

立法會

Legislative Council

LC Paper No. CB(1)1902/04-05

Ref : CB1/PL/CI

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

Purpose

This report gives an account of the work of the Panel on Commerce and Industry during the 2004-05 session (up to June 2005) of the Legislative Council. It will be tabled at the Council meeting on 6 July 2005 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 commerce and industry matters. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 10 members. Hon Mrs Sophie LEUNG LAU Yau-fun and Hon WONG Ting-kwong were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is at **Appendix II**.

Major work

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

4. The Panel was pleased to note further liberalization in trade in goods and services under the second phase of CEPA effective from 1 January 2005. In examining the findings of the Administration's study on the impact of the first phase of CEPA on the economy, the Panel was keen to ensure that Hong Kong would be able to capitalize on the liberalization measures under CEPA to drive its economic growth and move up the value chain in the provision of goods

and services. On job creation, members noted that the impact was relatively smaller given the capital-intensive nature of the manufacturing sector of Hong Kong. Of the 29 000 or so new jobs created, the vast majority were from the services sector. Members also discussed with the Administration the implications for Hong Kong to focus on capital-intensive processes owing to the relative scarcity of industrial land and a sizable manufacturing workforce with the appropriate skills.

5. The Panel considered that the Administration should pursue further enhancements on CEPA with the Mainland authorities. Suggestions included extending the Individual Visit Scheme to cover more provinces and cities, allowing multiple visits with longer duration and measures to overcome certain trade barriers still confronting Hong Kong companies in accessing the Mainland market. The Administration confirmed that it would continue negotiations with the Mainland in connection with the implementation of the third phase of CEPA. It also agreed with members on the need to strengthen communications with relevant agencies in the Mainland and advised that where appropriate, individual bureaux/departments would also reflect the views and needs of the sectors under their respective purview to the relevant Mainland authorities for consideration.

6. The Panel would continue to monitor the progress in the implementation of future phases of CEPA and its impact on the local economy.

Impact of economic restructuring

7. The Panel exchanged views with the Administration on the impact of economic restructuring on Hong Kong. Members were concerned about how Hong Kong could sustain its competitive edges in the face of growing competition in the region. They noted the Administration's analysis that to remain competitive in the longer run, Hong Kong's economic policies should target at nurturing creativity and promoting research and development to enable Hong Kong to become a leading city in setting global trend. Some members nevertheless reiterated their concern that the port, air freight and exhibition businesses in Hong Kong might be disadvantaged by rapid developments in neighbouring territories.

8. The impact of economic restructuring on local employment was also of concern to the Panel. Some members took the view that sufficient lead time should be allowed in the restructuring process to facilitate the re-training of the workforce in the sectors to be phased out. Otherwise, a mismatch would result whereby low-skilled workers lost their jobs while high-end jobs could not be filled.

9. Members also requested the Administration to further study the establishment of a border industrial zone in the Lok Ma Chau Loop which would help alleviate the scarcity of industrial land in Hong Kong, as well as create job opportunities for manufacturing workers.

Promoting inward investment

10. In considering the investment promotion work undertaken by Invest Hong Kong (InvestHK), some members opined that the work of InvestHK and Hong Kong Economic and Trade Offices (ETOs) should be effectively coordinated or re-aligned so that resources for trade and investment promotion would not be duplicated. The Administration highlighted the complementary roles of InvestHK and ETOs whereby ETOs would formulate an investment promotion strategy in their respective countries while InvestHK would approach the identified potential foreign investors to render advice and assistance.

11. Regarding the Mainland market, the Panel noted that InvestHK had strengthened promotion work in this regard, such as the appointment of eight new Investment Promotion Ambassadors from Mainland companies, and the setting up of a "One Stop Service" for Mainland investors following the launch of a new investment facilitation policy in late August 2004 for Mainland enterprises to invest in Hong Kong.

12. Members were keen to ensure that InvestHK would put in place a set of quantitative indicators to assess the cost-effectiveness of its investment promotion work. In this connection, InvestHK advised that currently, there were indicators such as the number of companies assisted by InvestHK to set up businesses in Hong Kong, the number of jobs created and the investment amounts involved. Some members also considered it important that the foreign direct investment attracted to Hong Kong should bring about positive benefits and generate income for the local economy.

Demand and supply of exhibition facilities in Hong Kong

13. The Panel noted that to relieve the shortage of major exhibition venues in Hong Kong, the Administration had decided to permit the Trade Development Council (TDC) temporary use of the Tamar Site for exhibition purposes for several months each year from 2005 to 2007. The majority of Panel members were agreeable to this short-term arrangement.

14. On the longer-term arrangements, members were briefed on the findings of a consultancy study on the overall supply and demand for exhibition facilities in Hong Kong in the coming five to ten years, as well as the recommendation that the Government should give policy support to TDC's proposal to extend the atrium link to the Hong Kong Convention and Exhibition Centre (HKCEC) to help meet projected demand for exhibition facilities. The Panel noted that TDC intended to fund the capital cost of the proposal estimated at \$1.3 billion from bank loans and contribution from the commercial operator of HKCEC. Given the economic benefits of mega trade fairs, some members urged the Administration to give favourable consideration to the proposal. At the meeting of the Executive Council on 7 June 2005, it was decided that the Government should give policy support to TDC's proposal.

15. On the role of TDC in promoting the local exhibition industry, the Administration noted some members' view that TDC should consider undertaking the task of upgrading the quality and expertise of the personnel of the local exhibition industry.

Sixth Ministerial Conference (MC6) of the World Trade Organization (WTO)

16. Following the decision of the WTO General Council in October 2004 that the MC6 would be held in Hong Kong from 13 to 18 December 2005, the Panel was briefed on the progress in preparatory work. On security arrangements for MC6, members noted that the Administration would devise the necessary security plan having regard to overseas experience and local circumstances. In anticipation that the event would attract protests from anti-globalization activists worldwide, some members highlighted the need for enforcement staff to handle these activities in a more liberal manner so as to uphold the freedom of expression in Hong Kong. Some members were keen to ensure that the right balance should be struck between law and order and protesters' freedom of expression.

17. In supporting Hong Kong's hosting of MC6, some members urged the Administration to co-ordinate related arrangements such as special traffic measures during the event period, availability of hotel accommodation and the staging of hospitality and cultural programmes for MC6 participants.

18. The Panel also gave views on the proposed subsidiary legislation to accord privileges and immunities to the WTO, its officials and representatives of WTO members so that they could exercise their functions in Hong Kong in connection with MC6. The Order in question was subsequently enacted and would come into operation on 7 July 2005.

Copyright issues

19. The Panel was briefed on issues related to end-user criminal liability, copyright exemption and other aspects in the Copyright Ordinance covered in the consultation paper issued by the Administration on 9 December 2004. Members also exchanged views with the Administration on its preliminary proposals drawn up with a view to striking a reasonable balance between the interests of copyright owners and those of users. While the Administration would continue to maintain discussion with various stakeholders, the Panel decided to invite the public to give views on the controversial subject. Noting the Administration's intention to submit an amendment bill to the Council for consideration and enactment before July 2006, members urged the Administration to introduce the bill early in order to allow sufficient time for scrutiny.

20. The Panel was concerned about the impact of peer-to-peer (P2P) file sharing activities on the Internet using software such as Bit Torrent (BT) on the copyright interests of the film and music industries. Members would keep

in view the outcome of a recent prosecution case against the illegal distribution of copyright movies on the Internet through the use of BT. While members welcomed measures to protect intellectual property rights, they were keen to ensure that ordinary free flow of information on the Internet would not be unduly affected. Some members also highlighted their concern that criminal liability should only be imposed on those persons who "seeded" the source files on the Internet for distribution to others, but not on those who downloaded the files with no criminal intent.

Small and medium enterprises (SMEs)

21. The Panel was briefed on the latest position of the four SME funding schemes first launched in December 2001/January 2002 and gave views on the Administration's proposed improvements to the schemes. Members welcomed the proposed lowering of the assumed default rate under the SME Loan Guarantee Scheme from 15% to 7.5% to bring about an increase in the maximum loan guarantee amount from \$6.6 billion to \$10.6 billion. They also noted the additional provision totaling \$500 million to the SME Export Marketing Fund and the SME Development Fund. On the SME Export Marketing Fund, which provided funding assistance for SMEs to participate in export promotion activities, members noted that it was the most popular among the four schemes and had enabled SMEs to explore markets outside Hong Kong. On the SME Development Fund, the Small and Medium Enterprises Committee agreed to look into members' suggestion that the Fund could be deployed to support sector-specific projects to help raise SMEs' overall competitiveness.

22. Following consultation with the Panel, the relevant funding proposal was approved by the Finance Committee on 6 May 2005.

Professional Services Development Assistance Scheme (PSDAS)

23. The Panel considered the findings of a review on the effectiveness of the PSDAS. While noting that a majority of the participants of PSDAS projects being surveyed had expressed satisfaction with the projects or deliverables, members were also concerned about the feedbacks from the clients of professional services. In this regard, the Administration highlighted the practical difficulties in obtaining such feedbacks, in particular when the new technology or know-how introduced through PSDAS programmes was yet to be applied by the professions concerned in providing services to their clients.

24. On the application procedures under PSDAS, some members urged the Administration to consider calling for more rounds of applications instead of limiting the number to three rounds a year although urgent applications with sufficient justification could be accepted. Some considered that the restriction on each applicant to submit no more than two applications in each round should be lifted. The Administration advised that in the light of operational experience, the current arrangements had not posed any difficulty. Nevertheless, noting members' views for further improvement, the Administration would monitor the

situation and if necessary, review the number of calls for applications each year and the restriction on the number of applications by each applicant.

New framework for innovation and technology development

25. The Panel was supportive of the new strategic framework for innovation and technology development, and the proposed three-tier funding model of the Innovation and Technology Fund (ITF). Members noted that in addition to supporting Research and Development (R&D) centres in nine technology focus areas under tier one, funding in ITF would be deployed under tier two to support other identified focus themes. Application for funding support would be invited once a year for tier three for which there were no pre-determined themes.

26. Members were concerned about the cost-effectiveness of the R&D centres which would be set up as separate legal entities each comprising experts in the same subject area from universities, R&D institutions and participating companies. The Administration assured the Panel that it would monitor all R&D centres closely and disburse ITF grants by instalments subject to acceptance of the progress report endorsed by each centre's Steering Committee. On the relevancy of the R&D projects to the needs of the industry, members noted that the Administration would take into account the recommendation of the Technology Committee of each R&D centre and the amount of contribution from the industry to the R&D project before approving a project. Members were also keen to ensure that the operating cost of the R&D centres should not be too high in order that adequate resources would be available for R&D projects.

27. Regarding the Administration's proposal to cease making new investments under the Applied Research Fund (ARF) after March 2005 and to inject its residual balance into the ITF, the Panel had no objection. However, some members considered that such an arrangement should not be taken as a precedent for inter-Fund transfers because in accordance with established public finance practice, it appeared that unused funds of the ARF should be ploughed back into the General Revenue while the ITF should seek funding injection if necessary.

28. From October 2004 to end June 2005, the Panel held a total of 10 meetings.

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.

Panel on Commerce and Industry

Membership list

Chairman Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP

Deputy Chairman Hon WONG Ting-kwong, BBS

Members Dr Hon LUI Ming-wah, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai, JP
Hon Vincent FANG Kang, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung

(Total : 10 Members)

Clerk Miss Polly YEUNG

Legal Adviser Miss Anita HO

Date 27 October 2004