

立法會
Legislative Council

LC Paper No. CB(1)536/09-10
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by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 October 2009, at 2:30 pm
in the Chamber of the Legislative Council Building

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

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

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

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

Ms Linda LAI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)¹

Mr Christopher WONG, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)²

Ms Linda SO, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)³

Ms Maria KWAN, JP
Director-General of Trade and Industry

Miss Janet WONG, JP
Commissioner for Innovation and Technology

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

I. Information papers issued since last meeting

(LC Paper No. CB(1)2375/08-09(01) -- Information on the financial position of the Applied Research Fund for the period of 1 March 2009 to 31 May 2009

LC Paper No. CB(1)2448/08-09(01) -- Further submission from a member of the public lodging a complaint against the Hong Kong Productivity Council
(Chinese version only)

LC Paper No. CB(1)2785/08-09(01) -- Information paper on the proposed amendments to the Schedules to the Patents Ordinance (Cap. 514), Registered Designs Ordinance (Cap. 522), Trade Marks Ordinance (Cap. 559) and Layout-design (Topography) of Integrated Circuits (Designation of Qualifying Countries, Territories or Areas) Regulation (Cap. 445B)

LC Paper No. CB(1)32/09-10(01) -- Administration's paper on progress update on the support measures for small and medium enterprises arising from the global financial turmoil)

Members noted that the above papers had been issued for the Panel's information. Regarding the proposed amendments to the four pieces of subsidiary legislation as set out in the Administration's paper (LC Paper No. CB(1)2785/08-09(01), members noted that they were technical in nature and would not have any effect on the industry and the public. The proposed legislation would be submitted to the Council for negative vetting before December 2009.

II. Date of next meeting and items for discussion

(LC Paper No. CB(1)13/09-10(01) -- List of outstanding items for discussion

LC Paper No. CB(1)13/09-10(02) -- List of follow-up actions)

2. Members noted that the next regular Panel meeting would be held on 17 November 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) Copyright protection in the digital environment; and
- (c) Promoting the development of the testing and certification industry in Hong Kong.

III. Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives featuring in the Chief Executive's 2009-2010 Policy Address

(LC Paper No. CB(1)13/09-10(03) -- Administration's paper on policy agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

LC Paper No. CB(1)90/09-10(01) -- Speaking note of the Secretary for *(tabled at the meeting and subsequently issued on 21 October 2009)* Commerce and Economic Development

Other relevant documents

- (a) Address by the Chief Executive at the Legislative Council meeting on 14 October 2009 - "Breaking New Ground Together" (*issued on 14 October 2009*); and
- (b) The 2009-2010 Policy Address - "Policy Agenda" (*issued on 14 October 2009*).

Briefing by the Secretary for Commerce and Economic Development

3. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the major initiatives relating to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2009-2010 Policy Agenda. Details of the policy initiatives were set out in the Administration's paper (LC Paper No. CB(1)13/09-10(03)) and SCED's speaking note (LC Paper No. CB(1)90/09-10(01)).

Promoting the testing and certification services

4. Mr Jeffrey LAM expressed support for the Government's plan to develop the testing and certification industry which would help ensure the quality of Hong Kong products. In this regard, he enquired whether the Government had

formulated any plans for the grooming of talents with the various universities and professional institutes.

5. In response, SCED advised that the Hong Kong Council for Testing and Certification (HKCTC) comprised of university professors and representatives from the industry and the business sector. One of its priority tasks was to identify the overall technological skill requirements of the local testing and certification industry. Most of the professional practitioners in the industry were trained in the fields of science including chemistry, biology and engineering. At present, local universities provided sufficient graduates from these disciplines to meet the current demands of the industry. In response to Mr LAM's suggestion to seek the agreement of the Mainland authorities on the recognition of testing reports issued by Hong Kong's accredited laboratories, SCED advised that the HKCTC would give an overall consideration to the matter, having regard to local, national as well as international practices.

Support measures for small and medium enterprises

6. Mr Jeffrey LAM expressed support for the support measures for the small and medium enterprises (SMEs) including the SME Loan Guarantee Scheme (SGS), the Special Loan Guarantee Scheme (SpGS), and the support measures for the export sector introduced by the Hong Kong Export Credit Insurance Corporation. He urged the Administration to continue to provide more relief measures to assist the SMEs.

7. Noting the marked increase in the number of orders placed by buyers, Mr Andrew LEUNG said that the SMEs were undergoing a critical period of recovery where liquidity and support of the lending institutions were crucial. He urged the Administration to extend the guarantee period for the SME loan schemes for one year as soon as possible. Mr WONG Kwok-hing and Mr Tommy CHEUNG shared Mr LEUNG's view and called on the Administration to extend the application period for the SpGS for one year. Mr WONG also enquired about the number of job opportunities created by SMEs under the loan schemes.

8. In response, SCED advised that the Administration attached great importance to supporting the SMEs. In terms of Gross Domestic Product (GDP), the economy of Hong Kong had returned to positive growth in the second quarter of 2009 on a quarter-to-quarter seasonally adjusted basis. With the review on the support measures for SMEs entering the final stage, the Administration would analyze the latest economic figures before taking a final decision on the way forward for the SpGS. The Administration would announce its decision by mid-November at the latest.

9. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) and the Director-General of Trade and Industry (DGTI) added that some 240 000 employees were hired by the beneficiaries of the SpGS. The Administration had no statistics on the number of job vacancies / openings in these SMEs but according to the result of a sample

surveys amongst beneficiaries of the SpGS, over 14% increased the number of employees, whereas 81% had no change in their manpower establishment after joining the schemes.

10. Dr LAM Tai-fai opined that the statistics on the SpGS had indicated a very low default rate of 15 default claims out of a total of 21,626 applications approved. He opined that the Administration had been over-pessimistic about the repayment capability of the SMEs. With only half of the total financial commitment utilized so far, he called on the Administration to convert the SpGS into a regular scheme so as to benefit the SMEs in the long run.

11. In response, SCED and DGTI considered that it was too early to conclude that default rate of loans under the SpGS would remain low. Since a grace period of six months was allowed during which the borrower might repay the interest only, the Government anticipated that the default rate would rise at a later stage. As regards the proposal to convert the SpGS into a regular scheme, SCED advised that the SpGS was devised under the unprecedented circumstances of the global financial tsunami, whereas the SGS was a regular scheme which aimed at providing regular assistance to SMEs.

Research and Development Cash Rebate Scheme

12. Mr Andrew LEUNG and Mr Tommy CHEUNG expressed support for the Research and Development (R&D) Cash Rebate Scheme. Mr CHEUNG further said that it was an innovative initiative to encourage enterprises to increase their investment in R&D. Unlike tax rebate schemes, the Scheme obviated the need for enterprises to generate a profit before becoming eligible for the rebate. Sharing a similar view, Dr LAM Tai-fai suggested that the Administration should conduct a review on the Schemes' effectiveness after one year instead of three years.

13. In response, SCED advised that the Scheme aimed at reinforcing a research culture among enterprises, in particular SMEs, and encouraging them to establish long-term partnerships with local public research institutions. The Government would set aside \$200 million for launching the Scheme in April 2010, subject to the approval of the Finance Committee. The Administration would submit an information paper to the Panel explaining the details of the Scheme at a later stage. She accepted Dr LAM Tai-fai' suggestion and agreed to monitor the operation of the Scheme on an annual basis.

Promoting youth entrepreneurship

14. Noting the successful experience of the Hong Kong Federation of Youth Groups (HKFYG) in running the Youth Business Hong Kong to help young people start their own businesses, Mr WONG Kwok-hing enquired whether the Administration had any plans to promote youth entrepreneurship.

15. SCED advised that at present, incubation programmes were being provided by the Hong Kong Science Park and the Digital Entertainment Incubation-cum-Training Centre at the Cyberport. The Administration would continue its effort in nurturing the incubatees who were in need of support to develop their technical know-how or business skills. The Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) added that the Centre for Creative Science and Technology at the Hong Kong Science Park, which would be operated in conjunction with the HKFYG, aimed at nurturing the youngsters' interest in innovation and technology at an early age.

Convention and exhibition infrastructure

16. Noting the success of the recent Hong Kong Jewellery and Gem Fair 2009 which was held based on the "one fair, two venues" model, Miss Tanya CHAN enquired whether the Administration would encourage more organizers to adopt this model in organizing major trade fairs to make the best use of space offered by the two largest exhibition venues in Hong Kong. In this connection, she doubted whether there was a genuine and pressing need to pursue the Phase 3 development of the Hong Kong Convention and Exhibition Centre (HKCEC) given that Phase 2 of the Asia-World Expo (AWE) had yet to be constructed.

17. In response, SCED advised that the feasibility of the AWE Phase 2 expansion project and the Phase 3 development of the HKCEC were being explored as Hong Kong needed to make plans to meet future demand for exhibition facilities. She stressed that the AWE and the HKCEC served different functions as they had different designs such as ceiling height. For instance, the Asian Aerospace International Expo and Congress was held at the AWE because the design and location of the venue were suitable for such an event. In response to Miss Tanya CHAN, SCED advised that the Administration would conduct a public consultation at an appropriate time when there was a concrete proposal for the Phase 3 development of the HKCEC. Meanwhile, the Administration would continue to encourage trade fair organizers to adopt the "one fair, two venues" model to optimize the use of existing exhibition facilities.

The six industries

18. Mr Albert CHAN expressed regret that the Administration had not laid down any concrete implementation plans, indicators or objectives on the development of the six industries (namely educational services, medical services, testing and certification, innovation and technology, cultural and creative industries, and environmental industry). He suggested that the Administration should provide a rough estimate of the amount of investment and number of job vacancies to be generated by the six industries. Noting that the Hong Kong developed electric vehicle "My Car" was first promoted in the United Kingdom, he enquired about measures taken to promote the development of the innovation and technology industry in Hong Kong. As the six industries spanned over a number of different policy areas, he opined that a policy bureau or centralized task force should be designated to coordinate the various initiatives to ensure their effective

implementation. In this connection, he considered that the Administration should cater for the survival of other traditional industries whilst developing the six industries.

19. In response, SCED advised that the GDP generated by the six industries amounted to about 7 to 8%. These industries had hired some 350 000 employees which accounted for 10% of the total workforce in Hong Kong. The six industries had posed abundant business opportunities and possessed much room for expansion. For instance, judging from the track records of the testing and certification industry over the past few years, the number of employees hired had been rising steadily, ranging from 5 to 10 % annually. A number of major multinational companies in the field had set up their testing laboratories in Hong Kong. New safety standards and requirements adopted by importing countries had created a steadily increasing demand for the service of the testing and certification industry. The introduction of nutrition labeling by the Administration and the outsourcing of the testing and certification service also helped promote the development of the industry. Whilst it could be part of the marketing strategy that "My Car" was first approved and promoted in the United Kingdom to capture a wider attention, it would soon be formally launched in the local market.

20. In catering for the needs of the traditional industries, SCED advised that the loan guarantee schemes were open for application to all industries. Hong Kong enterprises could also make the best use of the business opportunities brought about by the Mainland and Hong Kong Closer Economic Partnership Arrangement and the integration of the economy of Hong Kong and Shenzhen.

21. Dr Samson TAM opined that apart from investing in nurturing local creative talents, the Administration should make effort to retain these talents so that they would contribute to the economy of Hong Kong. In creating an innovation and knowledge-based economy, the Administration should emphasize the creation of knowledge by investing in R&D projects. Referring to the experience of Taiwan in the development of science and technology, he urged the Administration to continue to invest heavily in such projects. In this connection, he enquired when the concrete achievements in cooperation with Guangdong and Shenzhen would be made in this respect. He held the view that the Administration should attach importance to the retention of knowledge by strengthening and upgrading the regime of the protection of intellectual property in Hong Kong. The Administration should also step up its effort to narrow the digital divide.

22. In response, SCED advised that the DuPont global thin film photovoltaic R&D Centre was the first major technology collaboration project under the Shenzhen-Hong Kong Innovation Circle. The success of the project had complemented the Administration's work in the development of renewable energy. The Administration would continue to work closely with the government of Shenzhen to facilitate and monitor the implementation of the Three Year Action Plan under the Shenzhen-Hong Kong Innovation Circle. Initiatives under the action plan encompassed the various sectors such as innovation and technology, medical services and environment. She said that Hong Kong enjoyed a good

reputation internationally in terms of intellectual property rights and enforcement, and this had attracted companies from all over the world to promote their products in Hong Kong. In response to Dr TAM's further enquiry, SCED advised that the number of Hong Kong's R&D professional was generally increasing and the number had now already exceeded 20 000.

Innovation and Technology Fund

23. In response to Ms Emily LAU's enquiry on the achievements made under the Innovation and Technology Fund (ITF) and future plans for promoting technological development in Hong Kong, SCED advised that there had been a number of very successful cases nurtured by the incubation programmes operated under the ITF. In addition, there were plans to promote the achievements of the ITF at the Hong Kong Science Park and through other forums and channels, including the media. In fact, a data processing company, which started out as an incubatee of an incubation programme in Cyberport under the ITF, was subsequently acquired by a multinational company.

Admin

24. The Commissioner for Innovation and Technology supplemented that the commercialization of R&D deliverables was a long and complicated process. The Administration was reviewing the operation of the ITF to further strengthen the process. The Administration would provide a roadmap for this comprehensive review and would report to the Panel in 2010. At the request of Ms Emily LAU, the Administration undertook to provide information on examples of commercialization of R&D projects under the ITF.

Helping SMEs tap the Mainland domestic market

25. Mr WONG Ting-kwong commended the Commerce and Economic Development Bureau for its effort in providing assistance to the SMEs in the past year. In this connection, he suggested that the Administration should make reference to the Hong Kong Trade Development Council's experience in setting up exhibition and trading centers in major cities in the Mainland with a view to promoting Hong Kong brand names and establishing a distribution network in the Mainland.

26. In response, SCED advised that the Administration attached great importance to supporting the SMEs which constituted the lifeblood of Hong Kong's economy. The Administration would continue to monitor the situation faced by the SMEs and formulate suitable and timely measures to help them tide over the difficult economic situation. In helping the SMEs tap the Mainland domestic market, the Administration was actively liaising with the relevant Mainland authorities on the various facilitating measures, including the establishment of distribution networks and the licensing and quality assurance arrangements.

Other issues

27. In response to Miss Tanya CHAN's enquiry about the future plans of the Create Hong Kong Office, PSCT advised that since its inception in June 2009, it had been engaging in a number of projects raising the profile of Hong Kong's creative industry. For example, the Office had recently participated in the Frankfurt Book Fair 2009, and was participating in the Urban Best Practice Area Exhibition at the World Exposition 2010 Shanghai China.

28. Mr Ronny TONG noted that there was not much concrete progress on the proposed competition law after the two rounds of public consultation exercise. He enquired about the latest developments. In response, SCED advised that as the proposed legislation fell within the scope of the Panel on Economic Development, the Administration would brief the Panel on further progress of its work in due course. The Under Secretary for Commerce and Economic Development supplemented that the Competition Bill was still being drafted and would be introduced to the Council once the drafting process had been completed.

29. In response to Mr Ronny TONG's enquiry about the progress of developing commercial helicopter service in Hong Kong, SCED advised that it was within the purview of the Secretary for Transport and Housing (STH). She agreed to relay Mr Tong's enquiry to STH for a written reply.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(1)222/09-10 on 3 November 2009.)

30. Mr WONG Ting-kwong suggested that the site of the golf course located between Terminal 2 of the Hong Kong International Airport and the AWE should be utilized for the establishment of a merchandizing centre for wholesalers as this could help promote tourism and the economy of Lantau Island. In response, SCED advised that as the said location was under the management of the Hong Kong Airport Authority, the long-term use of the land would have to be dealt with by the Transport and Housing Bureau.

31. At Mr WONG Kwok-hing's request, SCED indicated that ITC would provide information on the employment opportunities to be created as a result of the new policy initiative, such as the R&D Cash Rebate Scheme as and when the funding application was submitted to the Finance Committee.

32. In summing up, the Chairman said that the Panel welcomed the Administration's various policy initiatives, in particular the assistance to SMEs in developing the Mainland domestic market and the R&D Cash Rebate Scheme. He urged the Administration to announce its decision on the way forward for the SpGS as soon as possible.

IV. Any other business

33. There being no other business, the meeting ended at 4:23 pm.

Council Business Division 1
Legislative Council Secretariat
1 December 2009