conjunction with bureaux/departments and the Consumer Council. In the event, a number of initiatives to promote competition have been introduced as detailed below.

### *Telecommunications*

#### (1) External Telecommunications Services and Facilities

The external telecommunications services market has been fully liberalised since 1 January 1999. As regards external telecommunications facilities, the Telecommunication Authority (TA) invited applications for external Fixed Telecommunication Network Services (FTNS) licences in July 1999 and has issued, in early 2000, 13 new external satellite-based FTNS licences and "Letters of Intent" to 14 external cable-based FTNS applicants who met the licensing criteria. TA will invite applications for licences for the provision of facilities through acquiring capacity in cables from 1 January 2003.

#### (2) Third Generation Mobile Services

TA has issued a paper on the licensing framework for third generation (3G) mobile services for consultation with the industry in March 2000. The consultation paper identifies a number of options, with a view to further

reinforcing Hong Kong's position at the cutting edge of new telecommunications technologies, and enhancing competition in the sector by the introduction of new operators. These options can accommodate four to six operators for 3G services. TA aims to invite applications for licences towards the end of this year after the licensing framework is finalised.

### **Broadcasting**

(3) Services provided by satellite broadcasters

Starting from January 2000, Hong Kong-licensed satellite broadcasters who have the facilities to uplink or downlink programmes have been permitted to make use of their spare capacities to carry other companies' programmes and various telecommunications services.

(4) Television services

The Information Technology and Broadcasting Bureau (ITBB) invited applications for the provision of new television services in August 1999. A total of 10 applications were received. ITBB expects that the evaluation of the applications will be completed in around mid-2000.

(5) Competition safeguards in the Broadcasting Bill

ITBB introduced a Broadcasting Bill into the Legislative Council on 16 February 2000. The Bill contains competition safeguards including a provision prohibiting a licensee from engaging in anti-competitive conduct, and another provision prohibiting a licensee in a

dominant position in a television programme service market from abusing its position. The Broadcasting Authority will issue draft guidelines on the enforcement of the competition provisions for consultation with the industry.

### **Financial Services**

(6) One-building condition on foreign banks

The Hong Kong Monetary Authority (HKMA) relaxed the one-building condition on foreign banks in September 1999. Foreign banks are now allowed to operate up to a maximum of three branches. The restriction on the number of back and regional offices that a foreign bank can maintain has also been lifted. Further relaxation will be considered subject to a review in the first quarter of 2001.

(7) Interest Rate Rules

In July 1999, HKMA announced that the remaining interest rate rules (IRRs) would be deregulated in two phases. Subject to a stable financial and economic environment, Phase 1 of the deregulation will proceed in July 2000. This phase covers the 24-hour and up to six days time deposits. The prohibition on banks from providing benefits such as gifts will also be lifted. Phase 2, which would cover the deregulation of current accounts and saving accounts, is scheduled to take place 12 months after Phase 1. Accordingly, if the economic environment is favourable, the whole process of deregulation would be completed by the middle of 2001.

(8) Stamp duty on stock transactions

To maintain the competitiveness of Hong Kong in the global financial marketplace, the Financial Secretary proposed in the 2000-01 budget to reduce the rate of stamp duty on stock transactions by 10% from the existing 0.25% to 0.225% per round transaction. The relevant legislative amendments have come into effect on 7 April 2000.

(9) Level of brokerage for securities transaction

At present, a minimum brokerage commission of 0.25% of the value of transaction is charged to both the buyer and seller for all securities transactions. The Hong Kong Exchanges and Clearing Ltd. is now consulting the exchange participants on a proposal to remove the minimum commission by April 2002, and will consider the way forward after the consultation.

(10) Access of restricted licensed banks to the Real Time Gross Settlement System

Upon agreement-in-principle by the Hong Kong Association of Banks and Hong Kong Interbank Clearing Ltd. (HKICL) to allow restricted licence banks (RLBs) to access the Real Time Gross Settlement (RTGS) system, HKMA announced the details of the arrangement in December 1999. HKICL is now working on the legal arrangements for admitting RLBs into the system. HKMA has also secured the Hong Kong Securities Clearing Co. Ltd's agreement to allow RLBs to handle

money settlement for equities transactions cleared through the Central Clearing and Settlement System.

***Energy***

(11) Fuel supply

The Consumer Council completed a major study on the state of competition in the motor gasoline, diesel and LPG markets in December 1999. The study found that the petroleum products industry was highly concentrated and largely vertically integrated, characterised by relatively small total demand, limited growth opportunities and barriers to entry such as the need to achieve economies of scale in storage and retail and the high cost of land. The Economic Services Bureau (ESB) has set up a Competition Subcommittee in January 2000 under the Energy Advisory Committee to provide a forum for more focused discussion on competition-related issues in the energy sector, including the Consumer Council's recommendations. Meanwhile, the Planning and Lands Bureau is considering ways to relax the present restrictions on the tendering of petrol filling station sites with a view to facilitating entry to the market.

(12) Use of central LPG in public housing estates

The Housing Department, in conjunction with other bureaux and departments, is looking into the feasibility of providing central LPG in public housing estates.

(13) New sites for LPG filling stations

The Government tendered five sites in December 1999 for dedicated LPG filling stations at nil land premium on condition that LPG should be sold in accordance with a pricing formula on the basis of international LPG price and an operating cost/revenue factor to be bid by the tenderers. This initiative aims to facilitate the implementation of the LPG Taxi Scheme which will help reduce air pollution and to encourage competition in the market by facilitating the entry of potential new-comers. The retail price of LPG charged by the filling stations built on these five sites will be lower given the nil land premium and the pricing formula. It will set a benchmark for other suppliers of LPG for vehicles and help keep the overall LPG price at a competitive level.

***Insurance***

(14) Estate duty on proceeds from life insurance policies

In the past, life insurance proceeds paid in Hong Kong were subject to estate duty, while those proceeds paid outside Hong Kong were exempted. The Financial Secretary proposed in the 1999-2000 budget to exempt all life insurance proceeds from estate duty irrespective of where they were paid. The relevant legislative amendments came into effect on 1 April 1999. This tax concession has helped ensure a level playing field for all life insurers in Hong Kong, incorporated locally or elsewhere, as well as equal treatment to all life insurance policy holders and their beneficiaries.

(15) Voluntary Medical Insurance Scheme for Civil Servants

Upon the advice of the Standing Committee on Medical and Dental Facilities for Civil Servants, a number of insurance companies were appointed as the carriers for the Voluntary Medical Insurance Scheme for Civil Servants. Their current term will expire by mid 2000. The Civil Service Bureau intends to review the appointment procedures with a view to improving the terms and conditions of the medical insurance schemes, and to encouraging further competition among the insurance companies.

***Legal services***

(16) Conveyancing services

The Housing Authority (HA) has liberalised the arrangement for commissioning conveyancing services for public housing schemes since February 1999. All solicitors' firms on HA's list of appointed solicitor firms can now offer their services by tender. A selection panel constituted by members of the HA Home Ownership Committee will consider tenders received. The Housing Society is also actively pursuing a proposal to allow all solicitors' firms, provided that they satisfy the pre-qualification criteria to handle the legal work at charges negotiated between individual solicitors' firms and the beneficiaries.

### **Port**

#### (17) Management of the public cargo working areas

Having reviewed the first phase of the management reform of the public cargo working areas in February 1998, ESB implemented the second phase of the management reform, which involved renting out the landside working area to the leaseholder of the berth, in May 1999. ESB intends to introduce a combined land and berth open tender when the present berth tenancies expire in January 2001.

### **Medical services**

#### (18) Association of clinics in public housing estates

Having reviewed the letting arrangement in respect of clinics in public housing estates, HA decided to discontinue the arrangement whereby clinics in public housing estates were allocated to registered doctors/dentists nominated by the Estate Doctors Association or the Estate Dentists Group of the Hong Kong Dental Association. With effect from 1 January 2000, medical and dental clinics in public housing estates have been let by open tender.

### **Transport**

#### (19) Release of motor maintenance manuals by vehicle manufacturers

In response to the questions raised by the members of the LegCo Panels on Environmental Affairs and Transport on

the non-availability of motor maintenance manuals by vehicle manufacturers to the vehicle maintenance trade and vehicle owners, the Transport Bureau (TB) has been looking into the matter in conjunction with other relevant bureaux and departments. A working group comprising representatives of TB, the Environment and Food Bureau and relevant departments, has been formed to discuss measures to improve the vehicle maintenance standard in Hong Kong, including the release of vehicle maintenance manuals to the trade and to the public. The group has already requested the Motor Traders Association (MTA, representing all vehicle dealers in Hong Kong) to release vehicle maintenance information to the public. MTA's initial feedback was that they had no major problem in releasing information related to the emission system of diesel vehicles. MTA is also considering the possibility of releasing other maintenance information of diesel and petrol vehicles. Separately, TB has written to all major overseas motor vehicle manufacturers seeking their agreement to accept direct purchase of their vehicle maintenance manuals by workshop operators and individual vehicle owners in Hong Kong.

### **Building and Construction**

#### (20) Use of new materials in works projects

The Architectural Services Department (ASD) does not normally accept the use of new materials in works projects unless these materials have been investigated and classified as "deemed suitable". ASD is now gradually relaxing the requirements and streamlining the

application procedure in respect of use of new materials by introducing an "on probation" category for new materials. It will review the new arrangement by June 2000.

### **Food**

#### (21) Rice Control Scheme

The Trade Department has reached agreement with the Rice Advisory Committee to fully open up the rice trade by 2003. During the interim period, the level of rice reserve will be brought down from the current 40,000 tonnes to 19,000 tonnes in 2001 in phases. This would help reduce the operational cost of rice traders, and should in turn benefit consumers in terms of lower prices. The restriction on cross-ownership of importers and wholesalers will also be lifted, enabling them to engage in both the importation and wholesale of rice.

### 3 Progress of Initiatives Reported in *Competition Policy Advisory Group Report 1998*

3.1 There were a number of initiatives reported in the *COMPAG Report 1998* for which actions had not been completed at the time of reporting. The updated position of these initiatives is set out below.

#### (1) Electricity supply

A consultancy study to examine the interconnection and competition in the electricity supply sector in Hong Kong was completed and the consultants' report was made public in November 1999. The study noted that increased interconnection capacity was technically feasible subject to further studies on logistics and timing, and that installation of additional capacity interconnectors was a prerequisite for introducing competition. However, increased interconnection would require voluntary acceptance by both power companies under the current Scheme of Control Agreements. The study also examined different competition modes and market structures. ESB is seeking public comments on the findings of the study and will conduct further necessary studies taking into account comments received, with a view to mapping out a way forward.

#### (2) Gas Supply

ESB is monitoring developments in the natural gas market, particularly in the light of the proposed liquefied natural gas terminal project at East Shenzhen. In the

meantime, it has agreed with the Hong Kong and China Gas Company on an accounting framework for identifying the cost of gas transportation.

(3) Admission criteria for barristers

The Department of Justice introduced the Legal Practitioners (Amendment) Bill 1999 in June 1999 to remove the present privileges conferred on barristers or advocates from the Commonwealth jurisdictions. Under the Bill, the Court may admit a person to be a barrister under a set of objective criteria. The Bill is now being scrutinised by a LegCo Bills Committee.

(4) Practices in the insurance industry

Since 1999, the Office of the Commissioner of Insurance has been including in its annual reports business statistics of individual insurers in addition to the aggregate figures. It has also been releasing provisional statistics of the insurance industry as a whole on a quarterly basis commencing from the first quarter of 1999. At the same time, the Insurance Authority has been reviewing from time to time, in consultation with the Hong Kong Federation of Insurers (HKFI), the *Code of Conduct for Insurers* issued by HKFI in March 1999. It has also undertaken to encourage representative bodies of the insurance industry to promote the public's awareness of their rights and obligations under insurance contracts.

(5) Use of private sector services by the Housing Department

The Housing Authority (HA) set up a task force in June 1999 to make recommendations on the scope and pace of increasing the involvement of the private sector in public housing estate management and maintenance services. In early January 2000, HA endorsed the task force's recommendations.

Based on one of the task force's recommendations, HA has drawn up a new list of property services companies to include more eligible service providers. It has already started inviting tender for the first batch of phased service transfer contract in April 2000.

(6) Private school sector

The Government approved in March 1999 a package of proposals to foster the development of a strong private school sector. New initiatives included the allocation of government-built school premises to school sponsoring bodies to operate Direct Subsidy Scheme (DSS) schools, provision of land grant at nominal premium and a capital grant for construction of school premises to facilitate the establishment of non-profit making private independent schools (PIS), and enhancement of the financial assistance to DSS schools.

More specifically, in 1999, four Government-built school premises were allocated for operation as DSS schools, and two school operators were allocated sites for operation as PIS. Given the generally positive reaction from the education sector and the public to these

initiatives, in 2000, a total of 13 primary and nine secondary school premises, to be built by the Government, will be made available to both aided school and DSS school applicants for operation starting from either the school year of 2001/02 or 2002/03. The Government will also allocate three sites for school sponsors to construct and operate either aided or DSS schools. Successful applicants will receive a capital subvention for the construction of the school premises. Furthermore, the Government will allocate up to three sites for PIS development.

(7) Alcoholic strength restrictions on the sale of intoxicating liquors

The Customs and Excise Department is now considering legislative amendments to remove the requirement of minimum alcoholic strength on a number of Chinese intoxicating liquors, and to require clear labelling on alcoholic strength and ingredients on every liquor container.

(8) Off-street driving schools

The Transport Department (TD) invited tenders for a new off-street driving school in Tsuen Wan in July 1999 and awarded the contract to a new operator in October 1999. TD will continue to monitor the situation closely, taking into account market demand and the operation of the new school, before deciding on the way forward.

(9) Entry qualifications for Authorised Persons under the Buildings Ordinance

In relation to the system of Authorised Persons under the Buildings Ordinance, the Building Department is collecting information on the practices in Hong Kong and other countries and will seek initial views from the building industry. It will then decide whether to proceed with a detailed study on the entry qualifications for authorised persons under the Buildings Ordinance.

(10) Selection of consultants for traffic assignments

In order to have a bigger pool of prospective consultants to carry out the Government's traffic assignments, the Civil Engineering Department and Transport Department are jointly establishing a series of Base District Traffic Models for use by all consultants interested in such traffic assignments. The Models are expected to be completed by June 2000.

(11) Use of British Standards in the construction industry

The Works Bureau commissioned a consultancy study in November 1999 to formulate measures to set up a central construction standardisation body in Hong Kong to oversee and co-ordinate the development of construction standards. The study is expected to be completed within 2000.

(12) Domestic waste management

The Environment and Food Bureau, which was set up in January 2000 to oversee environmental matters, will consider how to enhance competition in waste management through greater involvement of the private sector.

(13) Contracting out of insolvency work

The Official Receiver's Office is planning to operate a tender system for contracting out compulsory winding up cases with assets below \$200,000 (the Panel B cases) in the year 2000-01. Firms which meet the pre-qualification criteria will be eligible to participate in the tender. For cases above \$200,000 (Panel A cases), eligible firms will continue to be allocated cases on a roster basis.

The Government will commission a consultancy study later this year to review the role of the Official Receiver. The study will examine, among other things, the desirability of a two-tier licensing system for insolvency practitioners as proposed by the Law Reform Commission in its third report on the winding up provisions in the Companies Ordinance.

4 Tracking Competition-related Complaints

4.1 During the period from February 1999 to March 2000, a total of 12 competition-related complaints were received by or referred to COMPAG by different parties, including bureaux and departments and the Consumer Council. COMPAG has looked into all these complaints and the follow up actions by the concerned parties. Where necessary, it has also given advice to the bureaux and departments. These complaints are summarised below.

*Substantiated complaints*

- (1) Complaint against a telephone service provider for preventing its client to switch to other service providers
  - *In March 1999, a company lodged a complaint to COMPAG that its Private Automatic Branch Exchange telephone service provider had refused to release the "password" for access to the central processor of the company's telephone system, hence preventing the company from acquiring maintenance service for its telephone system from other service providers. The Office of the Telecommunication Authority subsequently contacted the service provider concerned which then agreed to release the "password" to the complainant.*
- (2) Licence fees for telecommunications installations in public housing estates
  - *In May 1999, the Housing Authority (HA) received a complaint that a Public Mobile Radiotelephone*

*Service (PMRS) operator had to pay a higher rate of charge than that paid by a Personal Communication Service (PCS) operator for installing radio antennae and base stations in public housing estates for a standard size cell site. After taking a critical look at the matter and taking account of the prevailing rents/fees for similar lettings for telecommunications installations in the private sector, HA decided in December 1999 to synchronise the fees for both the PMRS and PCS systems with effect from 1 April 2000.*

(3) Simultaneous fee increases by mobile phone services providers

- *In January 2000, six mobile network operators increased the monthly fees of some of their service packages by \$20 concurrently with effect from the same date. This attracted some 148 and 1,267 complaints to the Telecommunication Authority (TA) and the Consumer Council respectively. There were concerns that some collusion existed on the part of the mobile operators. After completing an investigation, TA concluded that at the very least some kind of agreement or arrangement must have existed, and considered that such actions were not in compliance with the condition stipulated in the relevant licences. In response to the findings of TA, all the six companies rescinded the fee increases.*

***Unsubstantiated complaints***

The concerned party has nonetheless taken measures to promote competition

(4) Complaint against the Civil Engineering Department for discriminating against overseas graduates in setting the interview dates for prospective new recruits

- *In March 1999, a student studying in the United Kingdom (UK) wrote to the Director of Civil Engineering requesting the latter to consider allowing overseas applicants for the Civil Engineering Graduate posts to attend recruitment interviews, which were then held in late March/early April, in early May. The Works Bureau considered that many UK universities held examinations quite late (some in June) and that late interviews would cause major problems to the operation of the Graduate Training Scheme affecting many other candidates. It has sought to minimize the inconvenience of overseas students in attending interviews by (i) slightly advancing the commencement of the interview period to around 20 March to tie in with the spring/summer term break of some universities; and (ii) allowing overseas applicants to select the interview date within the set interview period (mid-March to mid-April).*

No further follow up action was considered necessary

- (5) Complaint against the Hong Kong Trade Development Council (TDC) for competing with the private sector in organising commercial exhibitions
- (6) Complaint against TDC for competing with the private sector in the trade publication business
- (7) Alleged barriers imposed by the Housing Department on material suppliers
- (8) Complaint against the Hong Kong Society of Accountants for rejecting an application for membership
- (9) Complaint against the Economic Services Bureau for implementing the second phase of the management reform at the public cargo working areas
- (10) Alleged agreement between television licensees to block the promotion of products and services of competing licensees on their own television network
- (11) Complaint against the Housing Department's proposal to allocate medical and dental clinics in public estates through open tender

***Complaint which is still being considered***

- (12) Complaint against the Transport Department's proposal to contract out its licensing services



**Collaboration with the Consumer Council**

5.1 In 1999–2000, the Consumer Council continued to work closely with COMPAG, bureaux and departments in monitoring the state of competition in different sectors and in handling competition-related issues and complaints. The Council participated in COMPAG's discussions on a number of issues as an observer. In recognition of the useful partnership between COMPAG and the Council, starting from April 2000, the Council has become a full member of COMPAG. We expect that this would foster closer collaboration between COMPAG and the Council on the competition front.

5.2 During the year, in addition to those issues already covered in the earlier sections (see Case 11 of Section II and Case 10 of Section IV), the Council also drew a number of issues to COMPAG's attention as detailed below.

- (1) Fee scales charged by solicitors and trustees in probate works

At the invitation of COMPAG, the Council conducted a survey on the fees charged by solicitors and trustees for probate services. The survey findings were published in November 1999. It was found that, despite the abolition of mandatory fee scales, some 35% of the solicitor firms surveyed still charged fees according to the fee scales. Fees charged by the other solicitor firms covered a wide range and were generally lower than the fees charged by the former group. COMPAG has asked the Council to help publicise the fact that fee scales are no longer mandatory.



(2) Price competition among supermarkets

In August 1999, a major supermarket chain launched a large scale price cutting campaign. Other supermarket chains and grocery retail outlets quickly responded by introducing their own price cutting measures. There were concerns that the price competition was targeted at a new direct sale delivery service, and would force small to medium-sized supermarkets and grocery retail outlets out of the market through predatory pricing. The Council has subsequently collected information from the major supermarket chains and is now looking into the matter.

(3) Standard discount arrangement in the textbook retail market

In response to an announcement made by a number of booksellers offering a uniform discount on secondary textbooks, the Council completed a study on the textbook retail market in September 1999. In the study paper, the Council opined that while the discount offered was higher by comparison with previous years, the manner in which it came about and the negative implication for maintaining long-term competitive rivalry between individual retailers in the textbook market has come into question. The Council drew the Education Booksellers' Association's attention to the Government's *Statement on Competition Policy*.

(4) Competition in the market for lift maintenance services

In July 1999, the Council completed a report on competition in the market for lift maintenance and made a number of recommendations. The Planning and Lands Bureau and the Electrical and Mechanical Services Department have provided comments on the recommendations and the Council is continuing with inquiries in the industry.

(5) Supply of soft drinks in schools

In June 1999, the Council completed a study on the supply of soft drinks to schools. The Council noticed that two major soft drink suppliers and many school kiosks had entered into arrangements, under which schools were provided with incentives (such as favourable discount rates) that resulted in exclusive supply. Nevertheless, the Council found no evidence that the suppliers had refused to supply products to other kiosk operators although the discount rates were less favourable. Having assessed the effects of the exclusive agreements, the Council considered that the agreements did deliver benefits to both schools and kiosk operators, and did not pose any substantial impediments to competition in the market. While there were some limitations on product choice, the agreements resulted in lower cost for the kiosk operators which were in turn translated into lower prices for students.

## 6 Monitoring Trends and Developments in the International Scene

6.1 Issues relating to the interface of trade and competition policies continued to attract much deliberation in major international fora such as the World Trade Organisation (WTO) and the Asia Pacific Economic Co-operation (APEC). COMPAG has been monitoring the discussions as they might lead to the adoption of some multilateral approaches to competition which Hong Kong would be obliged to follow.

6.2 On the WTO front, the Working Group on the Interaction between Trade and Competition Policy (WGTCP) continued its educational work in 1999 with a more focused agenda. Hong Kong, China continued to advocate the need to accord equal attention to governmental measures, in addition to the discussions on restrictive business practices. Views of WTO members remained divergent and the WGTCP could not agree on any concrete recommendations. Following the non-conclusive Third Ministerial Conference held in Seattle in November/December 1999, members have lately agreed that the WGTCP should resume its work on the basis of the 1999 work programme which we expect will remain to be educational in nature.

6.3 On the APEC front, in September 1999 the APEC Economic Leaders endorsed a set of non-binding competition and regulatory principles which include four core principles, i.e., non-discrimination, comprehensiveness, transparency and accountability. Hong Kong played an active and constructive

role in developing these principles. These principles share a lot of common ground with our own approach to the promotion of competition. They do not prescribe a one-size-fits-all model and fully recognise that implementation should take into account the diverse circumstances of individual economies.

## 7 Further Work

7.1 Starting from April 2000, the membership of COMPAG has been expanded to include the Consumer Council with a view to fostering closer collaboration between COMPAG and the Council in the promotion of competition. COMPAG will also actively consider inviting other groups such as chambers of commerce, trade associations and professional bodies to participate in COMPAG's discussions where appropriate.

7.2 In 2000/01, COMPAG will continue to -

- encourage new initiatives to promote competition;
- identify areas that may not be fully compatible with the competition policy, and review scope for refinement;
- keep under review the various competition-related issues examined in 1999/2000;
- keep track of competition-related cases or complaints received from different sources, and review, on a need basis, those cases which have policy or systemic implications; and
- monitor trends and developments in the discussions on competition policy in the international scene that may have a bearing on Hong Kong.

Competition Policy Advisory Group  
April 2000

**Competition Policy Advisory Group  
Terms of Reference and Membership**

**Terms of Reference**

- (a) To agree and promulgate a policy statement on the promotion of competition in Hong Kong.
- (b) To identify areas in the economy, particularly within the existing government framework, that may not be fully compatible with the promotion of competition and economic efficiency, and review scope for refinement.
- (c) To consider and review initiatives from bureaux and departments, or others as appropriate, on how to promote competition in Hong Kong.
- (d) To consider competition-related matters which may have a bearing on government policy.

**Membership**

- Chairman* ➤ Financial Secretary
- Members* ➤ Secretary for Trade and Industry
- Secretary for the Treasury
- Secretary for Economic Services
- Director-General of Trade
- Director, Business and Services Promotion Unit
- Government Economist
- Consumer Council (since April 2000)
- Secretary* ➤ Principal Assistant Secretary for Trade and Industry
- Observers* ➤ On a need basis

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Secretary, COMPAG  
c/o Trade and Industry Bureau  
Government Secretariat  
Government of the Hong Kong Special  
Administrative Region  
Level 29, One Pacific Place  
88 Queensway, Hong Kong  
Tel: 2918 7472  
Fax: 2877 5650  
E-mail: tibcdiv@netvigator.com

Members of the public may lodge competition-related complaints with:

- the relevant bureaux or departments; or
- the Trade Practices Division of the Consumer Council  
22/F, K. Wah Centre, 191 Java Road  
North Point, Hong Kong  
Tel: 2856 3113  
Fax: 2102 4523  
E-mail: competition@consumer.org.hk