

立法會
Legislative Council

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the Administration)

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Panel on Commerce and Industry

Minutes of Special Meeting
held on Tuesday, 18 December 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, JP (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon NG Leung-sing, JP
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel Member attending** : Hon LAU Ping-cheung
- Members absent** : Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon MA Fung-kwok
- Public officers attending** : **Items I & IV**
Mr Kenneth MAK
Deputy Secretary for Commerce and Industry
- Items II & III**
- Mr Francis HO
Commissioner for Innovation and Technology

Item I

Mr Donald CHEN
Principle Assistant Secretary for Commerce and Industry

Mr Francis HO
Assistant Secretary for Commerce and Industry

Item II

Mrs Vivian TAM
Acting Assistant Commissioner for Innovation and Technology (Projects)

Item III

Ms Cecilia YEN
Assistant Commissioner for Innovation and Technology (Infrastructure)

Item IV

Mr Philip CHAN
Principal Assistant Secretary for Commerce and Industry

Clerk in attendance : Ms Connie SZETO
Chief Assistant Secretary (1)4

Staff in attendance : Mr TSANG Siu-cheung
Senior Assistant Secretary (1)7

I Professional Services Development Assistance Scheme
(LC Paper No. CB(1)580/01-02(01))

The Deputy Secretary for Commerce and Industry (DSCI) briefed members on the proposal for setting up a Professional Services Development Assistance Scheme (the Scheme). Details were set out in the information paper provided by the Administration (LC Paper No. CB(1)580/01-02(01)).

The definition and classification of professional service sectors

2. Mr SIN Chung-kai supported in principle the proposal announced by the Chief Executive in his 2001 Policy Address to allocate \$100 million for setting

up an assistance scheme to support, on an equal matching basis, worthwhile projects that could enhance the standard of professional services in Hong Kong. However, he was dissatisfied that the information technology (IT) industry had not been included in the list of professional service sectors eligible for funding assistance under the Scheme as provided in Annex B of the paper. In view of the vigorous efforts being made by the Government to develop the local IT industry (e.g. the recently announced initiatives such as the Digital 21 Strategy), Mr SIN considered it necessary to incorporate the industry into the classification of the professional service sectors under the Scheme.

3. DSCI noted Mr SIN's concern and concurred that the IT industry played an important role in the development of local enterprises. He advised that in drawing up a comprehensive definition for professional service sectors, the Administration had made reference to the objective and internationally-recognized classification of the World Trade Organization (WTO) and supplemented it with that of the Trade Development Council (TDC) to take account of the unique local circumstances. Since the IT industry was regarded as other service sectors by both the WTO and TDC, it had not been included under the proposed Scheme.

4. Mr SIN Chung-kai criticized the Administration's classification for lacking in flexibility and neglecting the interests of the IT sector. Sharing Mr SIN Chung-kai's view, Mr CHEUNG Man-kwong was of the view that the Commerce and Industry Bureau (CIB) should adopt an open attitude and use a practical professional service sectors classification system to meet the needs of society.

5. DSCI responded that notwithstanding that the IT industry was not eligible for funding assistance under the Scheme, the Administration had formulated policies on various fronts to promote development of the industry. He stressed that although the IT industry would not be eligible for assistance under the Scheme, it did not mean that the industry was not professional and hence would be neglected. It was simply because individual funding schemes had different definitions for professional service sectors. Regarding the ways to assist the development of the IT industry, he advised that Mr SIN's concern would be referred to the Information Technology and Broadcasting Bureau for consideration on whether it was necessary to allocate additional resources for the development of the industry. In reply to the Chairman's enquiry, DSCI said that, as the Administration would take into account the actual needs, the development potential and the priority of individual applications when deciding whether funding assistance should be granted even if the IT industry was included as one of the professional service sectors eligible for funding assistance under the Scheme, there should not be any concern that the industry would take up all the resources of the Scheme.

6. The Chairman, Mr HUI Cheung-ching, Mr CHAN Kam-lam and Mr Henry WU considered the present classification of professional service sectors disputable. They pointed out that some industries, such as the financial

services, insurance, and logistic management, which were important to Hong Kong, had been excluded and suggested that the Administration should consider members' views to expand the scope of professional service sectors under the Scheme.

7. In response to Mr Henry WU's enquiry, DSCI said that the sectors on project development and project finance had already been covered under the Scheme. He pointed out that as the IT industry straddled different professional service sectors, if a professional service sector applied for assistance under the Scheme to develop its IT capacity for enhancing its professional standard and overseas competitiveness, such an application would meet the objective of the Scheme. Nonetheless, whether individual applications would be approved would rest on the vetting committee. DSCI reiterated that the list of professional service sectors in Annex B had been worked out after careful consideration. He further stressed the need to draw a line for "professional services" in the implementation of the Scheme. The Administration considered that the proposed definition of "professional services" very objective. However, he noted members' views and undertook to consider their suggestions to see whether it was necessary to modify the classification for professional service sectors.

CIB

8. Mr LAU Ping-cheung expressed support for setting up the Scheme. He remarked that in addition to possession of academic qualifications and relevant experience in the profession, a professional service sector should also observe the professional principle of "self-regulation" in order to be eligible for the Scheme. Moreover, Mr LAU suggested that professionals should form the majority membership of the vetting committee so as to ensure that funding assistance approved would meet the needs of individual professional service sectors. In response, DSCI advised that most of the members of the vetting committee under the Scheme would be professionals.

Maximum amount of grant and vetting criteria

9. Mr NG Leung-sing enquired about the purpose of setting the maximum amount of grant for each project at \$2 million and the maximum total amount of grants for each year at about \$33 million as stated in paragraph 10 of the paper. DSCI advised that these principles would enable more eligible projects to benefit from the Scheme and impose some discipline on the selection of projects, so that only high-quality projects would be approved for funding. He believed that such arrangements would allow the Administration to prioritize the eligible projects effectively. Given the proposed funding ceilings and the maximum total amount of grants each year, the Scheme was expected to last for at least three years.

10. Mr NG Leung-sing further enquired about the criteria of high-quality projects as referred to by the Administration. He was concerned that the vetting committee might eventually relax its vetting criteria in order to fully disperse the resources under the Scheme within three years. DSCI advised that although

high-quality projects were difficult to define at this stage, the vetting committee would make reference to the proposed criteria outlined in Annex A to determine whether individual projects warranted funding assistance. He stressed that although the Administration anticipated the Scheme to last for at least three years, it did not mean that the vetting committee had to relax its vetting criteria so as to use up all the resources under the Scheme. He supplemented that the Administration would conduct a preliminary review on the Scheme one year after its implementation which would examine the need of revising the vetting criteria.

11. In reply to Mr NG Leung-sing's enquiry about the nature of applicant organizations under the Scheme, DSCI said that organizations had to be non-profit distributing professional bodies, trade or industrial organizations, and research institutes in order to be eligible to apply for assistance under the Scheme.

Eligible projects and form of assistance

12. Dr LUI Ming-wah enquired how the Scheme could enhance the overseas competitiveness and service standard of local professional service sectors. DSCI responded that the Scheme could achieve the above objectives by funding certain eligible projects which included, for example, inviting overseas or Mainland experts to give a seminar for transfer of professional skills; research or study that would benefit a professional service sector; organization of training courses that sought to enhance the competitiveness of Hong Kong professional service practitioners in external markets; and promotional projects for raising the image of Hong Kong's professional services.

13. Dr LUI Ming-wah was concerned that due to resource constraints, potential applicant organizations might have difficulties in coming up with the matching contribution. DSCI advised that the Scheme would allow some flexibility in accepting contribution in kind, such as manpower input in an activity, from the funded organizations. Moreover, these organizations when organizing funded activities (e.g. seminars) could also recover part of the expenses from the participants to meet their share of matching costs. He believed that the equal-matching approach would be more effective in rendering appropriate assistance to various professional service sectors.

14. Dr LUI Ming-wah enquired whether the expenses incurred by a university for inviting overseas experts to give seminars in Hong Kong could be regarded as the matching contribution to be made by an applicant organization. DSCI advised that if the university in the capacity of an event organizer provided accommodation for the experts and shouldered other related expenses, such an arrangement would comply with the equal-matching principle of the Scheme.

Intellectual property right of funded projects

15. In response to Mr CHAN Kam-lam's enquiry about the intellectual property right (IPR) arrangement of funded projects under the Scheme, DSCI

pointed out that the IPR would generally be owned by the funded organizations. However, if necessary, such as when public interests were involved or in order to fulfil the objective of providing assistance to local professional service sectors, the Administration would reserve the right to require the organization concerned to grant unconditionally to the Government a non-exclusive perpetual royalty-free licence to exploit or dispose of relevant IPR. At the request of Mr CHAN, DSCI undertook to examine carefully the terms and conditions of the Scheme concerning IPR, so as to stipulate clearly the above rights of the Administration in the contracts signed with the funded organizations in order to avoid unnecessary disputes.

Benefit evaluation

16. On Mr HUI Cheung-ching's enquiry about the evaluation of the Scheme, DSCI advised that the Administration would review the cost-effectiveness, assistance levels and modus operandi of the Scheme one year after its commencement.

17. The Chairman concluded that the Panel supported the Scheme in principle but urged the Administration to reconsider the classification of professional service sectors to take account of the unique circumstances and the needs of professional service sectors in Hong Kong. Members noted that the funding proposal for the implementation of the proposed Scheme would be submitted to the Finance Committee for approval in January 2002.

II Applied Science and Technology Research Institute (LC Paper No. CB(1)580/01-02(02))

18. The Commissioner for Innovation and Technology (CIT) reported to members the progress in the establishment of the Applied Science and Technology Research Institute (ASTRI). Details were set out in the information paper provided by the Administration (LC Paper No. CB(1)580/01-02(02)).

19. Mr HUI Cheung-ching enquired whether officials representing the Government on ASTRI's Board of Directors had attended the Board meetings regularly to monitor its operation. CIT replied in the affirmative and supplemented that at present, the Official Directors of ASTRI included the Secretary for Commerce and Industry, the Secretary for the Treasury, and CIT. If individual government representatives were unable to attend any of the Board meetings, they would be represented by their Alternate Directors. At the request of Mr HUI Cheung-ching, CIT undertook to provide relevant information after the meeting.

(Post-meeting note: Information on the number of ASTRI's Board meetings and the attendance of its Official Directors had been issued for members' reference vide LC Paper No. CB(1)670/01-02.)

III Technological Entrepreneurship (LC Paper No. CB(1)580/01-02(03))

20. CIT briefed members on the Government's efforts in promoting technological entrepreneurship. Details were set out in the information paper provided by the Administration (LC Paper No. CB(1)580/01-02(03)).

Recovery of investment costs

21. Dr LUI Ming-wah enquired whether the Administration would recover the investment costs from listed companies funded by the Small Entrepreneur Research Assistance Programme (SERAP) and the Applied Research Fund (ARF). CIT advised that conditions had been laid down under SERAP for the recovery of investment costs from the funded companies. In general, the Administration would receive 5% of the companies' annual revenue as its basic return. For companies which made other follow-on investment, such as raising funds by way of listing or investing in risk funds, the Administration would receive 10% of the funds as additional return. If the funded companies incurred investment losses, the Administration would not recover funding subsidies from them. On recovery of costs from the small funded enterprises, the Administration, in general, would not set the return rate or the percentage of its shareholding at an exceedingly high level to avoid making adverse impact on investment and development incentives of these small enterprises. CIT supplemented that funds recouped would be ploughed back to the Innovation and Technology Fund in order to benefit more potential start-ups. As for ARF, the Administration provided financial support to funded companies through capital injection from the Applied Research Council and became their shareholders. The Government would recover its investment in accordance with the growth of its share capital in the companies concerned. If the companies suffered losses, the Administration would consider writing off the funding subsidies concerned.

Other concerns

22. Referring to paragraph 8(b) of the paper which mentioned that the 68 SERAP-funded companies had created about 520 jobs, Mr HUI Cheung-ching enquired whether these companies had made any layoffs. CIT responded that as these companies were still in the developing stage, it was believed that their staffing situation was relatively more stable. Moreover, he found it encouraging that, as stated in paragraph 8(c) of the paper, some investors had made follow-on investments into four SERAP-funded companies which facilitated their further growth and development.

IV Electronic Data Interchange Service for the Textiles Trader Registration Scheme

(LC Paper No. CB(1)580/01-02(04))

23. DSCI briefed members on the Administration's proposal for engaging the Tradelink Electronic Commerce Limited (Tradelink) to provide the electronic data interchange (EDI) service for the Textiles Trader Registration Scheme (TTRS) in the third quarter of 2002. Details were set out in the information paper provided by the Administration (LC Paper No. CB(1)580/01-02(04)).

The benefits of the proposal

24. In response to the Chairman's enquiry, DSCI pointed out that the proposal could lower the trade's operation costs. The trade realized that the charge for the new EDI service at \$0.5 per Notification was no more than the current cost of a paper Notification form. Moreover, DSCI supplemented that after the launch of the new service, the Administration could achieve an annual saving of \$2.6 million.

Consultation with the trade

25. Mr HUI Cheung-ching enquired about the arrangements for consulting traders and carriers on the proposal. DSCI advised that after seeking views of the Panel, the Administration would start examining the operational details with Tradelink and would require the latter to conduct comprehensive consultation with traders and carriers to ensure the services it provided would be to the trade's satisfaction. He emphasized that the Administration would closely monitor the whole consultation process.

26. The Chairman questioned the above consultation arrangement. DSCI advised that the Administration had consulted the Textiles Advisory Board, all registrants (about 20,000) under TTRS, and carrier associations in November 2001 and had obtained their support for the proposal in principle. As the consultation with traders to be conducted later would focus on operational details and technical aspects, it would be more appropriate to be undertaken directly by Tradelink. The Principal Assistant Secretary for Commerce and Industry added that since Tradelink was the exclusive service provider of EDI services, users' problems could be more effectively solved if the consultation was to be conducted by Tradelink directly. He added that Tradelink was also responsible for consulting the trade regarding the government's extension of EDI services to various trade-related documents in the past.

27. The Chairman stressed that based on past lessons and experience, the Administration should closely monitor the development of the EDI services and urge Tradelink to strengthen its communication with all traders and carriers with a view to solving any technical problems. The Chairman concluded that the Panel supported the proposal to provide the EDI service for TTRS in principle.

V Any other business

28. There being no other business, the meeting ended at 6:05 pm.

Legislative Council Secretariat
5 March 2002