

立法會
Legislative Council

LC Paper No. CB(1) 1235/01-02
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of Meeting
held on Monday, 14 January 2002, 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 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
Hon MA Fung-kwok
- Non-Panel Members attending** : Hon Emily LAU Wai-hing, JP
Hon Albert CHAN Wai-yip
- Public officers attending** : Item IV

Mr Raymond YOUNG
Deputy Secretary for Commerce and Industry

Ms Ellen CHOY
Principal Assistant Secretary for Commerce and
Industry

Mr M J T ROWSE
Director-General of Investment Promotion

Mr Simon GALPIN
Assistant Director-General of Investment Promotion

Item V

Mr Martin GLASS
Deputy Secretary for the Treasury

Miss Erica NG
Principal Assistant Secretary for the Treasury

Mr Simon WONG
Assistant Commissioner, Customs and Excise
Department

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

Staff in attendance : Mr S C TSANG
Senior Assistant Secretary (1)7

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1) 777/01-02)

The minutes of the meeting held on 12 November 2001 were confirmed.

II Information papers issued since the last meeting

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

III Date of next meeting and items for discussion

(LC Paper No. CB(1) 764/01-02(01) - List of outstanding items for discussion

LC Paper No. CB(1) 764/01-02(02) - List of follow-up actions)

Regular meeting

3. Members agreed that the next regular meeting would be held on Monday, 4 February 2002, at 4:30 pm to discuss the following items proposed by the Administration:

- (a) Legislative proposals arising from the "Review of Certain Provisions of Copyright Ordinance";
- (b) Update on the operation of the Applied Research Fund;
- (c) Briefing on the development progress of the Hong Kong Jockey Club Institute of Chinese Medicine Limited; and
- (d) Proposed upgrading of Governments' back-end computer system to cope with additional service providers of electronic data interchange services.

(Post-meeting note: Upon request of the Administration, the agenda was subsequently revised via LC Paper No. CB(1) 903/01-02. Items (b) and (c) were deleted from the agenda. The item on "Special Posting Allowance for Officers posted outside Hong Kong" was added.)

IV Proposal of establishing a new exhibition centre at Chek Lap Kok (LC Paper No. CB(1) 764/01-02(03))

4. Members noted that the Panel discussed and expressed general support for the proposal of establishing a new exhibition centre at Chek Lap Kok at the meeting on 12 November 2001. However, when the Finance Committee (FC) considered funding for the project at its meeting on 21 December 2001, some LegCo Members raised a number of queries and the Administration undertook to return to the Panel for further consultation on the proposal.

5. The Director-General of Investment Promotion (DGIP) said that the Administration had provided further information in the paper to address members' concerns expressed at the FC meeting. He added that there had been broad support from members on the need for a new exhibition centre by 2005 for Hong Kong to maintain its competitiveness in capturing the growing exhibition business in the Asia-Pacific region. There appeared to be general acceptance that Chek Lap Kok was the most suitable location for the centre and that the design of the new centre should be basic and simple. Moreover, in view of the considerable economic benefits generated by the project, Government's contribution towards the construction cost would seem justified.

Size and construction cost of the new exhibition centre

6. Ms CHOY So-yuk supported the establishment of a new exhibition centre at Chek Lap Kok but remarked that the proposed centre of only 50 000 m² net usable area would not meet the industry's demand for provision of 100 000 m² exhibition facilities. She also expressed concern that the new exhibition centre could not be viable and stay competitive in face of the Hong

Kong Convention and Exhibition Centre (HKCEC). As regards the construction cost for the new exhibition centre, Ms CHOY considered that the estimated cost of \$4 billion was unreasonably high and was four times as expensive as the Singapore Expo. Notwithstanding that the industry supported a column-free design for the new centre, it also proposed that the centre should comprise two large exhibition halls which could substantially lower the construction cost.

7. Mr Albert CHAN also considered the estimated construction cost for the new centre too high. Given the downward adjustment of 20% to 30% on construction cost in recent years, Mr CHAN pointed out that the estimated reduction of only 13% in construction cost for the new centre as compared with the HKCEC had not reflected the prevailing market situation. To facilitate a meaningful comparison on the construction cost of the new centre with similar facilities in the region, Mr CHAN urged the Administration to provide details on the design, facilities, target users and construction cost of exhibition facilities in selected places for members' reference. He also remarked that the Administration should provide the detailed calculation on the estimated cost for the new centre. Mr CHEUNG Man-kwong concurred that there should be room to trim down the construction cost for the new centre.

8. On the size of the new exhibition centre, DGIP said that the proposed 50 000 m² net usable area was considered sufficient to meet the forecast demand for exhibition space in 2005. Nevertheless, the Administration remained open on the matter and if the private consortium participating in the project considered that a bigger centre would be viable, the Administration would consider the feasibility of expanding the project. DGIP said that the site in Chek Lap Kok would allow for future expansion beyond the planned 50 000 m². The option of expansion to 80 000 m² had already been provided for in the agreement with the Hong Kong Airport Authority (AA). Further expansion beyond 80 000 m² would be possible but would require considerable re-planning and probably reclamation. As regards whether the new exhibition centre should be implemented in single-phase or two phases, DGIP said that the Administration recognized the industry's general preference for a single-phase development. This proposal could be pursued technically and could lower the total construction cost from the original estimate of \$4 billion to \$3.45 billion.

9. On the concern about the high construction cost for the project, DGIP stressed that \$4 billion was only an estimate based on best information available at the moment, the actual construction cost would be known after the project had been tendered on a competitive basis. He remarked that the much lower construction cost for the Singapore Expo could be attributed to the use of imported labour for constructing the centre and that the centre was built on firm land. The Administration noted members' concern on the high construction cost and would continue to look for ways to further trim down the cost.

10. As to the design of the new centre, DGIP said that the AA and the industry had formed a committee to discuss improvements and concerned parties had visited Singapore to study the design of the exhibition facilities there. DGIP referred to a letter dated 11 January 2002 from the Hong Kong Exhibition and Convention Organisers' and Suppliers' Association (HKECOSA) and confirmed that the industry's views on the design of the new centre had been fully taken into account. DGIP further clarified that the air conditioning system for the new centre would be operated hall-by-hall in order to save construction and operating costs.

11. On Mr CHAN's comments on the construction costs for the new exhibition centre and the HKCEC, DGIP said that the Administration had already made reference to the movement in relevant price index when working out the estimated construction cost for the new centre. He undertook to provide information on the movement of tender prices for construction projects of similar scale from mid 1990s to date for members' reference after the meeting.

(Post-meeting note: The Administration's response on movement of tender prices for construction projects of similar scale with the new exhibition centre at Chep Lap Kok was circulated for members' reference vide LC Paper No. CB(1) 1068/01-02 on 11 February 2002.)

12. Ms CHOY So-yuk suggested that the Panel should meet with the convention and exhibition industry to seek its views on the proposal. DGIP reiterated that the Administration had consulted the industry in making improvements on the design of the new centre and its suggestions, in particular, those made by HKECOSA had already been incorporated. To facilitate members in understanding the industry's concerns, Mr CHEUNG Man-kwong requested the Administration to provide the letter from HKECOSA for members' reference. DGIP undertook to consult HKECOSA to see whether the letter could be disclosed to members.

(Post-meeting note: The letter dated 11 January 2002 from the HKECOSA together with the Administration's response was circulated for members' reference vide LC Paper No. CB(1) 943/01-02 on 29 January 2002.)

Government support and private sector involvement in the project

13. Dr LUI Ming-wah suggested that as the project would bring considerable economic benefits for Hong Kong, the Government should consider funding all the construction cost. Mr Albert CHAN on the other hand, was of the view that as the Government had been facing huge budget deficits in recent years and that the AA had already received a sizable capital injection from the Government upon its establishment, the AA would be in a better financial position to

implement the project on its own. Mr CHAN further requested the Administration to provide information on the financial position of the AA.

14. DGIP stressed that there was a strong case for Government support for the new exhibition centre in view of the huge economic benefits to be generated. The Government had already heavily subsidized construction of the two phases of the HKCEC. International experience also revealed that government support for similar facilities was not uncommon. For instance, exhibition facilities in Singapore and Kuala Lumpur were fully funded by their governments.

15. On whether the AA should undertake the project on its own, DGIP said that the proposal to establish a new exhibition centre was initiated by the Administration in 1999 following a consultancy study confirming the need for provision of such facilities. The AA was subsequently invited to consider how to take the project forward. Given that the project was assessed to be not financially viable and that the AA must run on prudent commercial principles, it would not be possible for the AA to implement the project on its own. Regarding information on the financial position of the AA, DGIP said that he would convey Mr CHAN's request to the relevant policy bureau and it might be more appropriate for this matter to be taken up by the LegCo Panel on Economic Services. Upon members' request, the Deputy Secretary for Commerce and Industry (DSCI) undertook to follow up the matter with the AA and provide relevant information as far as possible.

CIB

16. Mr SIN Chung-kai expressed concern that in view of the low forecast return of the investment, it would be difficult to attract private investors to participate in the project. DGIP said that under the proposed tripartite partnership, the selected consortium would be allowed to obtain a return on its investment on a priority basis up to a preferred rate specified in its tender bid. Any surplus of income over the preferred return would be distributed among the three parties according to their equity contribution ratio. He believed that such arrangement could provide incentive for private investors to participate in the project.

17. On Mr NG Leung-sing's enquiry about whether consideration had been given to finance the project by obtaining loans from financial institutions, DGIP said that the Finance Bureau did seek advice from banks and financial advisers. In view that the new exhibition centre would be a risky project, lending institutions would require substantial Government guarantee for loans. This option would indeed increase Government's financial commitment for the project. Moreover, as the forecast rate of return of the project was low, it would be unattractive to potential lenders.

18. In response to Mr CHAN Kam-lam's enquiry on the sharing of the reversionary value of the new exhibition centre as mentioned in paragraph 20(b) of the paper, DGIP said that the tripartite joint venture would be dissolved at the

end of the 25-year franchise period and the Government and the AA would share the reversionary value of the new centre in accordance with their relative equity stakes up to June 2047. The Government and the AA would consider offering a new franchise to operate the centre after the expiry of the 25-year franchise period.

19. Mr CHEUNG Man-kwong stressed that should the project be able to attract private investment for its implementation, the Government should not be involved. Mr CHEUNG and Miss Emily LAU further queried the rationale for the Administration to seek FC's funding approval for the project before inviting tender. They found it difficult to support the proposal in the absence of information on the tender prices and indication of interest from the private sector to participate in the project.

CIB

20. On why the Administration preferred to seek funding approval for the Government investment before the tender, DSCI said that such course of action would give more credibility to the project and would provide prospective bidders with assurance of the Government's determination and sincerity to proceed with the project and make it a success. In view of members' concern, the Administration would review this approach and the timetable for submitting the proposal for FC's approval.

Forecast lease rates of the new exhibition centre and competition with the HKCEC

21. Dr LUI Ming-wah expressed concern about the future lease rates of the new exhibition centre and suggested that a mechanism should be put in place to control the fees level of the new centre. He reiterated that if the Government funded the entire project, it would have a greater say in the management of the centre in future and could better monitor the rates to be charged. He also requested the Administration to provide information on the likely lease rates to be charged by the new centre.

22. DGIP said that given competition from the HKCEC and counterparts in the region, it was estimated that the lease rates of the new centre would be considerably lower than facilities elsewhere in order to attract business in the initial stage. The AA's consultant estimated that on opening of the new exhibition centre, its rates might be as much as 45% below existing HKCEC rates but the differential would diminish over time as the new centre became more popular. Its rates would likely continue to be around 25% lower even in the longer term. DGIP stressed that the lease rates of the new exhibition centre would ultimately be determined by the free market and that market forces should help keep rates at the new centre competitive. DGIP further added that the Administration recognized members' concern about future lease rates of the new centre and would see what further information it could provide on fees charged by other exhibition facilities for members' reference in a future submission.

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23. Miss Emily LAU was of the view that the proposal of establishing a new exhibition centre should be considered in conjunction with other proposals for new exhibition facilities in Hong Kong, such as a possible extension of the HKCEC, so as to allow optimal use of Government resources. In response, DGIP said that the proposal of extending the HKCEC was only at a very preliminary stage and therefore unlikely to meet the forecast need of additional exhibition facilities by 2005.

24. Responding to Mr HUI Cheung-ching's concern about the mechanism for monitoring the management of the new exhibition centre, DGIP said that the Government, the AA and the private sector consortium would be represented on the Board of Directors of the joint-venture company in proportion to their equity stake. The new centre would be operated on prudent commercial principles and malpractice in the management would be unlikely.

25. The Chairman urged the Administration to take into account of members' views and provided the requested information as soon as possible.

V Briefing on the Dutiable Commodities (Amendment) Bill 2002
(LC Paper No. CB(1) 764/01-02(04))

26. Deputy Secretary for the Treasury (DST) briefed members on the Administration's proposal of extending the Open Bond System (OBS) to all bonded warehouses in Hong Kong and the Dutiable Commodities (Amendment) Bill 2002 (the Bill) to cater for implementation of the proposal.

27. Mr SIN Chung-kai and Dr LUI Ming-wah expressed support for the proposal in principle. On Mr SIN's suggestion that the Administration should consult bonded warehouse operators and dutiable goods traders on the detailed arrangements and requirements under OBS in drafting the Bill, members noted that the Administration had consulted operators and traders and incorporated their suggestions in the Bill. The Administration also noted Dr LUI's remark that the licensing requirements under OBS should be tightened and licensees should be subject to proper regulation.

28. In response to Mrs Sophie LEUNG's enquiry about benefits of the proposal to bonded warehouse owners and traders in dutiable goods, DST said that as under OBS no Customs officers would be stationed in warehouses for physical supervision of dutiable commodities, warehouse operators were not required to pay attendance fees to the government. The OBS would reduce operators' and traders' compliance costs, induce additional business opportunities and enhance Hong Kong's competitiveness in the international market.

29. On Mrs Sophie LEUNG's enquiry about measures to monitor OBS to safeguard against malpractice by warehouse operators, Assistant Commissioner, Customs & Excise Department (AC/C&ED) said that notwithstanding the withdrawal of Customs officers' attendance at bonded warehouses, the C&ED would conduct periodic inspections on warehouses and surprise checks on riskier operations, such as vanning and devanning of goods. Moreover, warehouse operators would be required to comply with enhanced record-keeping and auditing requirements. Where appropriate, C&ED would make prosecution against operators or traders for frauds and non-compliance with the statutory requirements.

30. Noting that the proposal was based on the Australian model on OBS, Mr CHAN Kam-lam enquired about the reason for adopting the Australian system. In response, AC/C&ED advised that the Administration commissioned a consultancy study in 1999 on the feasibility of extending OBS to all bonded warehouses in Hong Kong taking into account overseas experience and practices. The consultancy noted that Australia, Canada, New Zealand, Singapore, the United Kingdom and the United States had already moved to OBSs. The Australian model was recommended for Hong Kong as its duty system was the closest to Hong Kong's and the system had been modified to cater for the local circumstances. AC/C&ED added that a pilot scheme was conducted in the first half of 2001 on five randomly selected bonded warehouses. Participants had expressed strong support for the implementation of OBS.

31. As regards practices of OBS in Singapore, AC/C&ED advised that the Singaporean system was not a full OBS where all bonded warehouses were located in restricted bonded zones and movements of dutiable goods were strictly controlled in accordance with the law. The OBSs in Australia and Hong Kong were different from the Singaporean model where control of dutiable commodities was primarily based on documentary checks and individual warehouse operators were free to set up their bonded warehouses at suitable locations.

32. As to Mr CHAN Kam-lam's enquiry about appeal mechanism available to dutiable commodities traders, AC/C&ED advised that under the Dutiable Commodities Ordinance (Cap. 109), traders could apply for review of their cases by the Commissioner of Customs and Excise. Appeal against the decision of the Commissioner was handled by the Administrative Appeals Board.

VI Any Other Business

33. There being no other business, the meeting ended at 6:30 pm.