

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2131/03-04  
(These minutes have been seen by  
the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Thursday, 13 April 2004, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Kenneth TING Woo-shou, JP (Chairman)  
Hon CHEUNG Man-kwong  
Hon SIN Chung-kai  
Hon Henry WU King-cheong, BBS, JP
- Members absent** : Hon HUI Cheung-ching, JP (Deputy Chairman)  
Dr Hon LUI Ming-wah, JP  
Hon NG Leung-sing, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHAN Kam-lam, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon MA Fung-kwok, JP
- Public officers attending** : **Item IV**
- Mr K Y TANG, JP  
Government Economist  
Financial Services and the Treasury Bureau
- Miss Mary CHOW  
Deputy Secretary for Commerce, Industry and  
Technology(Commerce and Industry)
- Mr K B SO  
Principal Assistant Secretary for Commerce, Industry  
and Technology(Commerce and Industry)
- Mrs MAK LOK Suet-ling, Susan, JP  
Deputy Director of Administration

Mr CHU Chan-pui, Francis  
Principal Executive Officer (Administration)

**Item V**

Mr Raymond YOUNG, JP  
Acting Permanent Secretary for Commerce, Industry  
and Technology (Commerce and Industry)

Mr Kevin HO, JP  
Director-General of Trade and Industry

Mr Philip YUNG  
Deputy Director-General of Trade and Industry

**Item VI**

Mr Anthony WONG, JP  
Commissioner for Innovation and Technology

Mrs Sarah KWOK, JP  
Deputy Commissioner for Innovation and  
Technology

Mr Brian LO  
Assistant Commissioner for Innovation and  
Technology

Mr YEUNG Tak-keung  
Assistant Commissioner for Innovation and  
Technology

**Clerk in attendance :** Miss Polly YEUNG  
Chief Council Secretary (1)3

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

Ms Sharon CHAN  
Legislative Assistant (1)6

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**I Confirmation of minutes of meeting**

(LC Paper No. CB(1)1319/03-04 -- Minutes of meeting held on 9 February 2004)

The minutes of the meeting held on 9 February 2004 were confirmed.

**II Date and items for discussion for the next meeting**

(LC Paper No. CB(1)1470/03-04(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1470/03-04(02) -- List of follow-up actions)

2. The Chairman reminded members that the Panel would hold a special meeting on Friday, 23 April 2004 at 10:45 am to discuss the following items:

- (a) Policy and role of the Trade Development Council in organizing trade fairs; and
- (b) Transition before implementation of electronic submission of cargo manifest.

3. On 2(b), the Clerk explained that the Administration would like to consult the Panel on the proposal having regard that relevant subsidiary legislation would be introduced to the Legislative Council (LegCo) shortly for scrutiny.

4. Members also agreed that the next regular Panel meeting would be held on Monday, 10 May 2004 at 4:30 pm to discuss the following items:

- (a) DesignSmart Initiative;
- (b) Implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); and
- (c) Review of the Trade Descriptions Ordinance and related subsidiary legislation in the light of the development of CEPA.

5. Having regard that there were currently two service providers for provision of Government Electronic Trading Services (GETS), Mr SIN Chung-kai proposed to invite the Administration to brief the Panel on the latest development of and competition in the GETS market after its liberalization. Members agreed to include the item proposed by Mr SIN in the Panel's list of outstanding items for discussion. The Secretariat would liaise with the Administration on the discussion of the item in due course.

**III Papers issued since last meeting**

(LC Paper No. CB(1) 1388/03-04(01) -- Information note on "The General Agreement on Trade

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in Services” prepared by the  
Research & Library Services  
Division of LegCo  
Secretariat)

6. Members noted that the above paper had been issued for their reference since the last meeting.

**IV Re-organization involving Commerce, Industry and Technology Bureau and Financial Services and the Treasury Bureau**  
(LC Paper No. CB(1)1470/03-04(03))

7. The Government Economist, the Financial Services and the Treasury Bureau (G Econ) briefed members on the proposed reorganization of functions involving the Commerce, Industry and Technology Bureau (CITB) and the Financial Services and the Treasury Bureau (FSTB), details of which were set out in the information paper provided by the Administration.

8. Mr SIN Chung-kai supported the Administration’s re-organization proposal. Given that the proposal was cost-neutral and would enhance the operation efficiency of the units concerned, Mr SIN considered the re-organization arrangements cost-effective.

9. Sharing Mr SIN’s view, Mr Henry WU supported the re-organization proposal. He was concerned whether the establishment could be further streamlined through re-organization. Referring to the Economic Analysis and Business Facilitation (EABF) Unit to be formed by merging the existing Economic Analysis Division (EAD) in the Financial Services Branch (FSB) of FSTB and Division 4 in the Commerce and Industry Branch (CIB) of CITB, he enquired how the new unit would report its work to the relevant Panels of the Legislative Council.

10. G Econ advised that streamlining the establishment and controlling expenditure were currently the fundamental principles of the Government in managing resources. The newly-formed EABF Unit would conduct review from time to time in the light of the above principles with a view to identifying further savings in terms of resources and establishment. Notwithstanding the merging exercise, the newly-established EABF Unit would take over the respective responsibilities undertaken by the existing EAD in FSTB and Division 4 in CIB. Meanwhile, the EABF Unit would also be required to provide secretariat and administrative support for the Economic and Employment Council (EEC) chaired by the Financial Secretary (FS), as well as to advise FS directly on issues relating to promoting economic development, business facilitation and creating employment opportunities. While resources provision remained unchanged, the overall functions to be performed by the EABF Unit were more than those being discharged by EAD in FSTB and by Division 4 in

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CITB. G Econ stressed that the re-organization proposal would contribute to enhance productivity.

11. As regards the reporting mechanism, G Econ pointed out that under the existing arrangements, FS, together with G Econ, would brief the Panel on Financial Affairs on the macro economic situation at least twice a year. Matters relating to business facilitation would continue to be followed up by the Panel on Commerce and Industry (CI Panel). Members also noted that the corresponding Panel of the CIB of CITB was CI Panel. Subject to members' views, G Econ considered that the above reporting arrangements could be maintained. Members raised no objections to the arrangements in question. The Chairman also urged the Administration to consider Mr Henry WU's suggestion of examining the feasibility of further streamlining the establishment through re-organization to enhance efficiency.

12. The Chairman said that Members of the Liberal Party supported the re-organization proposal put forward by the Administration. However, he was concerned about the adjustments to the ceiling placed on the total notional annual mid-point salary (NAMS) value of non-directorate posts under the relevant Heads set out in paragraph 1(b) of the paper. G Econ explained that the upward adjustments under Head 142 would be offset by the savings achieved under Heads 148 and 152. In other words, the total NAMS value of non-directorate posts would not increase as a result of the re-organization proposal. In response to the Chairman's enquiry about the 28 non-directorate posts in the existing EAD of FSB as mentioned in paragraph 6 of the paper, G Econ advised that all these non-directorate posts would be permanently redeployed to FS's Office to meet the staffing requirement of EAFB Unit. Regarding the arrangement stated in paragraph 8 of the paper that "an additional NAMS value of \$2,620,932 would be transferred from Head 152 to 142" as referred to by the Chairman, G Econ advised that this arrangement was a redeployment of internal resources for the implementation of the re-organization proposal and did not involve any additional costs.

13. The Chairman concluded that members noted and supported the proposed re-organization of CITB and FSTB.

**V Financial implications for hosting the Sixth World Trade Organization Ministerial Conference**  
(LC Paper No. CB(1)1470/03-04(04))

14. The Director-General of Trade and Industry (DGTI) briefed members on the proposal of hosting the Sixth Ministerial Conference (MC6) of the World Trade Organization (WTO) and its financial implications. Details were set out in the information paper provided by the Administration.

15. Mr CHEUNG Man-kwong advised that while Members of the Democratic Party supported in principle the Government's hosting of MC6, they had

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reservation about the proposed net creation of three supernumerary directorate posts in the Trade and Industry Department (TID). He considered that the proposal was at variance with the consensus reached earlier on by LegCo Members on the creation of directorate posts in the civil service whereby the Administration should make efforts to identify and delete directorate posts for offsetting purposes. Mr CHEUNG Man-kwong was concerned whether the Administration had considered meeting the requirement for additional supernumerary directorate posts arising from hosting MC6 through internal redeployment.

16. In response, DGTI indicated that the Administration had considered addressing the above problem through internal staff redeployment. However, the directorate staff of CITB and its departments were at present fully occupied with their own schedule of responsibilities and did not have any spare capacity to take on the preparation work arising from hosting MC6. In this connection, it was impossible to meet the additional staffing requirement at the directorate level through redeployment. He pointed out that in the past, the Government of the Hong Kong Special Administrative Region had participated in WTO's Ministerial Conferences (MC) merely as a member to represent Hong Kong only and was not involved in the wide range of preparation work. On the other hand, being the host of MC6, Hong Kong had to take charge of and coordinate all the negotiations of the conference and related matters. Hong Kong must fully understand and take note of WTO members' concerns in order to provide support and assistance. As such, DGTI anticipated that the workload arising from hosting MC6 would be substantial and complicated. Although TID and the Hong Kong Economic and Trade Office in Geneva (Geneva ETO) would participate actively in the preparation of MC6, e.g. to study and plan for the security arrangements during the conference, to liaise closely with the non-governmental organisations of WTO member states, etc, it was still necessary to have a dedicated directorate officer who possessed the relevant experience to take charge of the proposed WTO Sixth Ministerial Conference Coordination Office (the Coordination Office) and plan for the entire conference. Given the extensive scope of planning involved, DGTI considered it inappropriate to deploy any officer from the existing establishment to take up the duties. He said that the Administration appreciated Mr CHEUNG's concern and LegCo Members' consensus over the creation of directorate posts in the civil service. As the three directorate posts proposed to be created were only supernumerary posts with a duration of 15 months and would lapse after MC6, DGTI hoped that members would consider the proposal on exceptional grounds.

17. Mr CHEUNG Man-kwong was not convinced that the proposal to create three supernumerary directorate posts warranted exceptional consideration. He stressed that if members acceded to the Administration's request and approved the net creation of three supernumerary directorate posts for hosting MC6, other bureaux/departments would follow suit by putting up similar requests to enlarge their establishment. As a result, there would again be an increase in the number of directorate posts.

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18. Noting that under the present proposal, the three supernumerary directorate posts would be created for a maximum period of 15 months in the second half of 2004 and that WTO had not yet decided on the exact dates of MC6, Mr CHEUNG Man-kwong was concerned that the duration of the three proposed posts would likely be further extended if MC6 was not held in the third quarter of 2005 as expected. If the creation of such posts was approved on this occasion, the duration of the posts might need to be extended at that time. He urged the Acting Permanent Secretary for Commerce and Industry (Commerce and Industry) (PSCIT) to strive to identify directorate posts in other bureaux/departments for deletion so as to offset the supernumerary directorate posts proposed to be created under the present proposal. Mr CHEUNG Man-kwong further pointed out that in recent years, the overall establishment of the civil service had been reduced from about 190 000 to about 160 000. While the number of non-directorate posts had in particular been drastically reduced, the directorate establishment could maintain a zero growth. He considered such a situation unfair.

19. PSCIT responded that after reviewing the existing establishment, the Administration had found it impossible to make internal resource redeployment or identify any directorate posts for deletion at this stage to offset the three supernumerary directorate posts proposed to be created in TID. Although WTO had not yet decided on the timing of MC6, according to the usual practice, WTO's MC would be convened at least once every two years. Having regard that MC5 was held in Mexico in 2003, MC6 would be held within 2005. PSCIT assured members that if the duration of the three supernumerary directorate posts had to be extended due to the change of the timing of MC6, the Administration would provide justification and seek FC's approval accordingly.

20. Mr CHEUNG Man-kwong pointed out that although CITB and its departments could not make available any directorate posts for deletion, CITB officials should raise the proposal with the Chief Secretary for Administration (CS) so as to fully examine the establishment of other bureaux/departments with a view to identifying directorate posts for deletion to offset the proposed supernumerary directorate posts. In reply, PSCIT said that CITB had not raised the matter with CS. However, the Civil Service Bureau (CSB) had already examined the present staffing proposal and supported the creation of the three supernumerary directorate posts in TID to ensure that there would be sufficient manpower to prepare for MC6 to be held in Hong Kong in 2005.

21. The Chairman asked whether the Administration would consider creating the three supernumerary directorate posts in TID to undertake the preparation work after WTO had decided on the timing of MC6. PSCIT responded that due to the tight timeframe, the Administration could not afford to commence the preparation work until WTO had decided on the timing of MC6. Given that WTO's MCs were major international events, he anticipated that about a year of preparation would be required. If the three proposed supernumerary posts could be created in the second half of 2004 and the preparation for hosting MC6 could commence immediately, Hong Kong should have enough time to make

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arrangements for the event. However, the Administration could only embark on the actual preparation work after obtaining LegCo's approval on the funding proposal for hosting MC6.

22. Mr CHEUNG Man-kwong stressed that in principle, he would not query the need to create three supernumerary directorate posts for hosting MC6. However, he gravely concerned that the Administration should offset the proposed directorate posts through internal redeployment or identifying other directorate posts for deletion. Moreover, he was concerned whether the proposed creation of the three supernumerary directorate posts was meant to provide serving officers the opportunities for promotion.

23. PSCIT clarified that the three directorate posts proposed to be created in TID were not permanent posts and would be deleted after MC6. As such, he stressed that the three proposed supernumerary directorate posts would not provide any substantive promotion opportunities for serving officers.

24. Citing the examples of the proposed amalgamation of the Civil Engineering Department and the Territory Development Department which had been discussed by the Panel on Planning, Lands and Works at its meeting on 27 January 2004 and the proposed re-organization of CITB and FSTB which had been discussed earlier on under agenda item IV, Mr CHEUNG Man-kwong pointed out that both proposals did not incur any additional costs. On this basis, he queried why the Administration was unable to critically re-examine the entire directorate establishment in the civil service and meet the staffing requirement arising from hosting MC6 through internal redeployment.

25. PSCIT considered it a rare opportunity for Hong Kong to succeed in its bid for hosting MC6. Although the Administration's proposal might not be fully in line with the consensus reached by LegCo Members on the creation of directorate posts in the Government, he hoped that the Panel would support the Administration to obtain the required resources for hosting MC6. PSCIT advised that CITB was prepared to re-examine with other bureaux/departments in due course the feasibility of making available any internal resources to offset the additional costs arising from the creation of the three supernumerary directorate posts.

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26. Mr Henry WU considered that in view of budgetary constraint, individual bureaux/departments should redeploy their internal resources for the creation of new posts. Mr WU opined that if CITB itself could not make available any internal resources for the creation of the proposed three supernumerary directorate posts, consideration should be given to redeploying resources from other bureaux/departments for this purpose.

27. Mr CHEUNG Man-kwong highlighted the need to uphold the consensus reached by LegCo Members on the creation of directorate posts within the Government. Otherwise, LegCo Members might have to consider whether changes should be made to the consensus. He pointed out that if the



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Administration treasured the opportunity for hosting MC6, it should start planning well in advance by identifying directorate posts in the Government for deletion to offset the three supernumerary directorate posts proposed to be created. Mr SIN Chung-kai shared Mr CHEUNG Man-kwong's view.

28. Mr Henry WU further advised that during previous discussions on the work of ETOs, the Panel had pointed out that there was room to downgrade the ranks of the Heads of individual ETOs, particularly that of the London ETO. In this connection, he opined that the Administration might consider deploying resources from ETOs to meet the costs of creating three supernumerary directorate posts in TID. At the same time, he also urged the Administration to explore with other bureaux/departments as soon as possible to identify directorate posts for deletion with a view to offsetting the three supernumerary directorate posts proposed to be created.

29. On Mr Henry WU's query about the need to create a supernumerary directorate post in Geneva ETO, PSCIT explained that hosting MC6 would generate substantial additional workload for the Geneva ETO. At present, Geneva ETO was responsible for Hong Kong's participation in WTO and the ongoing Doha Round negotiations. To facilitate the smooth running of MC6 and enable Hong Kong to build consensus among WTO members on controversial trade issues, the holder of the new supernumerary directorate post in Geneva ETO, if created, would follow closely the progress of the Doha Round negotiations on various subjects, including those in which Hong Kong did not have any direct economic and trade interests. PSCIT supplemented that due to geographical reason and availability of manpower support, the Administration considered it inappropriate for the London ETO to undertake the preparations of MC6 at present.

30. Mr Henry WU expressed reservation about the estimated transportation costs of \$26 million as set out in paragraph 23(f) of the paper. In order to alleviate the Government's financial burden in hosting MC6, he suggested that the Administration might consider seeking sponsorship from the local business sector or trade associations. In response, PSCIT advised that the Administration would take an active role to seek sponsorship for hosting MC6. As the exact dates of the conference had yet to be confirmed, it might be too early to discuss the ways to secure sponsorship for the conference. Nevertheless, the Administration would lobby local trade associations and enterprises actively to obtain sponsorship for the event with a view to alleviating the Government's financial burden. The Chairman advised that the Administration might have difficulty in obtaining sponsorship from trade associations having regard that the ministerial conferences of WTO were not trade fairs.

31. DGTI supplemented that the Coordination Office to be set up would examine in detail and monitor the items of expenditure of MC6. It would also coordinate matters such as seeking sponsorship for the conference. Given that MC6 was an international conference, DGTI anticipated that many local businesses would actively consider sponsoring the event with a view to promoting

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their products and services. He stressed that all sponsorship obtained would be used to offset the overall expenditure of the event. As regards the estimated transportation costs of about \$26 million set out in paragraph 23(f) of the paper, the amount also included all the transportation expenses of the entourage concerned in addition to the costs of hiring 280 saloon cars and the provision of transportation services to Heads of Delegations and the WTO Secretariat senior staff. Mr Henry WU requested the Administration to provide information for members' reference on the sponsorship obtained by the Government for organizing large-scale international conferences in the past.

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32. Mr Henry WU considered it inappropriate to refer to agriculture as one of the aspects "which were not of substantial commercial interests to Hong Kong" as set out in paragraph 3 of the paper. PSCIT clarified that the expression simply meant that Hong Kong, being a trading economy did not have any substantial interests on agriculture. As compared with other WTO member states whose economy was mainly based on agricultural production, the subject was of relatively less importance to Hong Kong. DGTI added that in fact, the progress of the WTO negotiations on agriculture, e.g. the ways to further lower the tariffs on agricultural products and the subsidies provided to farmers, would have no direct bearing on Hong Kong's economic interests. On the misunderstanding which might be attributed to the use of the expression, he advised that the Administration would be more careful and seek improvement in future.

33. As some major infrastructural projects (e.g. Hong Kong Disneyland) scheduled for completion in 2005 were expected to draw a large number of tourists, Mr Henry WU opined that the Administration should propose to WTO the dates of hosting MC6 to avoid an influx of visitors into which Hong Kong might not be able to cope with. Mr CHEUNG Man-kwong also cautioned that MC6 might become the target of terrorist attacks. As such, the Administration should study carefully the security issues and make proper and meticulous arrangements.

34. The Chairman concluded that members welcomed Hong Kong's successful bid for hosting MC6 and considered the event conducive to raising Hong Kong's international profile. However, as regards the proposed creation of three supernumerary directorate posts in TID, members had reiterated that the Administration should identify and delete suitable directorate posts within the civil service, which comprised all bureaux/departments, for offsetting purposes. PSCIT understood that except for the proposed creation of supernumerary directorate posts, members in general supported the financial proposal relating to the hosting of MC6. To address members' concerns, he advised CITB to re-examine with other policy bureaux/departments in due course the possibility of identifying directorate posts for deletion to offset the three proposed supernumerary directorate posts.

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## **VI Strategic Framework for Innovation and Technology Development**

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(LC Paper No. CB(1)1470/03-04(05))

35. The Commissioner for Innovation and Technology (CIT) briefed members on the progress of the work of the Administration's innovation and technology programme, as well as its new strategic framework for innovation and technology development. The details were set out in the information paper provided by the Administration.

36. Mr CHEUNG Man-kwong provided two tables on the cost-effectiveness of the Innovation and Technology Fund (ITF) and the Applied Research Fund (ARF) for members' reference at the meeting. Mr CHEUNG Man-kwong advised that according to his analysis of the data provided by the Administration, many funded projects under ITF and ARF were rated as not useful and beneficial to the relevant industry. Some of the projects might fail to obtain the patents for the technology or products developed, or even incurred losses. While expressing concern about the cost-effectiveness of ITF and ARF, Mr CHEUNG Man-kwong was also concerned whether this was due to the Administration's failure to manage the funds properly or misuse of resources.

*(Post-meeting note: The two tables on ITF and ARF provided by Mr CHEUNG Man-kwong which were tabled at the meeting had been issued for members' reference vide CB(1)1513/03-04 on 14 April 2004.)*

37. CIT clarified that ITF and ARF were not supposed to serve as the Government's investment tools. They were set up to promote the further development of high technology and innovation of the local industries through funding the projects. He stressed that given the risks associated with research on high technology, the resources allocated to assist the industries concerned in developing technology might not necessarily result in substantial financial returns. As regards Mr CHEUNG Man-kwong's criticism on the loss incurred by ARF, CIT pointed out that following the burst of the global dotcom bubble, similar funds around the world aimed at elevating the technological capacity and enhancing competitiveness of the industries also sustained losses. In fact, the loss recorded by ARF in Hong Kong was by and large comparable to that of similar funds in other countries.

38. The Assistant Commissioner for Innovation and Technology (ACIT) supplemented that "completed and evaluated projects" referred to the projects which had been completed as scheduled and which met the proposed targets. Citing the Innovation and Technology Support Programme (ITSP) as an example, more than 90% of the projects were rated as "completed and evaluated projects". On whether individual projects could be rated as useful or beneficial to the relevant industry, ACIT advised that it would depend on the popularity of the technology developed by the projects. For instance, since the development of biological and environmental technologies was in their early stage in Hong Kong, the percentage of research and development (R&D) projects in these areas which had been rated as useful or beneficial to the relevant industry was low. On the contrary, given that the technology development of electronics and foundation

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industries was rather mature in Hong Kong, R & D projects in developing these technologies would have a better chance of being rated as useful or beneficial to the relevant industries.

39. ACIT further advised that research projects which were in line with the technology development and demands of the market would readily be adopted by the relevant industries and bring about actual benefits. Concerning the 40% of ITSP projects which were not rated as useful or beneficial to the relevant industries, ACIT opined that due to the unfavourable economic environment and global development of the technology industry, investors might have reservation on the development and adoption of new technology. In addition, since R&D deliverables were developed at a pace faster than that of individual industries, it would take some time to promote their application among the industries concerned.

40. Regarding the University-Industry Collaboration Programme (UICP), ACIT advised that the 41 completed projects in fact included seven aborted projects. These projects were terminated mainly because due to financial difficulties, the industry concerned could no longer provide sponsorship for continuing the relevant research. Some projects were discontinued as the responsible researcher had left the university. By excluding the seven aborted projects, ACIT considered that the percentage of UICP projects rated as useful or beneficial to the relevant industry was not too low. In addition, although currently less than 40% of the projects under the Small Entrepreneur Research Assistance Programme were rated as useful or beneficial to the relevant industry, ACIT opined that given time and when more small enterprises applied the technologies to their businesses by more small enterprises, the aforesaid percentage would be improved.

41. Mr CHEUNG Man-kwong noted that the Administration would not regard ITF and ARF as financial investments. However, as both ITF and ARF were financed by public money, he stressed that it was necessary to evaluate their cost-effectiveness. Mr CHEUNG Man-kwong was concerned about some 56% loss incurred in ARF in monetary terms. While indicating that the performance of ARF was even poorer than the US venture capital funds which recorded a 38% capital loss, he raised concern on the practicability of the ARF funded R & D projects.

42. CIT pointed out that in general, the effectiveness of R&D projects could only be fully evaluated after a considerable period of time. During the course of assessment, consideration should be given to the overall benefits brought about by the projects to the community, such as the number of job opportunities created, etc. The Administration would conduct detailed reviews on ITF and ARF in due course. CIT pointed out that to ensure the sustainability and effectiveness of R&D to cater for the industries' needs, the Administration would adjust the funding model of ITF. Under the bottom-up model previously adopted, R&D projects seeking funding support were initiated by individual universities. As such, the R&D deliverables tended to be academic-oriented and might not be

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able to meet with the market needs. In order to avoid the above situation, the Administration would adopt a new market-driven approach to address the practical needs of the industries by establishing R&D centres for the development of technology in focus areas. CIT also pointed out that the Administration was currently liaising with the industries, universities and other stakeholders with a view to identifying potential focus areas for consultation in June 2004. Moreover, the Administration would utilize resources of the funds prudently to assist in the development of the industries.

43. Mr SIN Chung-kai was concerned about how the consultation on the development of technology in focus areas would be conducted. He suggested that reference could be made to the approach of the European Union under which views on R&D focus areas would be sought extensively from representatives of the technology sector and the industries through a Framework Programme organized every five years.

44. CIT responded that the Administration had been preparing for the consultation on the R&D focus areas since September 2003. Based on the current R&D deliverables, the Administration would identify Hong Kong's strengths in technology development, explore and take into account the practical needs of the markets (including the Mainland market). It would take the initiative to liaise closely with the industries, universities and other relevant organizations in the next few months with a view to formulating a proposal on technology development in focus areas for public consultation in June 2004. In determining the R&D focus areas for technology development, considerations would be given to factors including the strengths of respective universities in R&D and the readiness of the industry concerned to invest in Hong Kong, such as setting up production lines, etc.

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45. The Chairman agreed that consultation would help identify the R&D focus areas which were conducive to the development of local industries. However, he stressed that the Government had to take the lead in developing certain R&D areas. He requested the Administration to provide an information paper on the resources allocated by other countries on R&D projects which contributed to industrial development and the effectiveness of such projects. CIT undertook to provide the information after the meeting.

46. In determining the R&D focus areas, Mr SIN Chung-kai opined that the Administration should collect views from the industries, universities and other relevant organizations in a systematic manner. CIT responded that over the past few months, the Administration had solicited views from relevant individuals/organizations on various issues including the local R&D deliverables and Hong Kong's strengths in technology development, the development trend of the industries, as well as the market demands in Hong Kong and the greater Pearl River Delta region, etc. The Administration would draw up a proposal of R&D focus areas accordingly for consultation in June 2004. He further pointed out that subject to the outcome of the consultation, the Administration planned to invite proposals for the establishment of R&D centres by the last quarter of 2004.

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47. Mr CHEUNG Man-kwong was concerned that the Administration might continue to use funds from ITF and ARF to finance projects which were not cost-effective. CIT remarked that as the Administration would conduct consultation on R&D focus areas, applications for funding support under ITSP would be temporarily suspended. However, the Administration would continue to accept funding applications under other ITF programmes, given the relatively small scale of the projects and the smaller amount of resources involved.

**VII Any other business**

48. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
11 June 2004