

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2281/08-09  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 21 April 2009, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)  
Hon WONG Ting-kwong, BBS, JP (Deputy Chairman)  
Hon Fred LI Wah-ming, SBS, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon Starry LEE Wai-king  
Dr Hon LAM Tai-fai, BBS, JP  
Hon Tanya CHAN  
Dr Hon Samson TAM Wai-ho, JP
- Members attending** : Hon IP Wai-ming, MH  
Hon Paul TSE Wai-chun
- Members absent** : Hon Timothy FOK Tsun-ting, GBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP
- Public officers attending** : Agenda Item IV  
Mrs Rita LAU NG Wai-lan, JP  
Secretary for Commerce and Economic Development

Mr Duncan PESCOD, JP  
Permanent Secretary for Commerce and Economic  
Development (Communications and Technology)

Mr Eddy CHAN Yuk-tak, JP  
Commissioner for Innovation and Technology

Mr Andrew LAI Chi-wah  
Deputy Commissioner for Innovation and Technology

Mr Davey CHUNG Pui-hong  
Assistant Commissioner for Innovation and Technology

Agenda Item V

Miss Yvonne CHOI Ying-pik, JP  
Permanent Secretary for Commerce & Economic  
Development (Commerce, Industry & Tourism)

Ms Joey LAM Kam-ping  
Deputy Commissioner for Tourism

Mr Howard LEE Man-sing  
Principal Assistant Secretary for Commerce &  
Economic Development (Commerce & Industry)<sup>1</sup>

Ms Gilly WONG  
General Manager (MICE & Cruise), Hong Kong  
Tourism Board

Agenda Item VI

Miss Yvonne CHOI Ying-pik, JP  
Permanent Secretary for Commerce & Economic  
Development (Commerce, Industry & Tourism)

Mr Gregory SO, JP  
Under Secretary for Commerce and Economic  
Development

Miss Vivian LAU Lee-kwan  
Deputy Director-General of Trade and Industry  
(Commercial Relations, Controls and Support)

- Attendance by invitation** : Agenda Item IV
- Dr YANG Ying  
Chief Executive Officer (Acting)  
The Hong Kong Automotive Parts and Accessory  
Systems R&D Centre
- Mr Haider BARMA, GBS, CBE, JP  
Chief Executive Officer  
The Hong Kong Research Institute of Textiles and  
Apparel
- Dr CHEUNG Nim  
Chief Executive Officer  
Hong Kong Applied Science and Technology Research  
Institute
- Professor C J TAN  
Chief Executive Officer  
Hong Kong R&D Centre for Logistics and Supply  
Chain Management Enabling Technologies
- Professor NG Ka-ming  
Chief Executive Officer  
Nano and Advanced Materials Institute
- Clerk in attendance** : Ms YUE Tin-po  
Chief Council Secretary (1)3
- Staff in attendance** : Ms Annette LAM  
Senior Council Secretary (1)3
- Mr Joey LO  
Council Secretary (1)3
- Ms May LEUNG  
Legislative Assistant (1)6

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Action

- I. Confirmation of minutes of meetings**  
(LC Paper No. CB(1)1080/08-09 -- Minutes of special meeting held on  
1 December 2008

LC Paper No. CB(1)1322/08-09 -- Minutes of meeting held on 16 December 2008)

The minutes of the meetings held on 1 and 16 December 2008 were confirmed.

**II. Information papers issued since last meeting**

(LC Paper No. CB(1)1234/08-09(01) -- Information on the financial position of the Applied Research Fund for the period of 1 December 2008 to 28 February 2009

LC Paper No. CB(1)1249/08-09(01) -- Submission from a member of the public expressing concern about the Special Loan Guarantee Scheme (English version only)

LC Paper No. CB(1)1300/08-09(01) -- Referral from the meeting between LegCo Members and Kwai Tsing District Council members on 22 January 2009 on revitalization of industrial estates and measures to boost the local economy)

2. Members noted that the above papers had been issued for the Panel's information.

**III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)1286/08-09(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1286/08-09(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 19 May 2009 at 2:30 pm in Conference Room A to discuss the following items:

- (a) Progress update on the support measures for small and medium enterprises arising from the global financial turmoil;
- (b) Trade relations between the Mainland and Hong Kong;
- (c) Report on Hong Kong Design Centre's activities from April 2008 to March 2009; and
- (d) Further development of wine-related business in Hong Kong.

*(Post-meeting note: At the Administration's request and with the concurrence of the Chairman, item (d) was replaced by "Mainland and Hong Kong Closer Economic Partnership Arrangement: Further liberalization measures in 2009", and an additional item "Mid-term review of the Research and Development Centres: Funding proposal" was included in the agenda of the next meeting. Discussion on "Further development of wine-related business in Hong Kong" was deferred to the meeting scheduled for 21 July 2009.)*

**IV. Mid-term review of the Research and Development Centres**

(LC Paper No. CB(1)1286/08-09(07) -- Administration's paper on mid-term review of the Research and Development Centres

LC Paper No. CB(1)1286/08-09(08) -- Paper on Research and Development Centres under the Innovation and Technology Fund prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)1381/08-09 -- Administration's paper on mid-term review of the Research and Development Centres (Chinese version only) (power-point presentation material))  
*(tabled at the meeting and subsequently issued via e-mail on 22 April 2009)*

Presentation by the Administration

4. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the mid-term review of the operation of the Research and Development (R&D) Centres, as set out in the Administration Paper No. CB(1)1286/08-09(07). With the aid of power-point, Commissioner for Innovation and Technology (CIT) then briefed members on the key findings of the review.

5. Members noted that by the end of 2008, the Centres had undertaken a total of 316 projects with an estimated cost of \$1,344.6 million. The Centres had secured a total contribution of \$140.9 million from industry in support of 208 projects funded under the Innovation and Technology Fund (ITF), representing about 11% of the total project cost estimate. Among the 208 ITF-funded projects, 94 had been completed with the remaining due to be completed in 2009 and 2010. The total operating expenditure incurred by the Centres for this period (except for the R&D Centre for Information and Communications Technologies (ICT)) was \$112.9 million. From these 208 approved projects, the Centres had filed a total of

178 patent applications. Members also noted that the Administration was examining the future funding requirements of the R&D Centres with a view to submitting the funding proposal to the Finance Committee for consideration.

### Discussion

#### *Six economic areas*

6. Ms Tanya CHAN noted that as announced by the Chief Executive at the meeting of the Task Force on Economic Challenges (TFEC) on 3 April 2009, the Administration would further develop the six economic areas, namely testing and certification, medical services, innovation and technology, cultural and creative industries, environmental industry and educational services. She enquired if the future funding proposal for the Centres would be geared towards supporting the development of the six economic areas. She also enquired if there would be any forthcoming R&D initiatives on the environmental conservation.

7. In response, SCED advised that the Administration was committed to driving Hong Kong to become a knowledge-based economy through innovation and technology development. In this connection, the work of the five R&D Centres dovetailed the six economic areas to be developed by the Administration. To take TFEC's plan forward, the Central Policy Unit would arrange a series of focus group discussions with the stakeholders, with a view to drawing up an action plan to enhance the long-term competitiveness of Hong Kong and explore medium and long-term economic opportunities. The action plan would be put up for public consultation. On green R&D initiatives, SCED advised that the Financial Secretary would lead a steering committee to study the wider use of electric vehicles (EV) in Hong Kong. This would be an important step towards cleaner and more efficient transport technology. In this regard, the Automotive Parts and Accessory Systems R&D Centre would play a significant role in undertaking EV-related R&D projects. Other green R&D initiatives, such as renewable energy, were also being pursued by the Centres. However, as the Centres' R&D programme had only started rolling out for just over two years, it was still too early to comment on their performance in such areas. In this connection, she appealed to members to support the forthcoming funding proposal to sustain the R&D Centres. CIT added that a number of R&D initiatives on solar energy were already in the pipeline, and the results were due to be seen in the coming few years.

#### *Industry support and cooperation*

8. Mr Jeffrey LAM said that as he was aware, not many of the exhibitors and manufacturers had established a working relationship with the R&D Centres. In this connection, he suggested that the Administration should strengthen ties and network between the Centres and the industry through the trade shows. He noted that whilst it was the original target for the Centres to progressively generate up to 40% of their expenditure from the industry, the Centres had only been able to secure an industry contribution of 13% of their project cost. He was concerned

about the effect of the low rate of industry contribution on the implementation of the R&D projects, and urged the Administration to step up promotional effort in this respect.

9. Mr WONG Ting-kwong said that there had been comments from industry associations that the Centres should more actively promote their R&D deliverables to the industry, and that more needed to be done by the Centres to facilitate the commercialization of R&D deliverables. He suggested that the Administration should review if the R&D projects underway matched with the needs of the industry and the actual difficulties faced by the Centres in promoting their R&D deliverables.

10. CIT advised that the R&D Centres had been reaching out to the industry and maintained close relationships with the local manufacturers. By holding regular meetings with the Federation of Hong Kong Industries, the Chinese Manufacturers Association of Hong Kong, the Hong Kong General Chamber of Commerce and the Chinese General Chamber of Commerce, the Centres had promoted their research deliverables to local companies and built up a close partnership with the local industry. Moreover, they had set up members clubs to recruit members from the industry. For instance, e-news was sent by the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies to update its members on the latest research deliverables. On forging ties between the Centres and manufacturers through trade shows, the Administration would discuss the detailed arrangements with the Trade Development Council. CIT admitted that the level of industry contribution which the Centres had managed to secure would likely fall below the original target of 40% at the end of the first five-year period. Given the current financial climate, the Centres had genuine difficulties to increase the proportion of industry contribution substantially in the near future. As such, the Administration had undertaken to review the Centres' target of soliciting industry contributions.

11. Dr Samson TAM considered the level of industry contribution of \$171 million which the Centres had secured from the industry satisfactory. He opined that even overseas R&D centres such as those in Japan, Korea and Taiwan were not required to be self-financing. It would be unrealistic for the R&D Centres to continue operation beyond the five-year period on a self-financing basis. He urged the Administration to take up more responsibilities and suitably adjust the target level of industry contribution to below 20%.

12. In response, SCED maintained that the concept of the R&D Centres was based on applied research activities and the results could generate intellectual property rights. Moreover, the profits from commercialization of the research deliverables could be ploughed back to finance future projects of the Centres. Whilst reaffirming this overall approach, she assured members that the Administration would fine-tune the target level of industry contribution to tie in with the overall economic climate. Nevertheless, SCED stressed that in view of the prevailing economic restructuring, it was even more imperative for enterprises

to increase investment in R&D to meet the changing needs of the market. In this regard, the Administration had been monitoring private sector investment in R&D projects since 1999, and had found that private sector investment constituted about 50% of the overall R&D investment, and was steadily rising.

13. Dr LAM Tai-fai expressed support for the continuous development of the five R&D Centres. He noted that whilst developing Hong Kong into a knowledge-based economy was a general consensus, it was timely for the Administration to review the performance of the Centres and consider their way forward since they had been in operation for some time. He urged the Administration to speed up the commercialization of R&D deliverables. On the industry contribution, he suggested that the threshold of 30% of the project cost in respect of collaborative projects should be lowered to, say 25%, in the wake of the financial tsunami. In response, CIT advised that other issues such as IP benefits sharing, etc. would need to be examined if the threshold of industry contribution was lowered to a mere 25%. Nevertheless, the Administration would take Dr LAM's suggestion into consideration.

14. Mrs Sophie LEUNG expressed her support for the further development of the R&D Centres. However, she cautioned that too much Government intervention would thwart the flourishing of creativity and enterprising spirit. In this regard, she opined that the Administration should limit the level of its involvement in individual R&D projects and try to give a freehand to the enterprises. She also suggested that the Administration should reach out to small enterprises with creative ideas and provide them with opportunities for development.

#### *R&D work conducted outside Hong Kong*

15. Whilst welcoming the Administration's interim improvement measure to allow no more than 50% of the R&D work to be conducted by non-local universities or outside Hong Kong under the University-Industry Collaboration Programme (UICP), Dr Samson TAM was concerned about the R&D standards of the non-local universities which had entered into collaboration agreements with the Administration. In response, SCED advised that collaboration agreements would be reached with Mainland and overseas universities to provide fresh impetus to university-industry collaboration, whilst safeguards against abuse would be provided under the UICP. CIT added that six reputable non-local universities in the Mainland, United States, United Kingdom and Australia had entered into memoranda of understanding on technology research cooperation with the Administration and the Centres. Other overseas universities/institutions of comparable R&D capabilities would be considered in future.

#### *Cooperation with enterprises in the Mainland*

16. Mr WONG Ting-kwong advised that despite topping the ten most competitive Chinese cities in the recently unveiled edition of the Blue Book on

Urban Competitiveness by the Chinese Academy of Social Sciences (CASS), Hong Kong's competitiveness in R&D lagged behind other Mainland cities. As such, he called on the Administration to strengthen cooperation with local and Mainland universities/institutions to fully leverage on their technical hardware and software. He opined that in view of the lack of production bases in Hong Kong, the Administration should help the Centres forge closer ties with the manufacturers in the Pearl River Delta (PRD) Region to leverage on their massive production capabilities.

17. SCED advised that the Mainland-based manufacturers were the target customers of the Centres in support services. In response to the "Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)" as announced recently, the Administration had undertaken to further develop Hong Kong's service industry in PRD Region and Guangdong. To further improve the communication between the Centres and the Mainland manufacturing industry, more focused and dedicated promotion effort would be put in areas in which Hong Kong excelled, such as wireless communication and digital broadcasting as well as automotive parts. CIT added that the period of operation of the Centres was still short and most of the R&D projects were still underway. However, he envisaged that with about 20 to 30 projects due to be completed within this year and the next, the Centres would spare no effort in promoting their R&D deliverables to the Mainland manufacturers.

18. In concluding the discussion, the Chairman urged the Administration to take note of members' views and concerns. Whilst efforts should be directed towards expediting the commercialization of R&D deliverables, the market strategy of Hong Kong products should switch from competition in terms of price to competition in terms of creativity. In this regard, the R&D Centres should play a critical role in providing novel ideas to the enterprises.

**V. Update on Government's efforts in the promotion and development of MICE industry**

(LC Paper No. CB(1)1286/08-09(05) -- Administration's paper on update on Government's efforts in the promotion and development of MICE industry

LC Paper No. CB(1)1286/08-09(06) -- Paper on the development of convention and exhibition industry in Hong Kong prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

19. At the invitation of the Chairman, Permanent Secretary for Commerce &

Economic Development (Commerce, Industry & Tourism) (PSCED(CIT)) briefed members on the progress of the Government's efforts in the promotion and development of the MICE (Meeting, Incentive Travels, Conventions and Exhibitions) industry. PSCED(CIT) advised that the Administration attached great importance to maintaining Hong Kong's position as a convention and exhibition capital. Through enhancement of the software and hardware infrastructure, the Administration would continue to facilitate the provision of quality convention and exhibition service in Hong Kong. For example, the Government had given policy support for the Hong Kong Convention and Exhibition Centre (HKCEC) Atrium Link Extension (ALE) project, which was completed in early April 2009, boosting HKCEC's total exhibition space by 42% (from 46 600 to about 66 000 square metres). Meanwhile, a Task Force chaired by her was monitoring the progress of the detailed studies to examine the feasibility of a Phase 3 expansion of the HKCEC (Phase 3 expansion) referred to by the Chief Executive in his 2008-09 Policy Address. The Task Force sought to resolve the many interface issues arising from the process. General Manager (MICE & Cruise), Hong Kong Tourism Board (GM(MC)HKTB) elaborated on the work progress of the MEHK office. In brief, MEHK had organized launch ceremonies and publicity programmes in Hong Kong and 14 cities round the world since its establishment in November 2008. In view of the current challenging economic environment, MEHK launched in March 2009 an attendance booster campaign entitled "Business Right Here" to support the MICE sector.

## Discussion

### *Physical infrastructure*

20. Mr Jeffrey LAM said that he was pleased that the ALE project had been completed on schedule, boosting HKCEC's total exhibition spaces and in turn making the Hong Kong Gifts and Premium Fair scheduled for the end of April 2009 the world's largest of its kind. Amidst concern for the future of the convention and exhibition industry in the wake of the financial crisis, especially when the number of participants in similar activities organized in the neighbouring areas had dwindled, the number of buyers participating in the Hong Kong Electronics Fair had only slightly decreased by about 3%. This demonstrated Hong Kong's unique status in the international convention and exhibition industry.

21. Mr Jeffrey LAM opined that the lack of exhibition spaces would thwart the development of Hong Kong's convention and exhibition industry. He urged the Administration to step up efforts in expediting the detailed studies to examine the feasibility of the Phase 3 expansion, and in identifying a suitable site for Phase 3, as well as providing sufficient supporting infrastructure in terms of hotel and transport facilities. He also enquired about the timing of the public consultation on the Phase 3 expansion project and the increase in exhibition spaces as a result. Sharing a similar concern, Mr IP Wai-ming enquired about the concrete timetable for the public consultation on the Phase 3 expansion which would generate employment opportunities.

22. In response, PSCED(CIT) advised that she was leading a Task Force to monitor the progress of relevant detailed studies which covered various complicated issues, including the design of the proposed Phase 3 structure, related planning issues, as well as impacts on the traffic, environment and other public facilities in the vicinity. PSCED(CIT) advised members that the Administration aimed to launch the public consultation as soon as possible upon completion of such studies, hopefully within 2009. The Administration would take into account the result of the public consultation before taking a decision on Phase 3. Meanwhile, the Administration had been urging the Hong Kong Trade Development Council (HKTDC) to improve coordination with the AsiaWorld-Expo (AWE) with a view to making better use of the exhibition venues in Hong Kong. Moreover, the Administration was mindful that sufficient supporting infrastructure in terms of hotel and transport facilities should be provided. Special efforts were also made in attracting overseas buyers to Hong Kong by providing an array of special offers from airlines, hotels and tourist attractions.

23. Mr WONG Ting-kwong said that the first two events hosted by the HKCEC subsequent to the completion of the ALE project had been remarkably successful. He believed that without the ALE project, the Hong Kong Gifts and Premium Fair scheduled for the end of April 2009 would not be the world's largest of its kind. Looking forward, it was necessary to pursue the HKCEC Phase 3 expansion without further delay. The Administration should adopt an open attitude and strive for a consensus before taking a decision on phase 3. He hoped that the MICE industry could be further developed into a pillar of Hong Kong's economy, making Hong Kong a leading player amongst the Mainland cities.

24. Ms Tanya CHAN expressed grave concern over the future of the community amenities at Wan Chai harbourfront, namely the Wan Chai Sports Ground, Wan Chai training pool and Harbour Road Sports Centre, upon implementation of the Phase 3 expansion. Noting that the AWE was not fully utilized, she urged the Administration to step up effort in attracting new events to the venue. She also urged the Administration to consider locating MICE facilities in other districts besides Wan Chai. Not until other viable alternatives had been examined and exhausted, she considered it undesirable to relocate such community amenities in Wan Chai which were strongly in demand. Mr Paul TSE shared a similar view and hoped that the Administration would proceed with the Phase 3 expansion with caution, taking on board members' concern about the unused capacity at the AWE.

25. PSCED(CIT) noted members' concerns and advised that the Administration would endeavour to strike a balance between the industry's need for additional exhibition space and public demand for the community amenities. The Administration had been liaising with the industry and the management of the HKCEC and the AWE on ways to make fuller use of their facilities, especially during non-peak seasons, to meet the needs of the MICE industry. As regards the

utilization of the AWE's exhibition space, she advised that over 80 trade shows had been hosted by the AWE during the past three years. They included the Asia Aerospace International Expo & Congress which was held in Hong Kong for the first time in 2007 and, through the concerted efforts of the Administration and the industry, would be staged again at the AWE this year. In 2009, the AWE would also host a series of new events relating to the logistics, technologies, aviation and consumer products industries. In response to Dr LAM Tai-fai's enquiry about the Phase 2 extension project of the AWE, PSCED(CIT) advised that the Administration was exploring with the Board of Directors of the AWE the feasibility of the project, which was expected to boost the total exhibition space of the AWE from 66 000 square metres to 100 000 square metres.

*Grooming of talents*

26. Noting that the consultancy study on the manpower requirements of the MICE and cruise tourism sectors in 2008 had concluded that there would not be any significant surplus or shortfall of manpower in the MICE sector in the next five years, Mr IP Wai-ming enquired if the Administration had further reviewed the manpower situation in the wake of the financial tsunami. He also enquired about the number of training opportunities provided by the tertiary and vocational institutions.

27. In response, Deputy Commissioner for Tourism (DCT) stressed that the Administration attached great importance to the grooming of talents in the MICE sector. She advised that the consultancy study on the manpower requirement, which was completed in March 2009, had concluded that the supply of manpower would be able to meet the demand in the next five years. While there were no specific data on the manpower requirement of the convention and exhibition industry as over 20 job types were involved, the study had revealed that over 7 000 employees were required by the overall MICE industry and the training opportunities currently available were sufficient.

*MEHK*

28. Dr LAM Tai-fai said that it was imperative for enterprises to seek diversification of their markets as well as products and services amidst the financial tsunami, and participation in exhibitions and conventions was an effective way to explore new business opportunities. He was confident that the MEHK office and the cross-sector Steering Committee on MICE would provide effective support to MICE industry and attract overseas enterprises to events staged in Hong Kong. He opined that the MICE industry played an important role in maintaining Hong Kong's status as an international trade centre. Apart from promoting Hong Kong's products and services to overseas buyers, the MICE events would create employment opportunities and bring both direct and indirect benefits to various sectors of the local economy, including the hotel and tourism industry and the food and beverage industry. In this regard, Dr LAM enquired about the achievements of the MEHK office since its inception in November 2008, and whether any

incentives, such as rental discounts, would be offered to local enterprises.

29. In response, GM(MC)HKTB advised that since its establishment in November 2008, MEHK had organized events in 14 cities round the world, and reached out to over 5 000 tourism industry players to reinforce Hong Kong's image as an international convention and exhibitions capital. Meanwhile, talks were actively held with major international convention and exhibition companies. PSCED(CIT) added that a list of 20 key MICE events held in Hong Kong in 2009 was provided in the Administration's paper (LC Paper No. CB(1)1286/08-09(05)). The HKTDC had announced earlier a series of measures to help small and medium enterprises (SMEs) and to attract foreign buyers to participate in trade shows staged in Hong Kong. The AWE had also launched various support measures, such as a 35% conference venue discount for the months of July, August and December 2009, a 25% rental discount on meeting facilities booked for 2009 and 2010 and a 15% rental discount for the exhibition areas occupied by local SMEs in the new trade shows to be held in 2009 and 2010. Additional shuttle bus services for the exhibitors and visitors would also be provided. Moreover, under the SME Export Marketing Fund, the overall grant ceiling for each SME had been raised in 2008 from \$100,000 to \$150,000, and the sub-ceiling for each successful application from \$30,000 to \$50,000.

30. Mr Paul TSE opined that in providing a one-stop service, the MEHK office should refrain from competing with the tourism industry, and should make room for the industry players to play a role in providing service such as hotel room booking for overseas buyers. He also called for enhanced cooperation between the HKTDC and the Hong Kong Tourism Board (HKTB) in providing incentives for business tourism for overseas buyers and their relatives.

31. In response, PSCED(CIT) advised that the MEHK office had played an intermediary role to avoid competing with the industry players. The HKTB had recently provided an incentive scheme for overseas exhibitors at Macau's exhibition events and their relatives to extend their visits to Hong Kong. The Administration would continue to work with the HKTDC, the HKTB, the industry and the venue providers on the best way to utilize Hong Kong's MICE facilities.

32. Mrs Sophie LEUNG called on the Administration to review the existing venue fee policy to facilitate the holding of international mega events such as Rugby Seven and soccer games in Hong Kong, so to promote tourism in Hong Kong and stimulate the economy. The Administration undertook to relay Mrs LEUNG's view to the relevant policy bureau for consideration.

*(Post-meeting note: The Administration advised that following the approval of the Finance Committee (FC), a Mega Events Fund had been set up to provide financial support (including fee for venues) for local non-profit-making organizations to host mega arts, culture and sports events in Hong Kong.)*

Other issues

33. Mr WONG Ting-kwong enquired about the possibility of expediting the timetable for the development of the new cruise terminal which was scheduled for completion in 2013. PSCED(CIT) advised that the Administration had pledged to develop Hong Kong into a leading cruise hub in the region, and was pressing ahead at full steam with the new cruise terminal at Kai Tak to ensure the completion of the first berth in 2013. To facilitate the smooth visit of cruise liners to Hong Kong, the Tourism Commission (TC) had put in place an arrangement for the cruise companies to give advance notice to the TC, so that it could work out the logistical arrangements beforehand with other relevant parties including the HKTB. The funding proposal for the cruise terminal would be submitted to FC by mid 2009.

Summing up

34. The Chairman called on the Administration to expedite the consultation work of Phase 3 expansion of the HKCEC. In the pursuit of more convention and exhibition facilities, the Administration should not lose sight of the importance of enhancing Hong Kong's appeal to quality overseas buyers who would in turn attract quality exhibitors.

**VI. Enhancement measures to boost the economy of Hong Kong**

(LC Paper No. CB(1)1286/08-09(03) -- Administration's paper on enhancement measures to boost the economy of Hong Kong

LC Paper No. CB(1)1286/08-09(04) -- Hon Vincent FANG's letter and study report on consumer vouchers issued in March 2009 (Chinese version only)

LC Paper No. CB(1)1365/08-09(01) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil (supplementary note))

Presentation by the Administration

35. The Under Secretary for Commerce and Economic Development (USCED) briefed members on the Administration's preliminary response to the proposal of issuing consumption vouchers and the progress update of the SME Loan guarantee Scheme (SGS) and the Special Loan Guarantee Scheme (SpGS). USCED said that the community had diverse views on the effectiveness of issuing consumption vouchers as an economic stimulus measure. In view of the "substitution" or "advancement of future spending" effect, it was doubtful whether issuing one-time

vouchers would be able to bring about sustained stimulating effect on the economy. He added that overseas experience showed that issuing consumption vouchers would only bring about limited stimulus to the economy while incurring substantial administrative costs. On the progress of SGS and SpGS, members noted that as at 19 April 2009, out of the total of 7 864 applications received, 7 001 applications had been approved involving a total loan amount of \$14.26 billion.

## Discussion

### *Consumption vouchers*

36. Ms Starry LEE expressed reservation over the effectiveness of issuing consumption vouchers to stimulate the economy. In view of Hong Kong's export-oriented economy, she doubted whether small and medium-size enterprises (SMEs) would really benefit from the issuance of one-time consumption vouchers. Instead, the Government should take prompt actions to support local business enterprises and preserve employment. She enquired about the cost effectiveness of consumption vouchers that had been launched in other economies.

37. USCED agreed with Ms Starry LEE that the export-oriented economy of Hong Kong might not benefit much from the issuance of consumption vouchers. He said that consumer goods and food items in Hong Kong were mostly imported and they accounted for 22.6% of Hong Kong's total consumption expenditure, which was significantly higher than many other economies such as the Mainland (6.8%), the United States (5.7%), the United Kingdom (8.8%) and Taiwan (10.2%). As such, increases in domestic consumption might not really help boost the local economy. On overseas experience on consumption vouchers, he said that statistics showed that the "substitution" and "advancement of spending" effect of consumption vouchers might have outweighed its multiplier effect. The multiplier effect of the consumption coupon programme in Japan in 1999 was estimated to be only 0.1 for the whole year. In Taiwan, although the consumption voucher programme was estimated to have contributed 0.66% growth in Taiwan's gross domestic product (GDP), the initial effect of consumption vouchers to stimulate the economy was not quite visible.

38. Mr WONG Ting-kwong said that the Democratic Alliance for the Betterment and Progress of Hong Kong had reservation over the effectiveness of consumption vouchers in reviving the economy. He opined that handing out cash and benefits could not possibly be a sustainable solution. Instead, the Government should put in place measures to stimulate the economy and preserve employment. He was of the view that resources should be better deployed on works such as buildings repair and maintenance, improving drainage and roads, demolition of unauthorized structures, and conducting population census, as these activities would create jobs for Hong Kong people to secure a stable income.

39. The Chairman shared the experience of his recent visit to Taiwan to study the implementation of the consumption voucher programme there. He said that

the catering and restaurant sectors as well as the retail and tourism industries in particular were the hardest hit by the financial tsunami. The Liberal Party therefore strongly supported launching a consumption voucher programme in Hong Kong to stimulate spending and revitalize the economy. Although administrative costs would be incurred in terms of printing and issuing vouchers, jobs would be created which in turn would help boost domestic demand and internal consumption and stabilize the economy. He pointed out that the vouchers issued in Taiwan in mid-January 2009 could be used for a number of times for various purposes until the end of the programme on 30 September 2009. The estimated GDP growth of 0.66% was only a simple estimation which had not fully reflected the cumulative and multiplying effect of the revolving consumption vouchers in Taiwan. He urged the Administration to come up with other measures as soon as possible to stimulate the economy and forestall massive lay-offs in the event that the consumption vouchers proposal was not adopted.

#### *Loan Guarantee Schemes*

40. Referring to the weekly statistics set out in Annex II to LC Paper No. CB(1)1365/08-09(01), Mr Paul TSE enquired about the reasons for the drop in the number of applications approved under the two schemes in April 2009. He also enquired about the number of approved applications from the tourism sector, and the timetable for the review of the schemes. In response, the Deputy Director-General of Trade and Industry (Commercial Relations, Controls and Support) (DDG/TID) advised that the drop in the loan approval figures in April was mainly due to the Easter holidays during which fewer applications were received. USCED informed the meeting that as at 19 April 2009, 50 loan applications from the tourism sector had been approved under SpGS. He undertook to provide after the meeting the total loan amount approved for the tourism sector as at 19 April 2009. On the review of the schemes, PSCED(CIT) said the Administration had commenced a review of the two schemes. The outcome and the way forward would be reported to the Panel once the review was completed. She assured members that the Administration would closely monitor developments and actively explore the options available to provide timely assistance to SMEs.

*(Post-meeting note: The information provided by the Administration had been issued to members vide LC Paper No. CB(1)1585/08-09(01) on 14 May 2009.)*

41. In response to the Chairman and Mr WONG Ting-kwong's enquiry, USCED and DDG/TID advised that as at 19 April 2009, of the 7 864 loan applications received from participating lending institutions (PLIs) under both SGS and SpGS, the Trade and Industry Department (TID) had approved 7 001 applications involving a total loan amount of \$14.26 billion. Of the outstanding applications, some 210 cases (10 SGS applications and 200 SpGS applications) were being processed by the TID, and the rest of the applications required further clarification by the PLIs concerned. Subject to the provision of sufficient information by the applicants and the receipt of necessary documentation from the

PLIs, TID would complete the assessment of each application within three working days. Of all the applications forwarded by the PLIs to TID, 99% were approved. Applications were rejected mainly because the applicants did not meet the eligibility criteria or had not been able to provide sufficient documents to facilitate assessment.

**VII. Any other business**

42. There being no other business, the meeting ended at 4:45 pm.

Council Business Division 1  
Legislative Council Secretariat  
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