

立法會 *Legislative Council*

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Report of the Panel on Commerce and Industry for submission to the Legislative Council

Purpose

The report gives an account of the work of the Panel on Commerce and Industry during the Legislative Council session 2002-2003. It will be tabled at the meeting of the Council on 2 July 2003 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to trade and industry matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 11 members, with Hon Kenneth TING Woo-shou and Hon HUI Cheung-ching elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is at **Appendix II**.

Major work

Trade facilitating initiatives

4. The outbreak of the Severe Acute Respiratory Syndrome (SARS) in Hong Kong since March 2003 had dealt a heavy blow to commercial and trade activities and disrupted participation in local and international trade fairs. The Swiss Government's decree barring Hong Kong exhibitors from participating in the World Jewellery and Watch Fair 2003 held in Basel/Zurich in early April 2003 had aroused grave concern in the business community. The Panel met with affected traders to hear their views and discussed with the Administration on follow-up actions. Members shared the views of the trade that the measures imposed by the Swiss Government were unreasonable.

They urged the Administration to request the Central People's Government (CPG) to take up the matter with the Swiss Government and to lodge a complaint with the World Trade Organization (WTO), as well as to assist affected exhibitors in seeking compensation. As Hong Kong was autonomous in handling matters relating to trade relationships with other economics, the Administration considered it inappropriate to seek diplomatic mediation from CPG. Nonetheless, the Administration had expressed strong protest to the Swiss Government and sought clarification on the decree under relevant provisions of the WTO Agreements. The Administration undertook to follow up the matter. The Panel noted that the Trade Development Council had refunded part of the deposits paid by exhibitors to help them resolve cash flow problem and was negotiating with the fair organizer on compensation arrangements. To prevent recurrence of similar incident and avoid disruption to upcoming local or overseas trade fairs, members called on the Administration to keep close contact with event organizers and foreign governments updating them on Hong Kong's situation regarding SARS and our efforts in combating the disease. They believed that these measures would avoid imposition of unnecessary restrictions on Hong Kong exhibitors and assure business visitors that Hong Kong was a safe place and that activities had back to normal.

5. In order to bring in competition for the provision of front-end Electronic Data Interchange (EDI) services to the trading community, the Panel supported appointing more service providers after the expiry of Tradelink's franchise by the end of 2003. Members noted that while Tradelink would continue to provide the service on a non-franchise basis, the Administration had conducted a tendering exercise and appointed another new service provider. The Administration undertook to continue monitoring the operation of the two service providers with a view to ensuring there would be no unfair competition and conducting a review in 2004 on the need for appointing more service providers taking into account possible impact of the liberalization of quotas in textiles trade on the demand for EDI service.

6. With the launch of the EMAN service in April 2003 to enable carriers to submit their cargo manifests electronically to the Government via service providers, the Administration consulted the Panel on the proposal to enhance its back-end computer system for the service. Since the non-recurrent cost for the project amounted to some \$62 million, members had sought information on the concrete benefits to the trading community and the Government. Members noted that the project would facilitate the Customs and Excise Department to focus enforcement on high-risk consignments thus reducing disruption to legitimate trade. Moreover, integration of discrete computer systems in different departments and automation in work processes would enhance customs clearance, enable more timely processing of manifests and licences, and issuance of reminders to traders for lodging trade declarations. As such, the project would enhance Hong Kong's competitiveness in

international trade, and conducive to its development as a logistic hub. On benefits to the Government, the project would enable deletion of 31 posts and achieve a net annual recurrent saving of \$1.1 million. The Panel supported the proposal on grounds of increased efficiency in customs cargo clearance, trade statistics compilation and trade licensing control operations. On members' concern about the implementation period for the project, the Administration had undertaken to expedite the process and endeavoured to complete the project as soon as possible.

7. The Panel was also briefed on the proposal to simplify licensing requirements for import, export and transshipment cargoes. Members supported the proposal removing licensing control on 13 categories of articles to facilitate the operation of trade and reduce compliance burden on traders. Due to concern about security and public safety risks, members were of the view that existing control measures on strategic commodities, firearms and ammunition should be maintained. The Administration assured members that it had no intention to relax control on these articles and undertook to review the matter in consultation with the trade and consult overseas governments.

8. With a view to facilitating the trade in rough diamonds and safeguarding Hong Kong's interest as a trading hub of diamonds in the region, the Panel supported Hong Kong's participation in the international certification scheme for rough diamonds which aimed at stopping trade in diamonds to finance armed conflicts and rebelling activities. The Administration had developed a control regime on trading and handling of rough diamond requiring registration and licensing of traders. On members' concern about compliance burden on the trade, the Administration stressed that the regime would be kept as simple as possible to reduce cost to the industry.

9. The Panel supported the implementation of the Container Security Initiative proposed by US Customs in Hong Kong to step up security measures identifying and screening high-risk containers heading for US ports. Members concurred that the proposal was vital in maintaining Hong Kong's status as an important container port and would facilitate smooth flow of US-bound containers since pre-screened containers would normally not be inspected again after arrival at US ports. Members further noted that the Administration had conducted a test run in advance submission of cargo information in collaboration of the trade and started implementation of a pilot scheme in May 2003.

Protection of intellectual property

10. Acknowledging that implementation of the new Trade Marks Ordinance enacted in 2000 would benefit users as procedures for registering marks would be simplified to reduce cost involved and new measures would be introduced to enhance protection for registered marks, the Panel supported commencement of

the Ordinance in April 2003. On authorized distributors' concern about the absence of a mandatory labeling system to identify parallel importers on the concerned trade mark goods, while members appreciated that the system might not offer real protection to consumers as they could not sue the importers concerned for unsatisfactory quality of the parallel imported goods since there was no contractual relationship between consumers and the importers, members had urged the Administration and the Consumer Council to step up education and publicity programmes to promote consumers' awareness of parallel imported goods, in particular consumers' rights and available remedies relating to defective goods. Members had also examined the draft Trade Marks Rules which provided for the technical details and procedures of trademark registration. They supported the Rules and noted that the Administration had sought the views of trade associations and trade marks practitioners and introduced changes to address their concerns.

11. On the legislative proposal to prescribe the copyright registers of the US, Canada and India to facilitate copyright owners in producing proof of copyright ownership in legal proceedings against copyright infringement, notwithstanding members agreed that the proposal would relieve difficulty of overseas copyright owners in providing true copies of the works in the legal proceedings, they strongly requested the Administration to consider establishing a copyright register in Hong Kong before proceeding with the proposal so that local copyright owners could also benefit from the relaxed requirement. The Administration undertook to consider members' views and revert to the Panel in due course.

Support for small and medium enterprises

12. The Panel continued to monitor the operation of the four Small and Medium Enterprises (SMEs) funding schemes set up in late 2001 for providing financial support to SMEs for securing loans, enhancing human resources, expanding overseas markets and improving overall competitiveness. In order to address the needs of SMEs more fully and effectively, the Panel welcomed the expeditious review on the four schemes conducted by the SME Committee and supported its recommendation put forward in December 2002 to raise the ceilings of the loan guarantee or grant for individual SMEs, broaden the scope of individual schemes, relax loan repayment period and simplify the application procedures.

13. Recognizing the negative impact of SARS outbreak on SMEs, the Panel appreciated the Administration's initiative to introduce further improvement measures in June 2003 to increase the maximum amount of grant per SME for the SME Export Marketing Fund and the subsidy level per successful application under the SME Training Fund, as well as providing flexibility in managing the resources available to these two schemes and the SME Development Fund to better meet the needs of SMEs according to actual

demand and take up rate of the three schemes. Members agreed that the new measures would help SMEs to strengthen efforts in export promotion. Besides re-establishing their overseas network to regain the confidence of existing customers, with increased financial assistance, SMEs could participate in more promotional activities to expand their overseas market and reach out to new customers. On members' concern about the low response rate of the SME Training Fund, the Administration explained that this might be due to the difficulty for SMEs in deploying employees to attend training. The Administration took note of members' suggestion to further reach out to SMEs in providing information on training programmes relating to information technology (IT) and accountancy which were important for operation of SMEs.

Promoting investments to Hong Kong

14. Noting the importance of foreign investments in Hong Kong's economic growth, the Panel was keen to know the work and efforts of Invest Hong Kong (InvestHK) in attracting investments. The Panel examined InvestHK's proposal of using \$200 million in the coming five years to boost investment promotion work and discussed how the new resources should be deployed to achieve effective results. In particular, members suggested putting more resources in new markets with great potentials for attracting investments to Hong Kong, increasing joint market activities with the Pearl River Delta (PRD) cities in promoting Hong Kong as a two-way platform for Mainland and foreign companies in doing business, and devising appropriate strategies to relaunch Hong Kong in rebuilding its image and restoring the confidence of the international community following the SARS outbreak. The Administration also took note of members' view on the need to develop result-oriented indicators for engaged consultants undertaking promotional activities to ensure cost-effective use of the resources, and to compile information on overseas investment for better assessment in results of projects.

15. Recognizing that provision of a new exhibition centre in Chek Lap Kok would help maintain Hong Kong's competitiveness in capturing the growing exhibition business in the Asia-pacific region and attract overseas investment, the Panel followed new developments on the project closely. The Administration reported on the outcome of the expressions of interest (EOI) exercise inviting local and overseas private consortia to participate in the financing, design, construction, management and operation of the exhibition centre. Members noted that the Administration in conjunction with the Airport Authority had short-listed four consortia from over 10 EOI submissions received and set key parameters to prepare for tendering of the project. In respect of the parameter on cost, while some members expressed concern over the huge Government investment of \$2 billion in the project which amounted to 85% of the first phase of the centre, other members supported the Government contribution in view of the economic benefits associated with the project such as attracting overseas investment, creating jobs, promoting tourism and

stimulating Hong Kong's economic growth. As regards members' concern about Government's role in the project, the Administration assured that the Government would be represented on the Board of Directors of the joint venture to ensure proper monitoring on the construction of the project and future operation of the centre. Moreover, the joint venture would enter into a separate service agreement with the operator which could be terminated in the event of breach of contract or unsatisfactory performance. Construction of the centre was expected to commence within 2003 to meet the target completion date of 2005.

Infrastructural support for technology-related industries

16. The Panel was briefed on the Administration's progress in following up the recommendations of the consultancy study to review the role, management and operation of the Hong Kong Productivity Council (HKPC). The Panel welcomed HKPC's decision to cease production of equipment and products for marketing purpose, stop undertaking customized IT services for individual companies or organizations and bidding government IT projects unless acting as a project management capacity or teaming up with other private services providers. Members considered that these measures would address members' concern about HKPC's involvement in IT sector which might pose unfair competition to private companies. However, some members had expressed reservation over HKPC extending its operation to PRD which might have resource implication and conflict with its mission of providing assistance to industries in Hong Kong. The Administration explained that the proposal was in response to industrial development in Hong Kong where increasing number of local enterprises had moved their production base to PRD. HKPC would provide start-up fund for establishing enterprises in PRD to provide integrated support and services to Hong Kong firms operating there. These enterprises would be running on a full cost recovery basis in the long term.

17. The Panel noted that the Administration had developed a three-tier system to evaluate the performance of completed projects of the Innovation and Technology Fund (ITF) at individual project level, ITF programme level and through studies impact on specific technology area, or sectors of industry. Besides expressing support for the evaluation framework to help measure outcome of projects and meet the need for accountability in using public money, members agreed that evaluation criteria should include parameters such as successful commercialization of the project results, adoption of the new technology by the relevant industry, and the number of patents filed etc. On the allocation of resources under ITF, members concurred that funds should be used to upgrade the technologies for Hong Kong's foundation industries such as plastics, textile, and electronics.

18. The Panel examined the findings of the review on the role and future of the Applied Research Fund (ARF). On the operation of ARF, while members concurred that the Administration should continue to engage private sector fund managers to manage investment projects under the fund, they stressed that the performance of these professionals should be monitored and regularly assessed to ensure profitable returns of projects. As regards the performance of investment projects, members noted that despite the downturn in technology business in recent years, some investee companies had managed to weather the storm and became listed and expanded their operations. On the whole, the Panel affirmed the role of ARF in furthering and supporting innovation and technology development in Hong Kong.

19. The Panel was briefed on the progress on the development of nanotechnology in Hong Kong. Members noted that the Administration had provided more than \$107 million in the past few years to support basic and applied research projects in this technology area and invited applications from universities to undertake new researches. Members suggested encouraging collaborations among universities in conducting researches and promoting exchanges between research institutions in Hong Kong and the Mainland.

20. During the deliberation of the proposal put forward by the Hong Kong Science and Technology Parks Corporation to set up an integrated-circuits (IC) development support centre with a commitment of \$72.6 million to provide IC design support facilities to concerned companies, members agreed that the Centre would contribute to promoting technology development in areas which Hong Kong had competitive advantages and the development of electronics industry. On members' suggestion of providing incentives to encourage overseas companies to set up production line of IC products in Hong Kong, the Administration considered that while IC design was a value-added industry which Hong Kong had potential to develop, production of IC products would require huge investment in capital and land which Hong Kong might not afford.

Panel on Commerce and Industry

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council
Panel on Commerce and Industry**

Membership list

Chairman	Hon Kenneth TING Woo-shou, JP
Deputy Chairman	Hon HUI Cheung-ching, JP
Members	Dr Hon LUI Ming-wah, JP Hon NG Leung-sing, JP Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP Hon CHEUNG Man-kwong Hon CHAN Kam-lam, JP Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP Hon SIN Chung-kai Hon Henry WU King-cheong, BBS, JP Hon MA Fung-kwok, JP (Total : 11 members)
Clerk	Ms Connie SZETO
Legal Adviser	Miss Anita HO
Date	10 October 2002