

立法會
Legislative Council

LC Paper No. CB(1)211/04-05
(These minutes have been
seen by the Administration)

Ref: CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 October 2004, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
(Chairman)
Hon WONG Ting-kwong, BBS (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai, JP
Hon Vincent FANG Kang, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
- Member absent** : Hon Andrew LEUNG Kwan-yuen, SBS, JP
- Public officers** : **Items IV and V**
Attending
- Mr John C TSANG, JP
Secretary for Commerce, Industry and Technology
- Miss Denise YUE, GBS, JP
Permanent Secretary for Commerce, Industry and
Technology (Commerce and Industry)
- Item IV**
- Mr Philip YUNG
Deputy Secretary for Commerce, Industry and Technology
(Commerce and Industry)

Item V

Miss Clara TANG
Principal Assistant Secretary for Commerce, Industry and
Technology (Commerce and Industry)

Mr Gary YEUNG
Principal Assistant Secretary for Housing, Planning and
Lands (Planning and Lands)

**Attendance by
invitation**

: Item V

Hong Kong Trade Development Council

Mr Fred LAM
Executive Director

Mr Benjamin CHAU
Assistant Executive Director

Mr W H LAM
Director, Wong & Ouyang (HK) Ltd

Mr Lawrence YAU
Senior Manager

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)3

Staff in attendance : Ms Rosalind MA
Senior Council Secretary (1)8

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I. Confirmation of minutes and matters arising

(LC Paper No. CB(1)48/04-05 -- Minutes of meeting held on
12 October 2004)

The minutes of the meeting held on 12 October 2004 were confirmed.

II. Date and items for discussion for next meeting

- (LC Paper No. CB(1)51/04-05(01) -- List of outstanding items for discussion
LC Paper No. CB(1)51/04-05(02) -- List of follow-up actions)

Meeting on 16 November 2004

2. Members agreed to discuss the following two items proposed by the Administration at the next regular meeting scheduled for Tuesday, 16 November 2004 at 2:30 pm:

- (a) Subsidiary legislation relating to the implementation of CEPA II; and
- (b) Progress report on the organization of the Sixth World Trade Organization Ministerial Conference.

Discussion items for future meetings

3. Referring to item no. 7 on the Panel's "List of outstanding items for discussion", Mr Ronny TONG asked whether issues relating to a general competition law in Hong Kong would be discussed when the Panel looked at ways to improve the business environment. While appreciating Mr TONG's concern, the Chairman recapped that under the present arrangements, the Panel on Economic Services (ES Panel) was tasked to examine issues relating to competition policy. Nevertheless, noting the concern raised by Mr TONG, the Chairman directed the Clerk to explore the appropriate arrangements for discussion of competition related issues after the meeting.

(Post-meeting note: According to the terms of reference of the relevant Panels, "competition policy" falls within the purview of the Panel on Economic Services. Nevertheless, individual Panels are at liberty to discuss competition in specific sectors under their purview. With the concurrence of the Panel Chairman, information on the general framework for discussing competition issues among different Panels has been provided to Mr Ronny TONG.)

III. Papers issued since last meeting

4. Members noted that no information paper had been issued since the last meeting.

IV. Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

- (LC Paper No. CB(1)2500/03-04 -- Information paper provided by the Administration
- LC Paper No. CB(1)50/04-05 -- Background brief on Mainland and Hong Kong Closer Economic Partnership Arrangement prepared by the Secretariat
- LC Paper No. CB(1)82/04-05(01) -- Speaking Note of the Secretary for Commerce, Industry and Technology on CEPA tabled at the meeting and subsequently issued to members)

5. The Secretary for Commerce, Industry and Technology (SCIT) briefed members on the latest progress in the implementation of CEPA. He advised that on 27 August 2004, the Mainland and Hong Kong reached an agreement to provide further liberalization measures on trade in goods and services under the second phase of CEPA (commonly referred to as “CEPA II”). Under CEPA II, the Mainland had agreed to eliminate import tariff for products under 713 tariff lines. On trade in services, the Mainland offered liberalization measures in 19 service sectors, eight of which were new ones not included under the existing CEPA. SCIT also updated members on the work of consultation for the next phase of CEPA (CEPA III). Details of CEPA II were set out in the information paper provided by the Administration and the speaking note of SCIT.

Further liberalization measures under CEPA

6. Noting that under the existing arrangements, the list of products eligible for zero tariff would be updated annually through discussion between the Central People’s Government (CPG) and the Hong Kong Special Administrative Region Government (HKSARG), Mr Jeffery LAM opined that the business sector could benefit from the tariff concession more expeditiously and in a more timely manner if the frequency of negotiation on the product list could be increased to two or three times a year. While appreciating that time would be required for discussion on the list of products and the respective rules of origin (ROOs), Mr LAM urged that the consultation process should be shortened as far as possible.

7. In response, the Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) (PSCI) advised that under the existing mechanism, HKSARG consolidated requests from local manufacturers for zero import tariff and submitted a proposed list of eligible products to the Mainland by 1 June each year. Upon the agreement of the Mainland on the list of products for tariff concession, the two sides would hold formal discussion on the respective

ROOs and announce the outcome in October of the same year. The tariff concession would take effect on 1 January the following year. She pointed out that as the existing mechanism had been agreed between the Mainland and Hong Kong when the main text of CEPA was signed in 2003, subsequent changes would require the agreement of the Mainland side. PSCI undertook to obtain the views of the Mainland Ministry of Commerce (MoC) on Mr LAM's suggestion and revert to the Panel in due course. Nevertheless, PSCI cautioned that as discussion of the CEPA-specific ROOs for products proposed for zero tariff would involve a number of Mainland ministries and commissions, MoC would need some time to conduct and conclude the consultation process within the CPG.

(Post-meeting note: The Administration advised that it had sounded out to MoC in this regard and had been advised that it would not be feasible to implement Mr LAM's suggestion.)

8. Apart from facilitating the trade in goods, Mr CHAN Kam-lam enquired whether measures would be implemented to facilitate Hong Kong service providers in entering the Mainland market, such as lowering the entry threshold in certain service sectors like financial services and transport. PSCI assured members that the Administration would continue discussion with the Mainland on further liberalization measures on an ongoing basis. She also remarked that liberalization measures had been pursued with high efficiency, as evidenced by the fact that some eight months after the implementation of the first phase of CEPA in January 2004, both sides could reach agreement on further liberalization measures under CEPA II in August 2004.

9. Noting that under CEPA II, Hong Kong service suppliers would be allowed to set up internet culture business units and internet online service business premises in the Mainland with the Mainland party holding majority of the shares, Mr SIN Chung-kai sought information on the scope of businesses covered by "internet culture business units". In reply, the Deputy Secretary for Commerce, Industry and Technology (Commerce and Industry) advised that the details would need to be worked out through further discussion between Hong Kong and the Mainland. Mr SIN welcomed the liberalization in the provision of internet services and urged the Administration to seek agreement on a wider scope that could include the provision of services such as on-line games.

10. In response to Mr CHAN Kam-lam's enquiry on measures to enhance the Pan-Pearl River Delta (Pan-PRD) Region cooperation through CEPA, PSCI said that except for the Individual Visit Scheme (IVS) which was currently opened for application by residents in some 20 Mainland cities only, other liberalization measures under CEPA were already applicable to all parts of the Mainland. In this regard, she informed members that the Economic Development and Labour Bureau would continue discussion with the Mainland National Tourism Administration to extend the scope of IVS to more Mainland cities, including those within the Pan-PRD Region.

Support measures

11. Mr WONG Ting-kwong expressed concern about publicity of the liberalization measures under CEPA II. Quoting the example of the expansion in business scope for individually owned stores set up by Hong Kong permanent residents with Chinese citizenship, Mr WONG opined that the Administration should endeavour to provide Hong Kong service suppliers with more information and guidance on relevant rules and regulations in the Mainland in respect of matters such as taxation and licensing. Mr Vincent FANG raised similar concern and highlighted the need to provide more support to the business sector, especially advisory services to small and medium enterprises (SMEs) which lacked resources in engaging professional advice from consultants or legal experts.

12. In response, PSCI stressed that the Administration attached importance to promoting closer trade and investment relationship between Hong Kong and the Mainland through liberalization measures under CEPA. She advised that an Expert Group on Implementation of CEPA (the Expert Group) had been set up under the Hong Kong Guangdong Cooperation Joint Conference for Hong Kong and Guangdong to explore ways of making the most of the opportunities brought about by CEPA. In light of the geographical proximity and the likely commercial opportunities, it was appropriate that the initial focus of work should be put on enhancing cooperation with the Guangdong Province. She recalled that the Administration organized a seminar in July 2004 targeting at local SMEs and invited relevant officials of the authorities in the Guangdong Province to brief the SMEs on the relevant rules and regulations of doing business in Guangdong. She said that the Administration would consider doing something similar for other provinces at a later stage if there was such a demand. The Administration had also organized seminars on CEPA in conjunction with the Hong Kong Trade Development Council (TDC) and chambers of commerce. PSCI added that many trade associations and chambers of commerce in Hong Kong had organized various activities on their own to improve their members' understanding of CEPA and the potential opportunities brought about by CEPA.

13. On support services available to SMEs, PSCI informed members that the Trade and Industry Department (TID)'s Support and Consultation Centre for SMEs provided business-related information and enquiry services and a mentorship programme under which individual SMEs could discuss business issues with volunteers who were themselves serving or retired practitioners in the business world. Responding to Mr Vincent FANG's further enquiry about the source of information available, PSCI informed members that with the assistance and cooperation of the Guangdong authorities, the official web sites of all the 21 municipalities in Guangdong Province had been hyperlinked to TID's web site. The Administration would seek to establish further hyperlinks to the official web sites of other major Mainland cities, in particular those within the Pan-PRD Region. She nevertheless pointed out that as government resources were limited and given the large number of SMEs, it would not be feasible to satisfy all demands for assistance.

14. The Chairman opined that in promoting business opportunities brought about by CEPA, the Administration should adhere to the principle of “market leads, government facilitates”. She called on the Administration to involve the chambers of commerce in Hong Kong in providing business-related information and other services for SMEs. After all, it would be up to the business sector to decide whether and how they would like to leverage on CEPA to gain greater access into the Mainland market.

15. Mr SIN Chung-kai commented that as CEPA was a developing platform with scope for further liberalization, the Administration should consider means to enhance transparency in the dissemination of information on its progress. For example, pending finalization of the list of products eligible for tariff concession, Mr SIN asked whether the Administration would consider releasing the tentative product list to facilitate manufacturers’ consideration of their production plans, in particular the type of products to be manufactured for the purpose of CEPA. In this connection, PSCI responded that following further liberalization under CEPA II, over 1 000 products would be entitled to zero tariff. Taking into account the products covered under the Mainland’s World Trade Organization (WTO) commitments, the vast majority of existing domestic exports (around 95%) from Hong Kong to the Mainland would be tariff free. Hence, it might not be difficult for local manufacturers to contemplate the scope of products which could benefit from tariff concession under CEPA. She supplemented that local manufacturers should also be encouraged to identify new products for inclusion in the tentative product list for consultation with the Mainland.

16. Mr Jeffrey LAM opined that to create an enabling environment for the development of manufacturing and service industries in Hong Kong, the Administration should consider relaxing or exercising flexibility in the admission criteria for industrial estates administered by the Hong Kong Science and Technology Parks Corporation (HKSTP). SCIT responded that clearly stipulated criteria for admission to the industrial estates were in place. However, where proven needs arose in future, the Administration would be prepared to consider whether changes should be made.

17. Mr WONG Ting-kwong urged the Administration to capitalize on the opportunities available under CEPA and to maximize the competitive edge of Hong Kong as the gateway to the Mainland market by strengthening Hong Kong’s position as the manufacturing base for brand-name and high-value added products in the global market. In his view, this would attract overseas manufacturers and traders to set up their bases in Hong Kong, thus creating employment and business opportunities. PSCI shared Mr WONG’s view and confirmed that Invest Hong Kong and the Hong Kong Economic and Trade Offices had been promoting CEPA in the overseas and Mainland business communities since the signing of the main text of CEPA in June 2003 and the Administration would spare no effort in their work.

18. Mr CHIM Pui-chung expressed grave concern about rampant piracy and the lack of intellectual property rights (IPR) protection for Hong Kong products in

the Mainland. He opined that inadequate regulatory and enforcement action against counterfeits posed obstacles to the entry of brand-name products into the Mainland market. Mr Jeffrey LAM also stressed the need for protection of IPR, in particular the problems caused by counterfeit food products. In response, PSCI said that the subject of IPR protection received serious attention by the CPG. However, since the subject straddled a number of regulatory and enforcement agencies, it might take some time before the problem could be satisfactorily addressed. While HKSARG could not take enforcement action in the Mainland for protection of IPR for Hong Kong products, it would try its best to assist the Mainland authorities, such as by provision of relevant information.

Implications of the implementation of CEPA

19. The Chairman expressed concern about the impact of CEPA on the economy of Hong Kong and enquired whether the Administration had conducted any evaluation in this regard, such as the extent to which enterprises and individuals were able to benefit from the opportunities under CEPA, as well as its impact on local employment. She suggested the Administration to take into account the impact of CEPA on the restructuring of Hong Kong's economy in the evaluation.

Admin 20. In response, PSCI advised that the Administration would conduct a survey and analysis of the economic impact, including that on local employment, about nine to 12 months after the implementation of CEPA. As previously stated, the Administration would revert to the Panel on the findings of the economic analysis in the first quarter of 2005. Pending the availability of the findings, PSCI informed members that the number of applications for Certificate of Origin and Certificate of Hong Kong Service Supplier might shed some light. In this connection, she noted that applications for the two types of certificates had shown steady increases in the past few months, which could be seen as an indicator of an increasing number of businesses taking note of the opportunities presented by CEPA and taking advantage of the liberalization measures. Notwithstanding, PSCI pointed out that given the substantial difference in manufacturing costs between the Pearl River Delta region and Hong Kong, local manufacturers might not consider the average 10% tariff savings derived from the zero import tariff an adequate incentive for re-locating their production base in Hong Kong.

21. Mr CHAN Kam-lam pointed out that while the implementation of CEPA provided the manufacturing and services sectors with the "first mover" advantage in accessing the Mainland market, this advantage might gradually decline in the next few years when the Mainland market was further opened to all WTO members under the Mainland's WTO commitments. He therefore urged the Administration to plan ahead measures to strengthen the competitiveness of Hong Kong businesses in facing the challenges from overseas competitors.

22. In this regard, PSCI explained that in terms of tariff concession, the zero tariff preferential treatment for all Hong Kong products under CEPA was more favourable than the tariff levels committed by the Mainland for the different

products when it acceded to the WTO. Pending the result of negotiation under the Doha Development Agenda, the Mainland would not be required to offer further tariff concession to WTO members beyond what China had committed to when it acceded to the WTO. Nonetheless, in view of growing competition from overseas service providers and traders, the Administration had all along urged the Hong Kong business sector to make the most of the golden opportunities provided under CEPA to establish their business footings in the Mainland. PSCI informed members that pursuant to the Administration's policy to maintain the competitiveness of different economic sectors in Hong Kong, various support measures were in place under the purview of the relevant policy bureaux. For example, four SME Funding Schemes had been set up and SMEs could avail themselves of the financial assistance under the SME Export Marketing Fund to tap the business opportunities in the Mainland. The Financial Services and the Treasury Bureau was working closely with the financial services sector to gain greater access to the Mainland market.

V. Hong Kong Trade Development Council's application for the Tamar Site for temporary exhibition use and proposal of atrium link extension to the Hong Kong Convention and Exhibition Centre

- (LC Paper No. CB(1)51/04-05(05) -- Information paper provided by the Administration
- LC Paper No. CB(1)51/04-05(04) -- A booklet entitled "No. 1 in the World The Future for Hong Kong's Trade Fairs" provided by the Hong Kong Trade Development Council
- LC Paper No. CB(1)82/04-05(02) -- Speaking Note of SCIT on Hong Kong Trade Development Council's application for the Tamar Site for temporary exhibition use and proposal of atrium link extension to the Hong Kong Convention and Exhibition Centre tabled at the meeting and subsequently issued to members
- LC Paper No. CB(1)82/04-05(03) -- Powerpoint presentation material provided by the Hong Kong Trade Development Council tabled at the meeting and subsequently issued to members)

23. SCIT briefed members on the Government's decision that it was prepared to permit TDC temporary use of the Tamar Site for exhibition purpose for the periods of 10 April to 8 May and 26 September to 23 October in the three years of 2005 to 2007. SCIT also informed members that the Government was examining TDC's proposal of extending the atrium link to the Hong Kong Convention and Exhibition Centre (HKCEC) for the provision of additional exhibition space. Details were set out in the information paper provided by the Administration and the speaking note of SCIT.

24. The Executive Director, TDC (ED/TDC), with the aid of a powerpoint presentation, briefed members on TDC's proposal of expanding the atrium link between Phases I and II of HKCEC (the Atrium Link Extension) to create an additional 19 400 sq m of exhibition space as a medium term measure to relieve the pressure of unmet demand for exhibition facilities in Hong Kong. The Atrium Link Extension would be funded by two sources, namely, TDC's own resources plus bank loans and contributions from the HKCEC operator. As a short term relief of the unmet demand for exhibition space during mega trade fairs, TDC had successfully applied for temporary use of the Tamar Site to house mega fairs during the peak periods each year up to 2007.

TDC's temporary use of the Tamar Site for exhibition purpose

25. While supporting in principle TDC's temporary use of Tamar Site for exhibition purpose and its Atrium Link Extension proposal, Mr CHAN Kam-lam suggested that consideration should be given to providing convenient and speedy transit between HKCEC and the Tamar Site to facilitate exhibitors and visitors during the mega fairs. Noting that TDC would use the Tamar Site for about two months each year from 2005 to 2007, Mr CHAN expressed concern about the Administration's plan for other short-term tenancies (STTs) of the site during the remaining months. He opined that in awarding STTs to other users, the Administration should adhere to the principle of fairness and openness. To minimize wastage, Mr CHAN suggested that the Administration should encourage other users to utilize the exhibition facilities set up by TDC as far as practicable. Mr Ronny TONG agreed with the need for cost-effective utilization of exhibition facilities. He urged the Administration to exercise flexibility in STT arrangements to maximize usage of the exhibition facilities by different tenants of the Tamar Site throughout the year.

26. In this connection, the Principal Assistant Secretary for Housing, Planning and Lands (Planning and Lands) (PAS/PL) said that the Administration was only considering arrangements for the short term use of the Tamar Site pending its long term development which had been reserved for the construction of the new Central Government Complex (CGC) and the Legislative Council (LegCo) Building. The designated long term uses had been postponed for the time being due to financial stringency. On whether there was policy support for TDC's temporary use of the Tamar site, PAS/PL said that in considering TDC's application, the Administration was satisfied that there was unmet demand for exhibition space and that the proposal was beneficial to the economy of Hong

Kong. On this basis, the Government was prepared to allocate the required time slots to TDC for the specified uses. He assured members that in line with the usual practice, STT for the other available time slots for the use of the Tamar Site would be granted through an open and competitive tendering process.

27. As to members' concern about the shared use of the facilities set up by TDC, PAS/PL said that such arrangements would need to be sorted out between TDC and other users of the Tamar Site. ED/TDC remarked that it would be cost-effective for other exhibition organizers to make use of the exhibition facilities set up by TDC. He further informed members that TDC was liaising with a private fair organizer, which planned to organize a mega gifts fair shortly after TDC's Electronics Fair scheduled for October 2005, to explore the feasibility of shared use of TDC's exhibition facilities set up at the Tamar Site.

28. In this connection, PSCI recapped that the Government had injected \$2 billion from the Capital Investment Fund to partly finance the construction of the AsiaWorld-Expo (AWE) at Chek Lap Kok. Phase I of AWE was expected to be completed around the end of 2005 and some 66 000 sq metres of exhibition space would be provided under this phase. The Administration had decided to allow TDC temporary use of the Tamar Site for two of its annual mega fairs held in April and October from 2005 to 2007 having regard to the anticipated completion date of AWE Phase I, as well as the fact that AWE Management Ltd had informed the Government that TDC's booking requests for the years 2006 and 2007 could not be accommodated. Regarding the remaining months when the Tamar Site would not be leased to TDC, PSCI said that as she understood, the Administration would be inclined to leasing out the Tamar Site for a variety of short term uses through an open tender and it was not the Government's intention to limit the use of Tamar Site to exhibition purpose only. PAS/PL added that the "user clause" of the STT for the Tamar Site would specify a variety of permissible uses (such as recreation, entertainment, exhibition etc.) of the site. There was no intention to restrict the short term use of the site to staging exhibitions only.

29. Noting the Administration's intention to maintain diversity in the temporary use of the Tamar Site, Mr WONG Ting-kwong questioned whether proposals from private fair organizers to stage exhibitions at the Tamar Site would also be considered favourably. In response, PAS/PL said that the uses of STTs would be specified in a flexible manner as far as possible and taking into account the particular circumstances of individual cases. The objective was to attract more prospective tenants to bid for the optimal use of the site, thereby generating higher revenue for the Government.

30. Mr CHIM Pui-chung was concerned about the Government's liability in the event that it decided to re-possess the Tamar Site prior to expiry of STT, for example, if it decided to change the long term use of the Tamar Site by putting up the site for land sale. In response, PAS/PL pointed out that given the present arrangements of land sale by application and the town planning procedures for making changes in the land use, the long term use of a site could only be changed after going through the due processes. This would require considerable lead

time. He also confirmed that the Tamar Site was not included in the current list of sites for sale by application. There were clauses in STT agreements to safeguard the Government's position and procedures for re-possessing a site before the expiry of an STT. PAS/PL said that it remained Government's long-term plan to reserve the Tamar site for the construction of the CGC and the LegCo Building. Meanwhile, the Government would only consider arrangements for short term uses of the site during the interim period. This was in line with the established practice of putting vacant Government land into optimal temporary uses.

31. Mr CHIM Pui-chung stated his view that in the absence of information on the rental payable by TDC and how TDC would utilize the Tamar Site, the Panel should not be asked to support the temporary use of the Site by TDC for exhibition purpose. Mr CHIM expressed serious reservation on the grant of STT of the Tamar Site to TDC and stressed that with its prime location, the site was a highly valuable piece of land which should be put to cost-effective and prudent use in order that the potential value of the site could be optimized. In this connection, he queried the Administration's policy on disposing available sites such as the Tamar Site and the policy considerations for granting STTs. He also questioned the Administration's rationale for granting TDC temporary use of the Tamar Site instead of other vacant sites, such as the site previously used as the Gala Point at Sheung Wan. He requested that these issues should best be followed up by the Panel on Planning, Lands and Works (PLW Panel). Mr Jeffrey LAM however stated his view that the site at Sheung Wan was not suitable for TDC to stage its mega trade fairs given the limited area of the site and its relatively inconvenient location.

32. At the invitation of the Chairman, the Clerk informed members that given the nature of this discussion item, members of the PLW Panel had been invited to take part in its discussion. She also confirmed that policy issues related to land use were within the purview of the PLW Panel. The Chairman then suggested that Mr CHIM's concerns should be conveyed to the PLW Panel for consideration after the meeting. Members agreed.

(Post-meeting note: The Clerk conveyed members' concerns about TDC's application for Tamar Site for temporary exhibition use to the PLW Panel on 20 October 2004 and the information was circulated to PLW Panel members by the Clerk to PLW Panel vide LC paper No. CB(1)1021/04-05 on 25 October 2004.)

Way forward for trade fairs organized by TDC

33. Responding to Mr WONG Ting-kwong's enquiry about TDC's plan during the time gap between the permitted use of the Tamar Site up to 2007 and proposed completion of the Atrium Link Extension in 2009, ED/TDC said that subject to the Government's approval of the Atrium Link Extension proposal, TDC would endeavour to expedite the construction of the extension so that the additional exhibition space could be available at the earliest possible date.

34. In this connection, Mr Vincent FANG enquired whether the Administration would allow TDC to use the Tamar Site for two more years (up to 2009) so that the unmet demand of exhibitors during the two mega fairs could be satisfied until the additional facilities at HKCEC were available. Mr WONG Ting-kwong however was concerned that in this case, the temporary use of the Tamar Site might be extended indefinitely if TDC's Atrium Link Extension proposal was not approved by the Government. In reply, PAS/PL said that the Government would only be prepared to consider short term uses of the site for three years to ensure that the longer term use of the site would not be prejudiced.

35. Mr WONG Ting-kwong pointed out that he had gathered from the exhibition industry that there was unfair competition between TDC and other private fair organizers in the use of HKCEC exhibition facilities. He had also received feedbacks from these organizers on the difficulties in booking HKCEC exhibition facilities during peak seasons. The Chairman shared Mr WONG's concern about the role of TDC in organizing trade fairs. She suggested that TDC should examine its mission and functions vis-a-vis those of similar trade development organizations in overseas jurisdictions with a view to assessing whether it should assume the role of a facilitator for the development of the exhibition industry instead of an organizer of mega trade fairs.

36. In response, ED/TDC pointed out that TDC had been organizing a number of mega trade fairs mainly due to its long years of involvement in promoting the exhibition industry through which it had built up its expertise and reputation. He clarified that TDC was not competing with other private fair organizers for the use of HKCEC facilities, as revealed by the fact that the trade shows organized by TDC only constituted 30% of the exhibitions staged at HKCEC while the remaining 70% of the exhibitions were organized by private fair organizers.

TDC's Atrium Link Extension proposal

37. Mr CHIM Pui-chung opined that TDC should consider granting the management agreement of the Atrium Link Extension through open and fair procedures. He was concerned that the existing management company of HKCEC would have an unfair advantage over other operators and would be granted the management right automatically.

38. In this regard, PSCI said that as the Government was still in the process of examining TDC's Atrium Link Extension proposal and no decision had yet been made, it might be too early to consider details on the implementation of the proposal, such as the arrangements for granting the management right of the extension, at this stage. Nevertheless, the Administration would take Mr CHIM's views into consideration when discussing the details with TDC if the proposal was subsequently approved.

Admin

39. ED/TDC informed members that the current contract in respect of HKCEC Phase II would expire in 2017. Arrangements for the management of the

proposed extension, if approved, had yet to be sorted out. He however pointed out that there might be technical difficulties and/or inconvenience in engaging a different venue operator for the management of the Atrium Link Extension given that the extension would be an integral part of the connection between Phases I and II of HKCEC. Mr CHIM considered that the technical problem depicted by ED/TDC was not insurmountable. He maintained his view that preference should not be given to the current venue operator in the process of awarding the management contract of the proposed extension.

40. Mr Ronny TONG asked whether the Administration had a blueprint for the supply and demand for exhibition and convention facilities in Hong Kong. He called on the Administration to prudently examine the desirability of the Atrium Link Extension proposal having regard to the additional facilities to be provided by AWE as well as the overall supply and demand for such facilities. Mr TONG opined that despite TDC's proposal of financing the construction of the extension through bank loans and private sector contributions, the economic implications of the proposal should be carefully assessed.

41. Noting Mr TONG's concern, PSCI advised that the overall supply and demand for exhibition facilities in Hong Kong was one of the key factors to be examined by the Administration in assessing the desirability and feasibility of TDC's Atrium Link Extension proposal. She pointed out that the decision to inject \$2 billion to partly finance the construction of AWE had been made in the light of the findings of a consultancy study completed in the late 1990s on the supply and demand of convention and exhibition facilities in Hong Kong. PSCI informed members that the Administration would conduct a consultancy study over the next six months to ascertain, amongst other things, the overall supply and demand for exhibition facilities in Hong Kong in the coming five to ten years, the supply and demand for such facilities in neighbouring cities and the demand for such facilities in the region, etc. She undertook to revert to the Panel on the findings of the consultancy study in due course.

Admin

42. Mr Jeffrey LAM declared interest as TDC's Council Member. Referring to the Administration's explanation on the comparison of the facilities of HKCEC and AWE as recorded in the minutes of the Panel meeting held on 12 November 2001, Mr LAM considered that HKCEC and AWE seemed to serve different purposes. It appeared that HKCEC would cater for high-end exhibitions while exhibitions requiring larger exhibition space and floor loading capacity, such as superheavy machinery and boat exhibitions, could be held in AWE. Mr LAM said that HKCEC possessed the advantage of a prime location with established transportation and logistical networks. However, further delay in taking appropriate action to satisfy the unmet demand for convention and exhibition facilities in HKCEC would seriously impair the development of the exhibition industry. Mr LAM pointed out that the business sector and the exhibition industry supported the proposal to expand the existing facilities of HKCEC and hoped that the Administration could consider TDC's proposal favourably. Given that the temporary use of the Tamar Site for exhibition purpose by TDC would

expire by 2007, Mr LAM urged the Administration to make an expeditious decision on TDC's Atrium Link Extension proposal.

43. In response, PSCI pointed out that while AWE could provide additional exhibition space and floor loading capacity through its state-of-the-art facilities, the use of AWE was not restricted to any particular type of exhibitions such as a trade fair on heavy machinery products. She explained that it would be a matter for individual fair organizers to decide at which venue to stage their events. In this connection, she noted that the Administration had identified AWE as the venue for holding the International Telecommunication Union TELECOM WORLD 2006, which would not feature any heavy machinery. PSCI highlighted that AWE was to provide additional convention and exhibition facilities to enhance the competitiveness of Hong Kong in capturing the growing exhibition business in the Asia-Pacific region.

VI. Any other business

44. There being no other business, the meeting ended at 4:40 pm

Council Business Division 1
Legislative Council Secretariat
15 November 2004