

立法會
Legislative Council

LC Paper No. CB(1) 1926/01-02
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Monday, 8 April 2002, at 4:30 pm
in the Chamber 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 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
- Members absent** : Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHEUNG Man-kwong
- Public officers attending** : For Item IV

Mr Francis HO
Commissioner for Innovation and Technology

Mrs Shirley LAU
Assistant Commissioner for Innovation and Technology
(Projects)
- For Item V

Mr M J T ROWSE
Director-General of Investment Promotion

Ms Ellen CHOY
Principal Assistant Secretary for Commerce and Industry

Mr Simon GALPIN
Associate Director-General of Investment Promotion

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

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

I Confirmation of minutes of previous meeting
(LC Paper No. CB(1) 1371/01-02)

The minutes of the meeting held on 4 February 2002 were confirmed.

II Information papers issued since last meeting

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

III Date of the next meeting and items for discussion

(LC Paper No. CB(1) 1415/01-02(01) - List of outstanding items for discussion

LC Paper No. CB(1) 1415/01-02(02) - List of follow-up actions)

3. Members agreed that the next regular meeting would be held on Monday, 13 May 2002 at 4:30 pm to discuss the following items proposed by the Administration:

(a) Report on the operation of the four funding schemes for small and medium enterprises; and

(b) Proposed new Customs Headquarters Tower.

4. In addition, Members also proposed to discuss the following items at the regular meeting on 10 June 2002:

(a) Improving the business environment of small and medium enterprises; and

- (b) Evaluation on the effectiveness of the Innovation and Technology Fund and Applied Research Fund in assisting the development of the manufacturing and service industries.

IV Review of Hong Kong Productivity Council (LC Paper No. CB(1) 1403/01-02)

5. The Commissioner for Innovation and Technology (CIT) briefed members on the findings and recommendations of the consultancy study to review the Hong Kong Productivity Council (HKPC). Details were set out in the information paper provided by the Administration (LC Paper No. CB(1) 1403/01-02). Members noted that the consultancy study was commissioned in June 2001 to assess the role, management and operation of HKPC to ensure that they remained relevant and competitive in the context of Hong Kong's economic development. HKPC accepted the report in May 2002 and agreed to make reference to the recommendations therein in re-positioning its role, focus and operation. The Administration would follow up on the recommendations of the report with HKPC.

Consultancy report

6. Mr SIN Chung-kai enquired whether HKPC/the Administration would release the entire consultancy report to the Panel and the public for information. Mrs Sophie LEUNG concurred that the report should be made public. CIT advised that in principle, he was willing to submit the report for members' reference. He also considered that releasing the report would help the Administration and HKPC in consulting the industry on its contents and ways to follow up on the recommendations concerned. He undertook to liaise with HKPC and submit the report to members after seeking its approval.

ITC

7. Mrs Sophie LEUNG enquired whether the Consultants had conducted any survey with the industry on the services currently provided by HKPC so as to gauge the actual situation. CIT replied that before the commencement of the consultancy study, HKPC had already set out its objectives and scope in detail. As far as he knew, the Consultants had organized a number of seminars and met with various industries for their views. Moreover, HKPC's staff had also been widely consulted.

The business model and funding arrangements of HKPC

8. Mr CHAN Kam-lam acknowledged HKPC's contribution to Hong Kong's industries since its establishment in 1967. However, following the restructuring of Hong Kong's economy, production industries had lost its dominant position to the service and information technology (IT) industries. Mr CHAN opined that the scope of services provided by HKPC had changed as well. Apart from HKPC, there were other service providers in the market

providing similar support services to small and medium enterprises (SMEs). As such, it was necessary for HKPC to review its role.

9. Mrs Sophie LEUNG also pointed out that the industries, particularly the IT industry, considered that HKPC, being a government-funded organization, in providing IT support services to SMEs would bring about unfair market competition and adversely affected the industries' interests.

10. In response, CIT advised that HKPC's existing IT services provided to SMEs mainly focused on system support and staff training. He stressed that since currently only a few IT support service providers were available to SMEs, HKPC still played an important role in this respect. On the level of service charges, he believed that it would be determined by market demand and supply.

11. On HKPC's support to the IT industry, CIT advised that the Consultants had recommended that HKPC should focus on improving the quality, capacity and productivity of IT service providers for further integration of IT support. He envisaged that HKPC would enhance communication and establish partnership with the IT industry to create a win-win situation in promoting the development of industrial production.

12. Mr CHAN Kam-lam expressed great disappointment that the Consultants had not examined the issue of corporatization of HKPC in detail. He commented that whether HKPC would be corporatized was directly related to its future role and work. He further enquired about the Administration's stance on this issue.

13. CIT emphasized that corporatization of HKPC was not the focus of the present review. The consultancy report had analyzed the pros and cons of corporatizing HKPC and concluded that through corporatization, HKPC could become more autonomous and more market driven. However, the Consultants pointed out that corporatization might affect HKPC's mission to serve the public, particularly in relation to addressing SME needs. The Consultants were also of the view that no matter whether HKPC would maintain its existing operation mode or be corporatized, the public service element of its mission should be retained, and that the Government should honour its long term commitment and support for HKPC. Although the Consultants' recommendation on corporatization had been carefully examined, the Administration considered that there was no urgency in resolving the issue at this stage. On the contrary, the focus should be placed on how to re-position HKPC's role and functions as well as improving its business model and funding arrangements, organization and management. Moreover, corporatization would inevitably involve the issue of funding source. CIT advised that as the smooth running of many projects related to HKPC's public service mission still relied on Government funding, it was difficult for HKPC to operate independently in the absence of Government funding at this stage. However, the Administration shared the Consultants'

view that there should be greater financial accountability and programme control concerning HKPC's financial management and funding arrangements.

The way forward

14. Dr LUI Ming-wah acknowledged HKPC's contribution to the development of local industries between the 70s and 90s. He considered the Consultants' recommendation that HKPC's future service focus should be on providing integrated support to innovative and growth oriented Hong Kong firms across the value chain disputable. Given that integrated support might involve various non-production areas, such as financial management and marketing which HKPC did not have an edge at present, Dr LUI suggested that HKPC should re-position its role and focus on developing those areas in which it had expertise i.e. projects related to productivity enhancement, such as the introduction of new production technologies and the design of new products. On geographical focus of HKPC, Dr LUI suggested that HKPC should consider expanding its support services to the entire China, instead of restricting to local SMEs in the Pearl River Delta (PRD). In addition, he also shared Consultants' views that HKPC should focus on supporting the development of local industries including electronics, machinery, toys, plastics and textiles industries instead of the service industry. CIT remarked that Dr LUI's views would be taken into consideration. He further pointed out that the consultancy study also agreed that HKPC's core competencies were on enhancing the capabilities of the manufacturing industry in technological and product development.

15. On the Consultants' recommendation that the main geographical focus of HKPC should be the PRD, Mr CHAN Kam-lam pointed out that according to existing requirements, HKPC's spending on services provided outside Hong Kong should not exceed 10% of its overall expenditure. Unless the ratio was revised, the future expansion of HKPC's services to the PRD would be restricted. Moreover, Mr CHAN was concerned that HKPC, by allocating its resources to the PRD, might be misunderstood as utilizing local resources to subsidize industrial development outside Hong Kong.

16. CIT agreed that HKPC should maintain a proper balance in utilizing its resources for providing support services to local industries and industries outside the territory. As regards the ceiling on HKPC's expenditure on provision of services outside Hong Kong, CIT advised that it was only an administrative indicator determined by the HKPC Council and did not carry legal effect. The HKPC Council might consider revising such indicator if necessary.

17. Mr HUI Cheung-ching asked whether the Consultants were aware of the high operating costs of HKPC during the review. In response, CIT said that due to historical reasons, the remuneration of HKPC's staff was linked to that of the civil service, resulting in HKPC's high operating costs. In view of this, the Consultants had recommended that the personnel principles for HKPC should include flexible employment terms; lean core of highly competent permanent

staff supplemented by contract/temporary staff to ensure the optimal utilization of resources and reduce operating costs.

18. In view of the relocation of industries to the Mainland, Mr HUI Cheung-ching suggested that HKPC should consider subsidizing SMEs engaging in manufacturing industries in the Mainland to employ local experts to conduct scientific researches, so as to reduce the operating costs of enterprises. CIT said that he would take Mr HUI's views into consideration when following up on the Consultants' recommendations.

Conclusion

19. The Chairman welcomed HKPC's consultancy study to review its role, management and operation to ensure that they remain relevant in the context of Hong Kong's economic development. On the relocation of industries to the Mainland, he opined that local industries still regarded Hong Kong as their base notwithstanding the shift of their production or manufacturing processes to the PRD. Pointing out that the PRD was one of the most productive manufacturing base in the world, he suggested that HKPC should consider relaxing the ratio of expenditure incurred in providing services outside the territory to support Hong Kong enterprises operating in the region.

V Briefing on the work of inviting international private sector consortia to develop the proposed new exhibition centre at Chek Lap Kok (LC Paper No. CB(1) 1415/01-02(03))

20. The Director-General of Investment Promotion (DGIP) briefed members on the results of the Administration's recent overseas meetings with key exhibition centre operators and exhibition companies in Europe and North America and on the way forward for the new exhibition centre project at Chek Lap Kok.

Interest in the new exhibition centre project

21. In reply to Mr CHAN Kam-lam's enquiry about interest of overseas exhibition companies and centre operators in participating in the project, DGIP advised that there had been very encouraging responses from the organizations met and 19 organizations had specifically requested to be included at the "expression of interest" (EOI) stage of the project. The Administration envisaged that at least five of them would compete for the right to take part in the project. In addition, two overseas conglomerates had taken initiative to express interest in bidding for both the construction and financing of the new exhibition centre.

22. On the details of these organizations/conglomerates, DGIP said that they were predominantly operators of world's major exhibition centres with plentiful international experience in management of exhibition facilities, while some were also owners of renowned exhibition centres. As all these organizations/conglomerates were potential competitors of the project, DGIP considered it inappropriate to disclose their names and further information about them at the present stage.

23. Since only two out of 21 organizations/conglomerates had indicated interest in bidding for financing the project, Miss CHOY So-yuk expressed concern whether the project would be able to attract investors. In reply, DGIP advised that the Administration was looking for a private sector consortium which would contribute to the cost of constructing the new centre, with expertise in the design and construction of exhibition facilities, and international experience in the management and operation of exhibition facilities and business. Consortia with strong Hong Kong knowledge would gain certain advantages over other competitors. DGIP added that the 19 organizations which had specifically requested to be included at the EOI stage understood the need to seek investors in forming consortia in order to compete for the project. The Administration was aware that some organizations were in the process of identifying potential partners for financing the project. As such, the Invest Hong Kong and the Airport Authority (AA) had jointly operated an information matching scheme to help potential participants finding each other to facilitate the formation of private sector consortia.

Design, size and construction cost of the new exhibition centre

24. Dr LUI Ming-wah appreciated the efforts made by the Administration in the past few months in pressing ahead with the project. On the design of the new exhibition centre, Dr LUI was of the view that it should be practical but presentable and capable of meeting the needs of the exhibition industry. He further enquired whether the private sector consortium selected would be responsible for the design of the new centre and whether the Administration would provide guidelines in this respect.

25. Noting that most renowned exhibition centres began from a modest base and expanded incrementally in response to market demand and that centre operators which the Administration met had confirmed that only a few international trade fairs in Asia would need an exhibition space of 50,000 m² or more, Mr MA Fung-kwok enquired about the justification for expanding the size of the new centre from 50,000 m² net usable area to 100,000 m² as indicated in paragraph 8 of the information paper. He also asked whether consortia competing for the project would be given option to develop the centre in phases. On the other hand, Miss CHOY So-yuk stressed that it was the consensus of the exhibition industry that the new centre should have at least a net usable area of 100,000 m² if it were to be viable and to stay competitive in face of the Hong Kong Convention and Exhibition Centre (HKCEC).

26. As regards construction cost for the new centre, Mr CHAN Kam-lam cast doubt on whether the Administration's proposed contribution of \$2 billion would be sufficient in view that the size of the centre had been increased to 100,000 m². As the private sector had shown keen interest in investing in the project, the Chairman asked whether the Administration would consider contributing less towards the construction cost of the new centre.

27. In response, DGIP said that given the different views expressed by Legislative Council Members, the exhibition industry and international centre operators on the three key variables of the project, viz. size, design and cost, the Administration considered that the EOI stage would be the best means to strike a balance between these variables. To achieve this, the Administration would set out broad parameters for the EOI process. The Airport Authority (AA) would make available a site for developing a 100,000 m² net usable area of exhibition facility on the existing airport island. Private sector consortia would be invited to provide a business plan for a facility of 80,000 m² to 100,000 m². The Administration would make an equity contribution of a maximum of \$2 billion towards the cost of the centre and necessary infrastructure. Private sector consortia would have much flexibility in formulating their proposals at the EOI stage. The Administration could then make a firmer view on the project and work out the details for the tendering stage.

28. As far as the design of the new centre was concerned, DGIP said that it would be a decision for the private sector consortia taking into account the broad parameters. If a consortium was prepared to contribute more to the construction cost for a sophisticated design which it considered might be beneficial to the centre's business and hence increase the return of its investment, it would make such a proposal in its business plan at the EOI stage. In this regard, DGIP assured members that the Administration and the AA would ensure that the design of the new exhibition centre would be respectable and compatible with Hong Kong's economic role and its international image.

29. In respect of the size of the new exhibition centre, DGIP stressed that the Administration fully recognized the industry's view that a 50,000 m² facility would not meet the market demand. Taking into account feedback from international exhibition centre operators, the Administration considered that the new centre should have a net usable area between 80,000 m² to 100,000 m². Private sector consortia would be required to include in their business plans submitted at EOI stage their preferred optimal size of the centre and how they would develop the centre up to the target size of 100,000 m². DGIP added that while the Administration would look at the merits of individual business plans, it would prefer a proposal to provide a larger exhibition centre as soon as possible.

30. On the construction cost of the new centre, DGIP said that the organizations which the Administration had met were familiar with the cost estimates for the facility quoted by the Administration including the different

estimates for constructing the centre in a single phase (i.e. \$3.45 billion) or in two phases (i.e. \$4 billion). DGIP reiterated that the government was prepared to contribute up to \$2 billion for the project and confirmed that it would not pursue its original proposal to require a dollar-for-dollar matching investment from the private sector consortium. In essence, if the total construction cost of the new centre was \$2.5 billion, the private sector consortium would need to meet the balance of \$0.5 billion. As regards whether the Administration would contribute less towards the construction cost, DGIP said that there would be room for considering this issue during the tendering stage. He stressed that in principle, the Administration would prefer a consortium which would contribute more to the construction cost so that the government's share could be reduced.

31. Responding to Mr HUI Cheung-ching's concern about the low forecast financial return of the project, DGIP stressed that the Government economist estimated that the new exhibition centre would generate enormous economic benefits including promoting trade for Hong Kong, creating new jobs and enhancing the tourism industry. He added that international experience revealed that government support for exhibition facilities was not uncommon and was indeed necessary to bring about success for the projects.

Future expansion of the new exhibition centre

32. Referring to the successful National Exhibition Centre in Birmingham which had set aside space adjacent to its permanent facility for provision of temporary structure to cater for occasional very large scale events, Miss CHOY So-yuk opined that the Administration should identify suitable land in the vicinity of the new exhibition centre for provision of temporary exhibition facilities.

33. In response, DGIP affirmed that the AA would make available a site on the existing airport island for a permanent exhibition centre of 100,000 m² net usable area. As to whether space would be available for provision of temporary exhibition facilities, DGIP said that while the Administration did not envisage such need in the near future, the AA would review the situation from time to time in the light of market demand for exhibition space and taking into account various competing demands for land on the existing airport island, in particular those for airport-related facilities.

34. On Miss CHOY So-yuk's suggestion that the Administration should explore the feasibility of providing additional space in other parts of the Lantau island for provision of temporary exhibition facilities and future expansion of the new centre, DGIP advised that the Administration had examined other sites but due to lack of necessary infrastructural facilities, none of them were identified suitable so far.

Management of the new exhibition centre

35. Miss CHOY So-yuk expressed grave concern over the monopoly in the present management of the HKCEC. In order to avoid recurrence of the problem, Miss CHOY opined that the Administration should require the private sector consortia to include details on the proposed management arrangement of the new centre, such as fees to be charged, in their business plans.

36. In response, DGIP said that the Administration noted Members' concern over the existing arrangement in the management of the HKCEC which was a result of several historical reasons. In order to promote competition in the provision of exhibition space, the Administration had decided that the management and operation of the new exhibition centre should be independent of that of the HKCEC and the parties involved in the latter's management would be excluded from participating in the project. The private sector consortia would have to state their proposed rate of preferred return in the business plans which would include details on management arrangements. He assured members that more details in this area would be available after the EOI stage.

Timing for seeking funding approval

37. In reply to the Chairman's enquiry, DGIP advised that the Administration's intention was to commence the EOI stage in May or June 2002. On conclusion of the EOI stage, a small number of potential partners would be shortlisted and the Administration would firm up the proposal and seek the Finance Committee (FC)'s approval for the government contribution before the end of the current legislative session. The Administration might consult the Panel on the finalized proposal before submitting it to the FC. If there was slippage, the Administration would need to defer its submission to the FC to October or November 2002 and proceed with tendering in the first quarter of 2003. As construction would take about two years, the new exhibition centre would commence operation by mid-2005. This would tie in with the scheduled opening of the Hong Kong Disneyland to provide synergy between the two new facilities in attracting business travellers to the centre accompanied by their families for leisure.

VI Any other business

38. There being no other business, the meeting ended at 6:25 pm.