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Legislative Council

LC Paper No. CB(1)1234/13-14
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 February 2014, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Vincent FANG Kang, SBS, JP (Chairman)
Dr Hon CHIANG Lai-wan, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon Dennis KWOK
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, JP
Hon CHUNG Kwok-pan

Member absent : Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Public officers attending : Agenda item IV

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr Johann WONG, JP
Deputy Commissioner for Innovation and Technology

Mr Frank TSANG
Assistant Commissioner for Innovation and Technology (Funding Schemes)

Agenda item V

Mr Kenneth MAK, JP
Director-General of Trade and Industry

Mr Jacky LUM
Assistant Director-General of Trade and Industry (Systems)

Mrs Candy YEUNG
Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) 1

Clerk in attendance : Ms Annette LAM
Chief Council Secretary (1)3

Staff in attendance : Ms Connie HO
Senior Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)883/13-14 -- Minutes of meeting held on 17 December 2013)

The minutes of the meeting held on 17 December 2013 were confirmed.

II. Information papers issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 21 January 2014.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)885/13-14(01) -- List of outstanding items for discussion

LC Paper No. CB(1)885/13-14(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 18 March 2014 from 2:30 pm to 4:30 pm to discuss the following items proposed by the Administration:

(a) Promotion of inward investment; and

(b) New initiatives on promotion of innovation and technology

(*Post-meeting note*: At the request of the Administration and with the concurrence of the Chairman, an additional item on "Treatment of parody under the copyright regime" was included in the agenda of the March Panel meeting, which had been extended from 4:30 pm to 5:00 pm to allow sufficient time for discussion.)

Item on "Progress of negotiations under World Trade Organization"

4. The Chairman referred members to item 13 on "Progress of the World Trade Organization Doha Development Agenda Negotiations" on the Panel's "List of outstanding items for discussion" ("the List") (LC Paper No. CB(1)885/13-14(01)). He advised that an information paper provided by the Administration on the progress made on negotiations in relation to the Doha Development Agenda and on two plurilateral agreements relevant to Hong Kong conducted under the auspices of the World Trade Organization ("WTO") had been circulated for members' information vide LC Paper No. CB(1)691/13-14(01) on 7 January 2014. As the Secretariat had not received any specific request from members that the subject be discussed at a meeting of the Panel, the Chairman consulted members on whether they would agree to the deletion of the said item from the List. Members agreed.

Item on "Progress report on the implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales"

5. Noting that item 3 on "Progress report on the implementation of the Dedicated Fund on Branding, Upgrading and Domestic Sales (" the BUD Fund") on the List originally scheduled for discussion in the first quarter of 2014 had been deferred to the second quarter, Mr Dennis KWOK urged that the item be dealt with by the Panel as planned without any further delay.
Secretariat The Chairman instructed the Secretariat to liaise with the Administration for

arranging the discussion of the item by the Panel as early as practicable during the second quarter of 2014.

(*Post-meeting note*: The Secretariat had written to the Administration on 20 February 2014 conveying the requests of the Chairman and Mr Dennis KWOK for an early discussion of the item on BUD Fund. The item had been included in the agenda of the regular Panel meeting to be held in April 2014.)

Proposed overseas duty visit to Israel

6. Mr SIN Chung-kai enquired about the progress of the study for the Panel to pay a duty visit to Israel. The Chairman advised that pursuant to discussion at the last Panel meeting held in January 2014, a more in-depth paper on Israel's innovation and technology and intellectual property industries was being prepared by the Secretariat Research Office for members' consideration. The matter would be put forward for members' discussion once the relevant information paper was ready.

Incident on causing nuisance to Mainland tourists on Canton Road

7. Mr WONG Ting-kwong expressed grave concern about the recent incident on causing nuisance to Mainland tourists on Canton Road. He requested that the Panel discuss as soon as possible the proposed setting up of a business and shopping centre in Lok Ma Chau, which would help to divert Mainland tourists to the border area to mitigate the impact on the livelihood of Hong Kong people arising from the influx of Mainland tourists. The Chairman advised that as the subject of tourism came under the purview of the Panel on Economic Development (EDEV), it would be more appropriate that the matter be discussed by the EDEV Panel.

IV. Comprehensive review of the Innovation and Technology Fund —— proposed improvement measures

(LC Paper No. CB(1)885/13-14(03) -- Administration's paper on comprehensive review of the Innovation and Technology Fund —— proposed improvement measures

LC Paper No. CB(1)885/13-14(04) -- Paper on improvements to the Innovation and Technology Fund to promote innovation and application of research and development outcomes prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

8. At the invitation of the Chairman, Commissioner for Innovation and Technology (CIT) briefed members on the progress of the comprehensive review of the Innovation and Technology Fund (ITF), the proposed improvement measures to the ITF, and implementation progress of the Research and Development ("R&D") Cash Rebate Scheme ("Cash Rebate Scheme") as detailed in the Administration's paper (LC Paper No. CB(1)885/13-14(03)). CIT said that this was the first progress report on the comprehensive review of ITF. The Administration was continuing with the review on other areas of the ITF and would consult the Panel again on further findings.

Discussion

Stimulating private sector investment in research and development

9. Mr Jeffery LAM relayed the business sector's long-standing wish of offering to private companies government tax concession or rebate for R&D expenditure as an incentive to encourage private sector investment in and undertakings of R&D projects. Mr CHUNG Kwok-pan expressed a similar view, adding that apart from incentives relating to taxation, the provision of land resources for companies of the innovation and technology industry was important to facilitate development.

10. Mr Jeffrey LAM said that the number of private companies (530 as at end-December 2013) that had benefitted from the Cash Rebate Scheme since its implementation in April 2010 was smaller than expected. He advised that the Administration should collaborate with relevant chambers of commerce and trade associations to promote the Cash Rebate Scheme to small and medium enterprises (SMEs) to arouse their interests in the application of innovation and technology in their business operations, as well as to strengthen their collaboration with local research institutions and academia on research projects. Efforts should also be made to publicize the

successful R&D outcomes of SMEs under the Cash Rebate Scheme to the general public. Mr LAM enquired if the Administration would consider further increasing the level of cash rebate from 30% to 50% to enhance the attractiveness of the Cash Rebate Scheme and to encourage R&D investment by private companies and reinforce the research culture among private companies.

11. CIT responded that government taxation policy was not under the purview of the Innovation and Technology Commission (ITC). She concurred with Mr Jeffrey LAM's view that publicity to heighten awareness of the Cash Rebate Scheme was pivotal to engaging potential applicant companies in the business sector so that more companies could benefit from the Scheme. In this regard, the Administration would publicize the relevant improvement measures of the ITF and engage the major chambers of commerce and industry organizations in doing so. CIT added that while the Administration had no intention to further increase the cash rebate level to beyond 30% for the time being, it was reviewing the operation of the Small Entrepreneur Research Assistance Programme (SERAP) under ITF to identify room for further enhancing Government's support for in-house R&D activities undertaken by private sector enterprises. At present, the Public Sector Trial Scheme (PSTS) provided additional funding to completed R&D projects funded by ITF for the production of tools/prototypes/samples and the conducting of trials in the public sector. The Administration would review whether it was necessary to further extend the funding scope of the ITF to provide more robust support to facilitate the realization and commercialization of R&D outcomes. The Administration would suitably consult the relevant stakeholders, including the academia, professionals and the industry, in drawing up the relevant proposals.

12. Mr Charles MOK opined that the current mode of financing of SERAP, whereby funds were provided on a company basis in the form of dollar-for-dollar matching grant, was complicated and hard to administer. He requested that in the upcoming phases of the comprehensive review, the Administration should consider introducing a new mode of financing under SERAP by making reference to other places, e.g. Singapore. Consideration should also be given to reviewing the funding scope of SERAP so that not only SMEs with less than 100 employees but larger companies too could benefit from the funding support to conduct in-house R&D to encourage the development of more new technologies.

13. CIT took note of Mr Charles MOK's views, adding that the Administration was aware of the feedback from industry stakeholders that the funding scope of SERAP was too narrow. She said that the Administration would take into account the various concerns raised by members of the Panel

and industry stakeholders in reviewing the operation of SERAP, including its effectiveness in promoting in-house research. A separate paper regarding the Government's further initiatives to promote innovation and technology in Hong Kong and to encourage private sector investment in R&D would be presented to the Panel in due course.

Extending the Public Sector Trial Scheme to the private sector

14. Referring to the Administration's proposal to raise the funding ceiling of PSTS projects from 30% to 50% of the actual cost of the original R&D project supported by the ITF, Mr Charles MOK cast doubt on the effectiveness of the proposed improvement in enhancing the application of R&D outcomes in the public sector. Mr MOK proposed expanding the scope of the PSTS to cover trial in the private sector so as to promote wider exploitation of local R&D results, thereby facilitating their realization and commercialization in the open market.

15. CIT responded that the proposed increase in the funding limit of PSTS projects would facilitate the conduct of larger scale product trials to assess speedily and comprehensively the effectiveness of the new innovation in different settings, as well as repeated trials to identify areas of improvement to facilitate their commercialization in the open market. She added that trials of the R&D outcomes by companies under existing PSTS could be conducted in collaboration with the relevant chambers of commerce or trade associations. For instance, the trials of radio-frequency identification technology had been conducted in the logistics sector as well as in the construction sector.

Waiving the industry sponsorship requirement for projects initiated by Government bureaux/departments and statutory bodies

16. Mr Charles MOK expressed support for waiving the 10% industry sponsorship requirement for platform projects under the Innovation and Technology Support Programme (ITSP) of ITF where there were clear support from Government bureaux/departments and statutory bodies as well as clear community interests. Mr CHUNG Kwok-pan, however, questioned the rationale behind the arrangement. He queried as to why government funding should be given to a project considered by the industry as having low commercial value and not worthy of undertaking and could not secure the requisite 10% industry contribution.

17. CIT responded that some technologies might have limited commercial interest in their early stage of development or by their nature had only limited applications in the public sector (e.g. for law enforcement purposes), and

therefore had difficulties in securing industry sponsorship. Under such circumstances, the 10% industry support requirement might have hindered the speedy commencement of good R&D projects that were of value to Government bureaux/departments or with clear community interests. The waiving of such a requirement could encourage more R&D projects in the public sector as well as promote the wider application of innovation and technology in the public sector.

The University-Industry Collaboration Programme

18. Mr Dennis KWOK considered that the current mechanism of The University-Industry Collaboration Programme (UICP), whereby the participating company was required to contribute no less than 50% of the project cost to start off a collaborative R&D project with a local university, was not effective in encouraging local universities to take up more R&D projects. He advised the Administration to consider making reference to overseas practices and adopting the performance-based research and quality evaluation models under which funds would be allocated to universities based on their performance in R&D so as to encourage local universities to initiate more R&D projects.

19. CIT responded that the UICP aimed to stimulate private sector investment in R&D through leveraging the knowledge and resources of local universities. The emphasis was on fostering closer collaboration between private companies and universities in Hong Kong. There were three schemes under UICP, namely the Teaching Company Scheme, the Matching Grant for Joint Research, and the Industrial Research Chair Scheme. Participating companies of UICP projects had to bear no less than 50% of the project cost in cash. CIT advised that the $5-billion ITF was established in 1999 with the primary objective of promoting applied science and technologies to support innovation and technology upgrading of the manufacturing industry. Hence, projects supported by industry contribution (in this case minimum of 50%) should be given funding support from ITF. Mr Dennis KWOK questioned the applicability of such an old thinking under present-day circumstances and urged the Administration to critically review the industry contribution requirement of the UICP projects.

20. The Chairman concurred with Mr Dennis KWOK and opined that the emphasis on industry contribution under the current ITF mechanism might hinder the development of new R&D initiatives. He advised the Administration to adopt new thinking in keeping the ITF funding mechanism as simple as possible to minimize the constraints imposed on the projects. He suggested that consideration be given to setting aside a certain percentage of resources in the fund, say 20%, to support R&D projects initiated by

young entrepreneurs to encourage new inventions. Pointing out that it might take 10 to 15 years for the results of an R&D project to be seen, the Chairman opined that the promotion of innovation and technology required long-term effort. It was therefore inappropriate to appraise the performance of ITF-funded projects from just the value-for-money perspective, expecting revenue return within a relatively short period of time. Moreover, the projects should also be assessed on the basis of their social and economic contributions to the broad community.

21. In response, CIT advised that the Administration had proposed waiving the 10% industry sponsorship requirement for ITSP platform projects initiated by Government bureaux/departments and/or statutory bodies. The Administration was also reviewing the industry contribution requirement as well as benefit-sharing arrangements (i.e. the payment and sharing of licensing fees, royalties and other form of commercialization income arising from an R&D project) for ITF projects as part of the comprehensive review. Pursuant to Mr KWOK's request, the Administration agreed to provide supplementary information on the number of applications for the UICP in the past few years and examples of projects with successful R&D outcomes for members' reference provided that these project information were not proprietary and commercially sensitive in nature.

Admin

Arrangements relating to intellectual property rights

22. Mr Charles MOK opined that given the limited life span and the uncertainty of success of a new technology, the prevailing arrangements for intellectual property (IP) rights of platform projects under the ITSP, whereby the interested third parties (i.e. a company other than industry sponsors of the project) were required to procure the IP rights from the relevant local research institutions, had hindered the commercialization of the R&D results. Mr MOK advised that the Administration should consider revising the relevant IP arrangements by making reference to practices of Finland, Israel and South Korea, where the IPs, technologies and R&D results generated from government funded R&D projects were open for use by interested parties at no cost to facilitate the realization and commercialization of the new technologies. Ms Emily LAU expressed a similar view and questioned the Administration's rationale for not opening up the relevant project IPs for the industry's use in an open, transparent and non-exclusive manner. She advised that the Administration should enhance collaboration with the industry and the flexibility of the ITF mechanism to encourage the undertaking of R&D projects by the private sector and the academia, as well as to facilitate the realization and commercialization of the project outcomes.

23. Deputy Commissioner for Innovation and Technology (DCIT) explained that for platform projects under the ITSP which required industry contribution of at least 10% of the project cost from at least two private companies, the industry sponsors would not be entitled to own the project IP as the IP should be made available for licensing by any interested party on a non-exclusive basis. However, the industry sponsors might be given early access to the project IP on preferential licensing terms which commensurate with their contribution. The relevant licensing arrangements for the project IP would normally be agreed in writing between the local research institution and the industry sponsors before the commencement of the R&D project. For the licensing of a platform project IP to a third party, the local research institutions would negotiate with the interested party regarding the terms of the licensing arrangements. According to past experience, the cost for a third party to acquire a non-exclusive licence for a project IP derived from such platform projects was usually quite reasonable.

24. CIT added that platform projects were intended for the benefit of the industry as a whole or certain sector of it. Since up to 90% of the project funding was to be paid from public funds, the project IP would be vested with the local research institutions which would bear the responsibility of disseminating the knowledge and the IP so generated to the industry concerned. To facilitate information dissemination, the ITC would publicize the key information of all projects funded by the ITF on the ITF website. For collaborative projects which required an industry contribution of at least 30% (for R&D Centre projects) or 50% (for projects undertaken by universities and other designated local research institutions) of project cost, the industry partner would either be entitled to an exclusive right to utilize the project IP for a defined period or to own the IP depending on the amount of its contribution. As a general rule, the ownership of the project IP would be vested with the industry partner if it contributed over 50% of the project cost of a collaborative project, unless otherwise agreed between the local research institution and its industry partner.

25. Mr SIN Chung-kai said that members belonging to the Democratic Party supported the Administration's policy of promoting the development of innovation and technology through the ITF and further injection of funds to the ITF to maintain its operation upon exhaustion of existing resources. He said that to provide sufficient commercial incentives for private companies to engage and invest in R&D projects, it might be necessary for the designated local research institutions to ensure confidentiality of the projects and award exclusive licence to collaborating private companies. However, such an arrangement might attract criticism of transfer of benefits to a particular company as the projects supported by ITF were funded by public money. Mr SIN said that the Administration should address the issue in the

comprehensive review of ITF to strike a proper balance. He added that while different schemes should be devised under the ITF to support different targeted groups i.e. the industry or individual corporations, the related IP ownership and benefit-sharing arrangements should be clearly spelt out to ensure that the ITF would be operated in a fair and transparent manner.

26. CIT responded that in view of the great development potential of some projects, industry partners might opt for conducting collaborative projects instead of platform projects by contributing more than 50% of the project cost in order to acquire the ownership of the project IP. When deciding whether to accept a company proposal to conduct a collaborative project, local research institutions would also consider the impact on the long term development of the institution, e.g. whether the retention of some project IPs might be beneficial to the future development of the institutions in some technological areas and should hence negotiate with the company to co-own the IP. In order to provide sufficient commercial incentives for industry partners who had made a substantial contribution to the R&D project, the local research institutions would maintain the confidentiality of the project as required. CIT assured members that the Administration had been striking a fair balance and had set out in clear terms the relevant guidelines on the licensing arrangements to ensure transparency, openness and fairness.

27. To promote the dissemination of project IPs to third parties, CIT advised that the local research institutions had uploaded onto their website the technologies that were available for licensing. Efforts had also been made by the institutions concerned to update the list of IPs and promote them to the industry with a view to facilitating their application and early commercialization of the relevant technologies. She cited that the Hong Kong Applied Science and Technology Research Institute had recently consolidated and successfully sold the IPs generated from ITF projects completed in the past few years to a private company at a rather substantial cost.

28. The Chairman noted with concern that as some industry partners were awarded the exclusive licence for some project IPs for quite a long period of time, the industry as a whole could not benefit from the new technologies. He opined that having regard to the limited life span of an invention, it would be more appropriate to confine the period of the exclusive licence for project IPs to three years or less so as to allow wider application of new technologies in the industry. In response, CIT advised that as she observed from the recent agreements signed between local research institutions and industry partners of ITF projects, the period granted for an exclusive licence for a project IP was usually 3 to 5 years.

29. The Chairman also advised the Administration to seek the views of stakeholders in the relevant industries on R&D projects undertaken by local research institutions to avoid wasting the institutions' efforts on some projects which, according to industries' experience, had a dim commercialization prospect. CIT responded that the Administration respected industry stakeholders' experience and expertise and welcomed their views on selecting projects with greater prospect for commercialization.

30. Noting that local research institutions had been holding a large number of IP rights of platform projects, Mr CHUNG Kwok-pan enquired about the availability of trading platforms for the said IPs. DCIT responded that the local research institutions had uploaded onto their website information on the IPs available for licensing to third parties. Meanwhile, the Hong Kong Trade Development Council had developed a platform in collaboration with various stakeholders to display the technologies available for licensing which were owned by local research institutions with a view to facilitating the dissemination of these IPs to the market. A dedicated working group chaired by the Secretary for Commerce and Economic Development had also been set up to study the strategies of developing Hong Kong into an IP trading hub.

The way forward for ITF and the development of innovation and technology in Hong Kong

31. Mr Charles MOK relayed the stakeholders' concern that only minor improvement measures had been proposed to the ITF during the first phase of the comprehensive review. On the comprehensive review to refine the ITF mechanism, Mr MOK enquired whether the Administration would conduct large scale public consultation exercises to engage relevant stakeholders in other phases of the comprehensive review. CIT responded that the Administration would assess the effectiveness of the various funding programmes under ITF with reference to their past performances. The Administration had conducted a consultation exercise in August and September 2013 to solicit views from the relevant stakeholders, including representatives from the universities, R&D centres, industry associations and chambers of commerce. Continued efforts would be made to engage and solicit stakeholders' views on improving the operation of ITF.

32. Mr CHUNG Kwok-pan and Mr WONG Ting-kwong noted with concern that the uncommitted balance of ITF at about $1 billion as at end-December 2013 was expected to be fully committed by mid-2015. They enquired about the way forward for ITF, including the additional resources that might be required for its continued operation. CIT advised that upon the completion of the comprehensive review of the ITF within this

calendar year, the ITC would, based on the outcome of the review, recommend the way forward.

33. Mr WONG Ting-kwong expressed concern about the continuity of the Administration's policy in respect of the promotion of innovation and technology currently being implemented by ITC upon the establishment of the proposed Innovation and Technology Bureau (ITB) as announced in the Chief Executive Policy Address 2014. In response, CIT assured members that while the ITC would be subsumed under the proposed ITB in the future, the Administration's commitment in promoting the development of innovation and technology in Hong Kong would remain unchanged.

34. Ms Emily LAU enquired about Hong Kong's performance in respect of the development of innovation and technology as compared with its trade partners and neighbouring cities. CIT responded that while Hong Kong's gross expenditure on R&D as a ratio to the gross domestic product remained low as compared with that of its neighbouring countries, the support measures introduced by the Administration to promote the development of innovation and technology were broadly similar to those implemented in other countries. Hong Kong had limits in some areas mainly due to its unique economic structure that was dominated by the service industry and the lack of large-scale manufacturing industries, thereby imposing certain constraints on the realization and commercialization of R&D results. Nevertheless, the Administration would strive to promote the development of innovation and technology to drive economic growth notwithstanding these constraints.

Summing up

35. The Chairman concluded that members of the Panel supported the improvement measures of the ITF as proposed by the Administration and urged the ITC to continue with its efforts in promoting Hong Kong's innovation and technology development despite the uncertainty of its positioning in the light of the proposed establishment of the ITB.

V. Review of the Hong Kong Textiles Control System

(LC Paper No. CB(1)885/13-14(05) -- Administration's paper on review of the Hong Kong Textiles Control System

LC Paper No. CB(1)885/13-14(06) -- Paper on review of the Hong Kong Textiles Control System prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

36. At the invitation of the Chairman, Director-General of Trade and Industry ("DGTI") briefed members on the Administration's proposal to further relax the Hong Kong Textiles Control System ("TCS") and the associated legislative amendments as detailed in the Administration's paper (LC Paper No. CB(1)885/13-14(05)).

Discussion

37. Dr LAM Tai-fai was of the view that the TCS measures were no longer necessary following the global elimination of textiles quotas in 2005. He said that the Administration should remove the control measures as soon as possible to alleviate the administrative and cost burdens on local textiles manufacturers and traders. Mr SIN Chung-kai echoed Dr LAM Tai-fai's view that the TCS was out-dated as the control measures were no longer necessary. He expressed his support for the Administration's proposal to further relax TCS and to retain the voluntary Textiles Trader Registration Scheme ("TTRS") for an initial period of three years. He also indicated his support for the proposed legislative amendments to be put forward to the Legislative Council ("LegCo").

38. DGTI responded that the current proposal aimed to lift the licensing requirements for textiles products as soon as possible. However, there was a need for Hong Kong to promptly reinstate the TCS in case the importing countries imposed trade remedy measures against Mainland textiles products. The proposal would help ensuring access of Hong Kong's textiles exports to major markets. DGTI further explained that while the TCS had been progressively liberalized following the global elimination of textiles quota back in 2005, there was still a need to maintain necessary control as it was observed that the US and the EU had imposed trade restrictive measures against Mainland's textiles products right after the lifting of textiles quota.

39. Mr CHUNG Kwok-pan supported the proposed continuation of the voluntary TTRS for an initial period of three years. He also welcomed the proposed reduction in the TTRS annual registration fee from $349 to $61.

Noting that the relevant licensing and notification requirements would cease to apply under the proposed relaxation of TCS, Mr CHUNG enquired how the Administration could encourage textiles traders to maintain their registration under TTRS. DGTI advised that to encourage textiles traders to remain registered under TTRS, the Trade and Industry Department ("TID") would streamline the relevant registration and renewal procedures. These included the provision of more payment channels for the TTRS annual registration fee, issuing advance notice to remind textiles traders on renewal of registration, while also simplifying the application forms, etc. The TID would also continue the dissemination of the latest information on developments in textiles trading to the trade.

40. Mr Andrew LEUNG declared that he was engaged in import and export business, as well as manufacturing of textiles products in Hong Kong. He supported retaining the TTRS and said that the Administration's proposal could strike a fair balance between providing textiles traders convenience in doing business and protecting the industry against protectionist developments in textiles trading in the global arena. Mr LEUNG highlighted the importance of providing textiles traders the latest information on textiles control arrangements in major importing economies, in particular the US and the European Union. DGTI responded that TID had been monitoring the global textiles trading environment. Moreover, the Hong Kong Economic and Trade Offices in Geneva and Washington had also been keeping a close watch on the development of textiles trade matters in the WTO and the US respectively. He said that TID would continue to disseminate the latest information on changes in textiles-related trade rules to Hong Kong textiles traders including TTRS registrants through existing communication channels.

41. While expressing his support for the Administration's proposal to further relax the TCS, Mr WONG Ting-kwong suggested the Administration to consider rounding down the proposed post-relaxation TTRS annual registration fee to $60 to alleviate the administrative hassles caused to the trade for having to pay the odd sum of $61. DGTI advised that the post-relaxation TTRS annual registration fee was proposed to be set at $61 having regard to a costing review at the 2014-2015 price level based on the streamlined registration procedures and the "user pays" principle. DGTI undertook to convey Mr WONG Ting-kwong's suggestion to the relevant Government authority for consideration, as TID had no discretion to depart from the fee-setting guideline. He added that TID would simplify payment procedures and introduce more payment channels including electronic payment to alleviate the inconvenience caused to the trade for having to pay an odd sum of $61.

(*Post-meeting note*: The Administration's response to Mr WONG Ting-kwong's suggestion had been issued to members vide LC Paper No. CB(1)1171/13-14(01) on 27 March 2014.)

42. The Chairman declared that he was engaged in business in the textiles industry. To further streamline the TTRS registration procedures and to lower the related registration cost, the Chairman suggested the Administration to consider providing textiles traders with a one-off registration covering three years. DGTI advised that as prescribed under the relevant legislation, registered traders under TTRS should be carrying on business of importing textiles from the Mainland, or exporting textiles to the Mainland or the US. In this connection, textiles traders concerned were required to renew their registration on an annual basis in order to ensure compliance with the TTRS registration requirements as prescribed under the relevant legislation. The registration was valid for one year which was similar to the duration of business registration. Given that TTRS would be subject to further review after the initial three-year period, the Administration deemed it not advisable to change the TTRS registration requirements. Nevertheless, the Administration would take note of the Chairman's view in the next review on TTRS.

Summing up

43. The Chairman concluded that the Panel generally supported the Administration's proposal to further relax TCS and the associated legislative amendments to be put forward to LegCo. He urged the Administration to closely monitor new developments in the major importing economies and inform Hong Kong textiles traders should there be any changes in the textiles-related trade rules.

VI. Any other business

Proposed visit to Intellectual Property Department

44. The Chairman consulted members on their interest in joining the visit to the Intellectual Property Department ("IPD") to better understand the work of IPD in promoting IP trading in Hong Kong as suggested by the Deputy Chairman at the Panel meeting on 17 December 2013. As no members had indicated interest in joining the proposed visit, the Chairman suggested to shelf the visit for the time being. Members agreed.

45. There being no other business, the meeting ended at 4:10 pm.

Council Business Division 1
Legislative Council Secretariat
14 April 2014