立法會
Legislative Council

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(These minutes have been seen by the Administration)

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Bills Committee on
Hong Kong Science & Technology Parks Corporation Bill

Meeting on
Friday, 2 February 2001, at 10:45 am
in Conference Room A of the Legislative Council Building

Members present	:	Hon Kenneth TING Woo-shou, JP (Chairman) Hon James TIEN Pei-chun, JP Ir Dr Hon Raymond HO Chung-tai, JP Hon Eric LI Ka-cheung, JP Dr Hon LUI Ming-wah, JP Hon HUI Cheung-ching Hon CHAN Yuen-han Hon CHAN Kam-lam Hon SIN Chung-kai Hon YEUNG Yiu-chung Hon CHOY So-yuk Hon LAU Ping-cheung
Member absent	:	Prof Hon NG Ching-fai
Public officers attending	:	Mr Francis HO Commissioner for Innovation and Technology Miss Agnes WONG Assistant Commissioner for Innovation and Technology (Infrastructure) Mr Sunny CHAN Senior Government Counsel Department of Justice

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Ms Bernice WONG
Assistant Legal Adviser 1

Mrs Queenie YU
Senior Assistant Secretary (1)6

I Election of Chairman

Mr Kenneth TING was elected Chairman of the Bills Committee.

II Meeting with the Administration
(LC Paper No. CB(1)506/00-01)

2. The Commissioner for Innovation and Technology (CIT) briefed members on the general background and essential details of the Hong Kong Science and Technology Parks Corporation Bill (the Bill). He said that in August 1999, Government accepted the recommendations contained in the final report of the Chief Executive's Commission on Innovation and Technology, chaired by Professor TIEN Chang-lin. One of these recommendations was that the Hong Kong Industrial Estates Corporation (HKIEC), the Hong Kong Industrial Technology Centre Corporation (HKITCC) and the Provisional Hong Kong Science Park Company Limited (PHKSPCL) should be merged.

3. The objective of the merger was to streamline the existing service delivery structure and to maximize synergy among the three organizations. The merged body, the Hong Kong Science and Technology Parks Corporation (HKSTPC), could effectively provide a one-stop service to industry and offer a comprehensive range of services, from nurturing of start-ups through the incubation programmes, providing premises and services in the Science Park for intensive research and development (R&D) activities, to offering land and premises in the industrial estates for production facilities.

The merger

4. Ir Dr Raymond HO was concerned about how three different organizations with different directions and experience could be merged together. CIT advised that upon completion of the merger, a new corporation should be set up to take over the duties and powers of the three organizations and to manage the merged body. He advised that the services provided by HKITCC and PHKSPCL were, to a large extent, overlapping with each other. Accordingly, HKITCC had dropped its plan earlier to provide a second centre in view of the imminent launching of PHKSPCL later this

year. In terms of providing infrastructural support to facilitate Hong Kong's industrial and technological development, there should not be any problems for the merged corporation. Regarding the integration between HKIEC and the other two organizations, he said that in order to provide a one-stop service to investors, it would be most desirable if R&D-related activities and subsequent production process could also be put together under the purview of a single entity.

Staffing arrangements

5. For staff redundancy, CIT advised that the Boards of HKIEC, HKITCC and PHKSPCL had agreed that, prior to the establishment of the merged body, existing staff of the three organizations should be pooled together to form a common executive team for more flexible and effective use of staff resources. This staff sharing arrangement was implemented on 1 December 2000. As a result, a total of 12 staff were made redundant and their employment was properly terminated on/before 1 December 2000.

6. Regarding the appointment of the Chief Executive Officer for the merged body, CIT advised that an open recruitment exercise would be conducted upon the establishment of HKSTPC.

7. Mr James TIEN enquired whether the remuneration package of the Chief Executive Officer would be comparable with that of the civil servant and the resulting implications on the level of fees to be charged by the new Corporation, taking into account the "Users-pay" principle and the need to achieve full cost recovery.

8. CIT replied that at present, the remuneration package of the staff of HKIEC was comparable with that of the civil servant whereas the other two were fixed according to market rates. Upon the new Corporation was established, the new Board would review the remuneration package of its staff. The present thinking was that it would no longer be linked to the remuneration package of the civil servant. Regarding the remuneration package of the new Chief Executive Officer, CIT said that this was a matter for the new Board to decide. But in his opinion, it should not be more favourable than the present package of the interim common CEO who was now heading the common executive team of the three bodies.

9. On future changes to the establishment of the merged body, CIT advised that this was also a matter for the new Board to decide, taking into account the changing functions and workload of the new Corporation from time to time.

10. In response to Mr CHAN Kam-lam, the Assistant Commissioner for Innovation and Technology (Infrastructure) advised that at present, the three organizations had their own retirement schemes for their own staff. However, after the merger, the new Corporation would review the issue with a view to standardizing the retirement benefits for all employees. She also confirmed that the staff benefits of the new Corporation would not be more favourable than those of the civil servant.

Responsibility of the Board

11. Mr James TIEN enquired about the delineation of responsibilities between the Board Chairman and the Chief Executive Officer. He also enquired whether the Board Chairman would be remunerated for his service.

12. CIT replied that the Board Chairman would be a non-executive chairman and the day-to-day management of the new Corporation would be taken up by the Chief Executive Officer. The present thinking was that the Board Chairman would not be remunerated for his service.

13. Mr James TIEN remarked that queries had always been directed to the lack of consistency in the granting of honoraria to non-official members serving on boards and committees set up by the Government and whether non-official members serving on boards should be held responsible for the omissions of the executives of the concerned bodies. He cited the example of the Housing Authority to illustrate his case.

14. CIT responded that he was not in a position to comment on the wider policy issue of whether honoraria should be paid to non-official members serving on boards and committees set up by the Government. As far as the operations of the three organizations were concerned, he said that they had proved to have worked well in the past. The new Board would be responsible for setting out the policy direction of the merged body for implementation by the executive team. In terms of the nature and complexity of the work involved, the responsibility of the new Board could not be compared with that of the Housing Authority.

Prudent commercial principles

15. Mr CHAN Kam-lam was concerned about the conflicting policy objectives as set out in clauses 6 and 7 of the Bill. On one hand, the setting up of the new Corporation was intended to support technology-based companies and activities, to facilitate R&D and application of technologies in Hong Kong, and to support the development, transfer and use of new or advanced technologies in Hong Kong. On the other hand, the new Corporation was also required to conduct its business according to prudent commercial principles.

16. Mr LAU Ping-cheung was concerned that the requirement for the new Corporation to conduct its business according to prudent commercial principles might eventually drive the Corporation to an end as it was only allowed to conduct viable business. He cited the example of the Land Development Corporation to illustrate his case and sought further clarification from the Administration on the financial viability of the new Corporation.

17. CIT responded that a corporation of this kind would need to be operated in accordance with prudent commercial principles, otherwise periodic subsidy from the Government would be required. This would affect the service quality and create other competition-related problems. If the operating experience of HKIEC and HKITCC was any guide, the application of commercially prudent principles was not

an unattainable goal. Presently, the profit of HKIEC amounted to some few hundred million dollars. The reserve of HKITCC also reached some 100 million dollars. Regarding PHKSPCL, it was too early to assess its performance as it would only come into operation later this year. However, the consolidation of the three existing organizations into a new Corporation would provide further and better scope for planning and organizing services and resources in accordance with prudent commercial principles. Further, the new Corporation might be able to raise additional income from its equity on technology start-ups in various forms as provided for under clause 8(4)(b) of the Bill.

18. Mr CHAN Kam-lam opined that despite the provisions in clause 8(4)(b), the core business of the new corporation remained the leasing of office premises and nurturing technology start-ups. It would be difficult to require the new Corporation to operate its business in accordance with prudent commercial principles without jeopardizing the policy objective of promoting industrial development. He asked how a balance could be struck between the two. He also enquired how the Legislative Council could monitor and assess the performance of the new Corporation under such circumstances.

19. CIT responded that under the Bill, the new Corporation was required to send to the Financial Secretary estimates of its income and expenditure for the subsequent financial year for approval. The business plan of the new Corporation also enabled the Government to monitor and assess its performance. The Financial Secretary should cause a copy of each of the documents specified in the relevant provisions to be laid on the table of the Legislative Council as appropriate. Regarding the income sources, he said that apart from rentals, there might be cases whereby the Corporation would waive or lower the rentals for technology start-ups in return for their shares. This kind of equity investment might enable the Government to attain a higher rate of return in accordance with prudent commercial principles in the end.

20. To facilitate monitoring, the Chairman remarked that the new Corporation should set out its achievement and include appropriate performance indicators in its annual report. CIT advised that he would convey members' request to the new Corporation.

21. Whilst supporting the merger proposal, Dr LUI Ming-wah expressed serious concern about the positioning of the merged body. He said that the new Corporation should be tasked with the mission to providing the necessary support to the industries irrespective of cost considerations as the economic benefits generated should certainly outweigh the costs incurred, not to mention the employment opportunities thus created. He felt dissatisfied that the Administration only gave due regard to cost considerations in putting forward the merger proposal by emphasizing the notions to conduct its business in accordance with prudent commercial principles, to operate on a self-financing basis and to pursue for profit. Rather, he stressed that the new Corporation should aim at achieving a wider policy objective of assisting the manufacturing industry as if other overseas set-ups.

22. CIT advised that the new Corporation was not intended to make profit. Being a statutory body, even if the new Corporation was able to attain some profits through its operation, the "revenue" would not be distributed among share holders as was the case in the private sector. In providing infrastructural support to facilitate Hong Kong's industrial and technological development, some form of subsidies in terms of land premium and construction costs had been provided to the industries. Whilst the Government was committed to providing all necessary support to the manufacturing industry, it would be open to debate whether grants, irrespective of cost considerations, should be given continuously.

23. Dr LUI was not convinced of the Administration's reply. He said that the measurement should not be focused on the money spent but the economic benefits, the employment opportunities and the export volume so generated.

24. Mr SIN Chung-kai, however, opined that the new Corporation should not compete with the private sector for profit. He cast doubt on whether the new Corporation should offer its rental service at a rate which was significantly lower than the market rates, thus stifling the businesses of the private property developers.

25. Miss CHOY So-Yuk enquired about the mechanism to ensure that the merged body would actually perform its prescribed functions, particularly in the long term, so that it did not compete with private organizations for profit. She cited the example of the Trade Development Council where after years of operation, it was gradually developed into a giant body, resulting in monopolization and high service fees. She therefore suggested that the legislation should clearly provide that the new Corporation should not be allowed to engage in profitable business.

26. CIT said that there was no case of monopolization. Given that there were similar services in the private sector, if the fees charged by the new Corporation were set too high, tenants would certainly turn to the private sector or the Mainland instead.

27. Regarding the prohibition of the new Corporation to engage in profitable business, CIT said that it would be rather difficult to implement as pure subsidies from the Government would lead to state-owned enterprise and would have significant implications. Indeed, the Government's objective was to enable the new Corporation to have flexibility in conducting its business. The Government would monitor its operation and ensure that a proper balance was maintained.

28. Miss CHOY So-yuk enquired whether there were plans to change the funding arrangements for the new Corporation so that it was not necessary to operate on a self-financing basis. This would ensure that the new Corporation would stick to its prescribed functions to provide infrastructural support to facilitate Hong Kong's industrial and technological development only.

29. CIT stressed that the new Corporation was not intended to compete with the private sector or to make profit. In order to avoid unlimited subsidies from the Government whilst assisting Hong Kong's industrial and technological development, a proper balance would be required in actual implementation. He however stressed that

the related service could not be monopolized by the new Corporation.

Purposes of the new Corporation

30. In relation to paragraph 3 of the Legislative Council Brief, Miss CHAN Yuen-han asked how the specific services of the new Corporation would be promulgated for public information. She was concerned that if the functions of the new Corporation were not clearly set out, it might give rise to certain problems as was experienced in the case of the Hong Kong Productivity Council (HKPC). She pointed out that the mission of HKPC was to assist Hong Kong companies to move upmarket. However, owing to the relocation of the manufacturing sector from Hong Kong to the Mainland, HKPC had diverted its resources to promote the productivity of industry in the Mainland. This certainly was in contravention of the original intent of the establishment of the Council. In her opinion, the merger should aim at assisting the manufacturing sector and promoting employment opportunities in Hong Kong.

31. CIT replied that clause 6 of the Bill already provided for the statutory framework governing the broad mission of the new Corporation. Clause 8 further defined the powers of the new Corporation in discharging this mission. Given the rapidly changing technology landscape and market situation, both locally and internationally, it would not be appropriate to include specific details of existing and future services as part of the legislation. To do so would certainly undermine the ability of the new Corporation to respond effectively and in a timely manner to changing circumstances, which as, experiences showed, could be very rapid and unpredictable as far as technology development and businesses were concerned.

32. Miss CHAN Yuen-han was not convinced of the Administration's reply. Whilst she appreciated that it might not be appropriate to include specific details of existing and future services as part of the legislation, the functions of the new Corporation must be clearly set out somewhere, otherwise, the final outcome might deviate from its original intent.

33. CIT responded that the specific functions of the three organizations as set out in paragraph 3 of the Legislative Council Brief did not form part of the legislation. The proposed structure in the Bill was also in line with the existing provisions under the Hong Kong Industrial Estates Corporation Ordinance (Cap. 209), Hong Kong Industrial Technology Centre Corporation Ordinance (Cap. 431) and the Memorandum and Articles of Association of the PHKSPCL. These three organization had, in accordance with the respective board mission and powers given to them, planned and provided the existing services as detailed in paragraph 3 of the Legislative Council Brief. CIT shared fully the concern raised by Miss CHAN that the services of the new Corporation should be made known to their potential clienteles widely and effectively. The three existing organizations had been marketing their services vigilantly. He assured members that both the Government and the Board of Directors of the new Corporation would attach importance to this aspect of the operation of the new Corporation.

Financing of the new Corporation

34. Mr SIN Chung-kai was concerned about the financing of the new Corporation, particularly when it was operating at a loss. He asked whether the Government was prepared to inject extra capital into the Corporation in such circumstance. He also requested the Administration to provide the balance sheets of the three organizations.

35. CIT replied that when the legislation was enacted, existing assets of the three organizations would be transferred to the new Corporation. Regarding future funding arrangements, he said that it would be difficult to set out all circumstances in the legislation. The Board would consider each case on its own merits and draw up appropriate business plan and budget to improve individual situations. If persistent loss was recorded, it would be necessary for the Board and the Government to review the mission of the Corporation to see if a fundamental change was required.

36. CIT advised that the audited balance sheets of the three organizations would only be available after the three organizations were legally dissolved upon enactment of the legislation. The Administration would inform the Finance Committee of the consolidated accounts of the new Corporation in due course.

37. Mr SIN was not convinced of the Administration's reply. He was of the view that such information should be made available to members at this stage so as to facilitate their scrutiny of the Bill. In response to members' request, CIT undertook to provide the latest balance sheets of the three existing organizations.

(*Post meeting note* : The balance sheets of the three existing organization were circulated to members vide LC Paper No. CB(1) 549/00-01).

38. CIT also reassured members that the Administration aimed at reducing changes to the existing operations and the assets and liabilities of the merged body should not be deviated significantly from the existing ones.

39. Mr James TIEN emphasized the need to attract sufficient talents to come to Hong Kong to undertake R&D-related activities, and hence, an appropriate immigration policy must be in place to facilitate entry.

40. CIT replied that the new Corporation was not simply intended to provide serviced land to the industry for development. It offered different kinds of value-added services so as to facilitate R&D and application of technologies in Hong Kong. Training programme would be arranged. The Admission of Talents Scheme also enabled Hong Kong companies to bring in talents from the Mainland for work.

41. In response to members' questions, CIT confirmed that companies under the incubation programmes would not be required to confine their production activities in Hong Kong. In case of a joint venture, the new Corporation could still retain its shares in the company even if the latter decided to produce its products outside Hong Kong.

42. Members agreed that the next meeting would be held on 8 February 2001 at 11:15 am to continue discussion with the Administration on the Bill.

III. Any other business

43. There being no other business, the meeting ended at 12:30 pm.

Legislative Council Secretariat
21 March 2001