

立法會
Legislative Council

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(These minutes have been seen
by the Administration)

Ref: CB1/PL/TI/1

Panel on Trade and Industry

Minutes of meeting
held on Monday, 3 April 2000, at 2:30 pm
in the Chamber of the Legislative Council Building

Members present : Hon CHAN Kam-lam (Chairman)
Hon Kenneth TING Woo-shou, JP (Deputy Chairman)
Hon Cyd HO Sau-lan
Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon CHAN Kwok-keung
Hon Bernard CHAN
Hon Mrs Sophie LEUNG LAU Yau-fun, JP

Members absent : Hon James TIEN Pei-chun, JP
Dr Hon LUI Ming-wah, JP
Prof Hon NG Ching-fai
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong

Public officers : **For Item IV**
Attending

Miss Yvonne CHOI
Deputy Secretary for Trade and Industry (1)

Mr Kenneth MAK
Deputy Secretary for Trade and Industry (2)

Mr Francis HO
Director-General of Industry

Mr Joshua LAW
Director-General of Trade

Clerk in Attendance : Mrs Mary TANG
Chief Assistant Secretary (1)6

Staff in Attendance : Ms Rosalind MA
Senior Assistant Secretary (1)6

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I. Confirmation of minutes of previous meeting
(LC Paper No. CB(1)1265/99-00)

The minutes of the meeting held on 15 February 2000 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no information paper was issued since last meeting.

III. Date of the next meeting and items for discussion
(LC Paper Nos. CB(1)1266/99-00(01) and (02) - Lists of outstanding items for discussion and follow-up actions)

3. Members agreed that the next meeting would be held on 9 May 2000, at 2:30 pm in the Chamber of the Legislative Council Building to discuss the following items -

- (a) Report of the Competition Policy Advisory Group;
- (b) Applied Research Fund; and
- (c) Innovation and Technology Fund.

4. Mr MA Fung-kwok advised that with the commissioning of the Trade Development Council (TDC)'s major exhibition venue in Tseung Kwan O in April, concerns had been expressed by some exhibition service providers that their business might be seriously affected by competition from TDC which would also be providing exhibition services. They wished to address their worries and concerns to the Panel. The Chairman suggested inviting the organizations concerned to submit written representations to the Panel, and if

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considered necessary, their representatives might be invited to present their views at the regular Panel meeting in June.

IV. Reorganization of Trade and Industry Bureau and its Supporting Departments

(LC Paper No. CB(1)1266/99-00(03))

5. At the invitation of the Chairman, the Deputy Secretary for Trade and Industry (1) (DS/TI(1)) briefed members on the details of the reorganization of the Trade and Industry Bureau (TIB) and its supporting departments as follows -

- (a) to set up an Innovation and Technology Commission (ITC) within TIB to manage and implement Government's programmes relating to innovation and technology on a day-to-day basis;
- (b) to set up an agency - Invest Hong Kong (IHK) - under TIB to take over the functions of the existing investment promotion unit in the Industry Department (ID) to execute promotion programmes on attracting external investment;
- (c) to integrate into TIB the Business and Services Promotion Unit (BSPU) currently under the Financial Secretary's Office (FS's Office), and BSPU's work in the area of transferring public services to the private sector under the Helping Business Programme (HBP) would be taken over by the Efficiency Unit (EU);
- (d) to enhance the role of TIB which would also take responsibility for commerce, apart from trade and industry. To this end, the English name of TIB would be changed to "Commerce and Industry Bureau (CIB)". In order to enable CIB to devote more efforts to promoting innovation and technology, attracting external direct investment, and supporting industry and commerce, other responsibilities for consumer protection, competition policy and regulation of outbound travel agents would be transferred from TIB to the Economic Services Bureau (ESB); and
- (e) to expand the Trade Department (TD) which would take over the functions of ID in respect of general support for the industrial sector and small and medium enterprises, as well as investment issues other than promotion of inward investment. Accordingly, TD would be renamed "Trade and Industry Department (TID)" and ID would be disestablished.

6. Members noted that the proposed reorganization would not result in any net increase in posts at the Directorate level, except for ITC and IHK. As for the establishment at non-Directorate level, the Administration was still

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examining whether any changes to the number of posts would be resulted from the reorganization. However, it was expected that such increase, if any, would not be significant. As the institutional framework and establishment of different departments upon reorganization had yet to be finalized, the Administration would provide further details on the timetable for implementing the proposed reorganization to the Panel in late April. The reorganization proposal would then be submitted to the Establishment Subcommittee (ESC) at its meeting on 10 May 2000 and thereafter to the Finance Committee for funding approval. Subject to the approval of the Legislative Council (LegCo), the proposal would be implemented on 1 July 2000.

Discussion with members

Innovation and Technology Commission (ITC)

7. Mr NG Leung-sing expressed concern about the tripartite coordination and cooperation among ITC, the Council of Advisors on Innovation and Technology (CAIT) and the inter-bureau committee chaired by the Financial Secretary (FS). He also enquired whether the work and functions of ITC were in anyway related to or overlapped with those of the Information Technology and Broadcasting Bureau (ITBB).

8. The Director-General of Industry (DG/I) advised that the main task of CAIT was to advise the Government on its innovation and technology policies and their implementation. Since the formulation of such policies would cut across various programme areas, it was necessary to set up an inter-bureau committee to be chaired by FS to oversee and co-ordinate the work of various bureaux concerned. Given that most of the work of ID for the last couple of years had been focused on promoting innovation and technology, the establishment of ITC was a natural development and would provide continuity in related work. Moreover, current development also warranted the establishment of a dedicated department to take up such work. As stronger support could be provided by a policy bureau than a department, setting up ITC within TIB would no doubt facilitate the promotion of innovation and technology policies.

9. As regards the respective functions of ITC and ITBB and their working relationship, DG/I explained that the two agencies had different responsibilities and there was no question of any overlapping. However, they would work closely together in areas of mutual concern. ITC would focus mainly on the research and development of new technology products, the practical application of new technologies and the technology upgrading of local industries. ITBB would be mainly responsible for the management of Hong Kong's information system, the promotion and co-ordination of work in relation to information infrastructure, and the application of information technology in the community.

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10. Responding to Mr HUI Cheung-ching's enquiry about the candidature for the Commissioner for Innovation and Technology (C/IT), DS/TI(1) advised that as DG/I was currently responsible for the development of innovation and technology, it was intended that DG/I would take up the newly created post of C/IT if the reorganization proposal was approved by LegCo.

11. Referring to paragraph 8 of the Administration's paper, Mr NG Leung-sing expressed concern about the appointment of two Science Advisors (SA) in ITC and queried whether the pitching of such posts at D2 level could attract suitable candidates with the required qualification and experience from the business sector or the academia.

12. In response, DG/I said that as pointed out in paragraph 8 of the paper, the SAs should have a strong science background and preferably with industrial or commercial experience. Under the present proposal, they would be employed on non-civil service contract terms. Apart from the basic salary at D2 level, the SAs would also receive a cash allowance equivalent to the various fringe benefits entitled by a D2 officer. He believed that such a generous remuneration package could attract candidates with strong science background from the local or overseas academic sector to apply for the post. However, if someone with both the required science background and industrial or commercial experience was to be employed, the current market pay would be in the range of \$3 million to \$4 million per annum. Such a level of remuneration was clearly out of the range that could be offered under the civil service pay structure and the constraint of limited resources.

Invest Hong Kong (IHK)

13. Mrs Selina CHOW was concerned about the candidature for the post of Director-General of Investment Promotion (DG/IP). She opined that the post holder should have solid commercial experience and hence, it was more appropriate to identify the suitable candidate in the private sector. Mr MA Fung-kok shared her view. Mrs Selina CHOW also queried why the Administration had not yet decided whether the post should be filled by a civil servant or a person from the private sector. She asked about the channels for recruiting the candidates and the time for making the final decision.

14. In response, DS/TI(1) said that the Administration had yet to make a final decision on the matter because both options had their own merits. The Administration was currently looking for the most suitable candidate both from the private and public sectors and hoped that a decision could be made before the reorganization proposal was submitted to ESC on 10 May 2000. She pointed out that as the importance of commercial experience in facilitating the work of IHK was a point well-accepted by the Administration, it was intended that two of the three Assistant Director-Generals (ADG) would be recruited from the private sector on non-civil service contract terms.

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15. Mr MA Fung-kwok enquired about the assistance offered by the overseas Economic and Trade Offices (ETO) of TIB in promoting foreign investments and whether officers of the future IHK would be posted to ETOs to assist in overseas promotion. He remarked that as overseas offices were also established by TDC, the Administration should consider ways to make best use of these resources for promoting foreign investments.

16. DS/TI(1) said that at present, officers of the Investment Promotion Division of ID had already been posted to ETOs to set up Overseas Promotion Units to assist in promoting foreign investments. Similar arrangement would be made by the future IHK for posting its officers responsible for investment promotion to overseas ETOs. She pointed out that there was a difference between the work of overseas IHK officers and that undertaken by TDC's overseas offices. The focus of IHK was to promote investment from targeted sectors or businesses and its aim was on specific companies, whereas TDC's work was for promoting Hong Kong's trade generally.

17. DS/TI(2) added that IHK officers who were posted to overseas ETOs would be responsible for carrying out front-line promotion work in accordance with the policies formulated by DG/IP. However, as their offices were located under the same roof as the ETOs, the day-to-day activities of such IHK officers would be supervised by the heads of the respective ETOs.

18. Referring to paragraph 11 of the paper, Mr NG Leung-sing noted that IHK would target "specific companies" in its marketing efforts and asked how these targets were selected. DG/I responded that a consultancy study was commissioned in 1999 to examine ways of attracting external direct investment. According to the consultants' recommendations, the Government should focus its promotional efforts on certain business sectors matching Hong Kong's patterns of comparative advantage (footnote 1 on page 4 of the information paper refers). He said that after the target sectors had been identified, it was comparatively easy to select the specific companies as information on multi-national companies with the capability and intention to invest overseas was quite readily available. However, after the promotion targets were determined, the more important work was to formulate effective strategies and to offer appropriate incentives to attract their investments.

Business and Services Promotion Unit (BSPU)

19. Mr Bernard CHAN said that during the time he served at the Steering Committee of HBP (Steering Committee) under BSPU, the discussions were mainly focused on how to further enhance the efficiency of the Government through the corporatization of Government departments and outsourcing of services. The subject of business and services promotion had not been discussed so far. He asked about the ways in which the professional expertise and commercial experience of the business members of the Steering Committee

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could be put to proper use under the reorganized structure to help promoting Hong Kong's business and services.

20. DS/TI(1) advised that after reorganization, the work of BSPU in the area of transferring public services to the private sector under HBP would be taken over by EU. Moreover, the two steering committees chaired by FS on the Services Promotion Programme (SPP) and HBP would continue to operate, so that the experience and expertise of the members serving on those steering committees could be drawn on to assist the Government in formulating better policies for enhancing the competitiveness of Hong Kong's industrial and commercial sectors.

21. Mrs Selina CHOW pointed out that with the economic restructuring in recent years, the service industries in Hong Kong were booming. However, due regard was not given to the service industries in Government policies. In response, DS/TI(1) advised that great importance had always been attached to the promotion of the service industries. Although BSPU would no longer be directly under the purview of FS's Office after the proposed reorganization, FS would still chair the steering committee for SPP to oversee and co-ordinate the work relating to the promotion of the service industries.

22. Mrs Selina CHOW expressed concern about the appointment of and the co-ordinating role to be performed by the Director of BSPU (D/BSPU) after the proposed reorganization. She asked the appointment of D/BSPU would be expedited by the reorganization. Moreover, she was worried that with BSPU no longer under the direct purview of FS's Office, it might encounter difficulties in co-ordinating various Government departments in implementing its policies.

23. In response, DS/TI(1) said that the post of D/BSPU would be deleted upon reorganization and its responsibilities of implementing SPP and HBP would be taken over by DS/CI(2). She reiterated that as the two steering committees established for the two programmes would still be chaired by FS, the co-ordination of programme implementation would not be affected by the reorganization.

24. Mrs Selina CHOW was still concerned that since BSPU was only one of the many responsibilities to be undertaken by DS/CI(2) after reorganization, less attention would be given to business and services promotion.

25. DS/TI(2) said that his responsibilities after reorganization were set out in Annex E(3) of the paper. Apart from business and services promotion, he would also be in charge of the work relating to intellectual property and inward investment promotion. However, business and services promotion would form the bulk of his duties. After reorganization, he would be assisted by three Principal Assistant Secretaries (PASs), two of the PASs responsible for BSPU would be filled by Assistant Directors transferred from the existing BSPU. He pointed out that with the smooth operation of SPP and HBP, and EU taking over

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the work on the corporatization of Government departments and outsourcing of services under HBP, he should be able to cope with all the new responsibilities. He stressed that the Administration would pay as much attention to business and services promotion as before. After reorganization, DS/CI(2) would assist the Secretary for Commerce and Industry in directing and coordinating the promotion of business and services. FS, as the Chairman of the two steering committees, would play a co-ordinating role among the relevant bureaux.

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26. At the request of Mrs Selina CHOW, the Administration agreed to provide information on the organization and responsibilities of the existing BSPU to members for reference.

Expanding the functions of the Trade Department (TD)

27. Mr Kenneth TING expressed concern over the proposal as set out in paragraph 24 of the paper to expand the functions of TD with a view to taking over some of the functions of ID after it was disestablished. He asked whether additional manpower and resources would be provided for the proposed "Trade and Industry Department (TID)" to cope with the demands of its work. Furthermore, he was concerned whether TID officers had sufficient knowledge and understanding of the industrial sector.

28. DS/TI(1) advised that the quality of general support services provided by the Government to the industrial sector, as well as small and medium enterprises, would not be affected by the expansion of TD's functions. As for additional resources, it was mentioned in paragraph 24 of the paper that two additional posts of ADG would be created, with one of them offset by the deletion of an equivalent post in ID.

29. The Director-General of Trade (DG/T) advised that expanding the functions of TD did not mean that less importance would be attached to the industrial sector. On the contrary, past experience had shown that the requirements of industrialists were closely related to trade issues, such as the identification of suitable markets for their products and the arrangements for the manufacturing and processing of their products in the Mainland. He pointed out that in the past few months, initiatives had been taken by TD to assist the industrial sector to maintain dialogue with mainland authorities, so as to facilitate the industrial sector's understanding of the impact of the Mainland's new measures on processing trade. The establishment of TID would be conducive to the provision of one-stop support service to both the business and industrial sectors.

Allocation of resources

30. Expressing concern over the \$14 million earmarked each year for ITC as set out in paragraph 27 of the paper, the Chairman asked how these financial resources would be used to develop innovation and technology. DG/I explained

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that the annual provision as mentioned in the paper would mainly be spent on the remuneration of ITC's contract staff, the organization of seminars and conferences, and the operating costs of CAIT. Regarding the funding for product research and development, ITF had provided \$5 billion to subsidize research projects undertaken by universities and industrial support organizations. In addition, the Applied Science and Technology Research Institute (ASTRI) would also apply to ITF for research grants.

31. The Chairman enquired whether, as compared with other countries, sufficient resources were allocated to innovation and technology in Hong Kong. DG/I responded that due to resource constraints, Hong Kong could hardly be compared with other major and technologically-advanced countries, such as the United States (US), in terms of the funding allocated for this purpose. Citing the example of the US National Institute of Health which received US\$20 billion in funding each year for conducting biological and medical research, he said that such a large sum, which was even more than the annual recurrent expenditure of the Government, was certainly beyond the means of Hong Kong. Therefore, researches being undertaken in Hong Kong would concentrate on those areas which could meet market needs and capitalize on Hong Kong's advantages, so as to optimize the use of our limited resources and achieve the best results. At present, ITF was also making good use of Hong Kong's strengths in technological development by providing funding to research projects conducted by universities and ASTRI. A very stringent approach was adopted by ITF in screening applications so as to ensure the quality of all the approved research projects. Of the 300 funding applications received annually, only 20-25% were successful in obtaining the approval of ITF.

32. The Chairman thanked the representatives of the Administration for attending the meeting and invited the Administration to consider the views expressed by members on the reorganization proposal.

33. There being no other business, the meeting ended at 3:45pm.

Legislative Council Secretariat
7 June 2000