

**立法會**  
**Legislative Council**

LC Paper No. CB(1)366/07-08  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI/1

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 16 October 2007, at 2:30 pm**  
**in Conference Room A of the Legislative Council Building**

- Members present** : Hon Vincent FANG Kang, JP (Chairman)  
Hon WONG Ting-kwong, BBS (Deputy Chairman)  
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHIM Pui-chung
- Members absent** : Dr Hon LUI Ming-wah, SBS, JP  
Hon CHAN Kam-lam, SBS, JP  
Hon SIN Chung-kai, SBS, JP  
Hon Timothy FOK Tsun-ting, GBS, JP
- Public officers attending** : Agenda Item III  
Commerce and Economic Development Bureau  
  
Mr Frederick MA, JP  
Secretary for Commerce and Economic Development  
  
Miss Yvonne CHOI, JP  
Permanent Secretary for Commerce and Economic  
Development (Commerce, Industry and Tourism)

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

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

Ms Annie CHOI, JP  
Deputy Secretary for Commerce and Economic  
Development (Commerce and Industry)<sup>3</sup>

Innovation and Technology Commission

Mr Anthony WONG, JP  
Commissioner for Innovation and Technology

Agenda Item IV

Commerce and Economic Development Bureau

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

Mr David LEUNG  
Principal Assistant Secretary for Commerce and  
Economic Development (Commerce and Industry)

Customs and Excise Department

Mr Lawrence WONG  
Deputy Commissioner of Customs and Excise

Mr CHOW Kwong  
Assistant Commissioner of Customs and Excise  
(Boundary and Ports)

**Clerk in attendance :** Miss Erin TSANG  
Chief Council Secretary (1)<sup>3</sup>

**Staff in attendance :** Ms YUE Tin-po  
Senior Council Secretary (1)<sup>5</sup>

Ms Guy YIP  
Council Secretary (1)1

Ms May LEUNG  
Legislative Assistant (1)6

Action

---

**I. Information paper issued since last meeting**

(LC Paper No. CB(1)2419/06-07(01) -- Information on the financial position of the Applied Research Fund for the period of 1 June 2007 to 31 August 2007)

Members noted that the above paper had been issued for the Panel's information.

**II. Date of next meeting and items for discussion**

(LC Paper No. CB(1)32/07-08(01) -- List of outstanding items for discussion

LC Paper No. CB(1)32/07-08(02) -- List of follow-up actions)

2. Members agreed that the Panel would discuss the following items at the next regular meeting to be held on 20 November 2007 –

- (a) Reports on the work of the Hong Kong Economic and Trade Offices and Beijing Office;
- (b) The Government Electronic Trading Services; and
- (c) Proposed amendments to the Import and Export (Registration) Regulations (Cap. 60E).

**III. Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives featuring in the Chief Executive's 2007-2008 Policy Address**

(LC Paper No. CB(1)32/07-08(03) -- Paper provided by the Administration)

Other relevant documents

Two booklets provided by the Administration

- (a) Address by the Chief Executive at the Legislative Council meeting on 10 October 2007 -- "A New Direction for Hong Kong"; and

- (b) The 2007-2008 Policy Address -- "Policy Agenda".

Briefing by the Secretary for Commerce and Economic Development (SCED)

3. At the invitation of the Chairman, SCED highlighted the major initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2007-2008 Policy Agenda. In gist, the initiatives were as follows:

- (a) Enhancing Small and Medium Enterprises (SMEs) Funding Schemes

The Administration intended to inject additional funding of \$500 million into the three SME Funding Schemes. The Administration also planned to raise the guarantee ceiling of the Business Installations and Equipment Loans under the SME Loan Guarantee Scheme (SGS), merge the Associated Working Capital Loans and Accounts Receivable Loans under SGS so as to improve its flexibility and effectiveness, as well as raise the grant ceiling of the SME Export Marketing Fund (EMF). The Administration would consult the Panel on its detailed proposals later this year.

- (b) Assisting Hong Kong-owned enterprises to adjust to changes in the Mainland's policy on processing trade

A "Task Force to Support the Processing Trade" and the "Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade" had been set up to assist Hong Kong-owned enterprises to adjust to changes in the Mainland's policy on processing trade. In this respect, noting the difficulties encountered by Hong Kong-owned enterprises, the Central People's Government (CPG) had subsequently allowed enterprises to pay standing book deposit by various means including cash and bank guarantees. Nevertheless, SCED remarked that in the longer term, it was essential for enterprises in the processing trade to restructure, upgrade or relocate to new operating bases. Meanwhile, the Administration and the Hong Kong Productivity Council as well as the trade and industrial organizations would continue to provide every possible assistance to help those enterprises cope with the changes.

- (c) Promoting Hong Kong as an international convention, exhibition and tourism capital

The Financial Secretary (FS) and SCED were leading a cross-sector steering committee to review and formulate strategies on the development of Hong Kong's convention, exhibition and related tourism industries. The first meeting was held on 12 October 2007 and it was agreed that follow-up works would be undertaken in four areas, namely stepping up marketing efforts, revitalization of the

Hong Kong Brand, nurturing of talents, and expansion of convention, exhibition and hotel facilities.

(d) Promoting the "Brand Hong Kong"

A high level task force would be set up to formulate strategies to fully promote the "Brand Hong Kong" message.

(e) Promoting closer trade ties with the emerging markets

The Administration would promote Hong Kong services and products to emerging markets in Russia, India and the Middle East. In this respect, SCED had recently conducted a visit to St Petersburg and Moscow of Russia to promote Hong Kong and closer trade ties with these places. A Hong Kong business delegation led by FS would also pay a visit to India in December 2007.

(f) Promoting greater understanding of the opportunities under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

As CEPA had created a positive impact on Hong Kong's economy, the Administration would continue to work closely with various Mainland bureaux and agencies at the central and provincial levels in the implementation of CEPA, and would also explore further market access opportunities in the Mainland for Hong Kong businesses.

(g) Promoting Hong Kong design

In addition to the DesignSmart Initiatives launched in 2004 to finance projects related to design and branding for the promotion of the awareness and wider use of design in industries, the Administration would make use of the new \$100 million funding to support the operation and basic activities of the Hong Kong Design Centre (HKDC) over five years for promoting Hong Kong design.

(h) Enhancing collaboration in science and technology with the Mainland

The "Guangdong/Hong Kong Technology Co-operation Funding Scheme" had supported over 400 projects with a total funding of about \$1.15 billion in the past three years. In addition, the Administration had signed a co-operation agreement on "Shenzhen-Hong Kong Innovation Circle" with the Shenzhen Municipal Government in May 2007. SCED and the Executive Vice-Mayor of Shenzhen Municipal Government, Mr LIU Yingli, also held the first meeting of the "Steering Group on Shenzhen/Hong Kong Co-operation in Innovation and Technology" in Shenzhen on 15 October 2007 to discuss the work plan for the coming year.

Discussion with the Administration

4. While commending SCED for his flexible mindset for taking and following up issues, Mrs Sophie LEUNG remarked that the trades had great expectation on him in achieving good results in the areas of commerce and industry. She also pointed out that as the policies on such areas formulated in the past were not entirely relevant to the industry needs, the Administration should gauge the views of the SMEs of the industry and Legislative Council (LegCo) Members representing the relevant trades, and establish more effective connection with them, with a view to better addressing the needs of the industry. She also opined that the Administration should be more receptive to stakeholders' views. SCED noted Mrs LEUNG's view with thanks, and stressed that he attached great importance to communication with the trades and the LegCo. He assured the Panel that he would continue to gauge the views of stakeholders before deciding on the way forward to implement initiatives which would be conducive to the economic development of Hong Kong.

*SMEs Funding Schemes*

5. In response to the Chairman's enquiry about the three SME Funding Schemes (namely, SGS, EMF and SME Development Fund (SDF)), the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PS(CIT)) said that as at 30 September 2007, the overall utilization rate of the funding schemes was about 87%. As the Government's maximum guarantee commitment for SGS and the funding provision for EMF and SDF would be exhausted by early 2009, the Administration was soliciting the views of the Small and Medium Enterprises Committee on the way forward. It also intended to inject additional funding of \$500 million into the three SME Funding Schemes and would seek the Panel's views on the proposal as well as the proposed changes to the schemes this December. In this connection, the Chairman urged the Administration to consider expanding the scope of assistance to be provided under the funding schemes to SMEs, such as those in the retail industry, so as to help them secure finance to facilitate their start-up. SCED took note of the Chairman's view.

*Assisting Hong Kong-owned enterprises to adjust to changes in the Mainland's policy on processing trade*

6. Noting that SCED had relayed the feedback from the industry involving in processing trade to the relevant Mainland authorities, Mr WONG Ting-kwong appreciated the assistance so rendered and the achievements made by SCED and the Government in this respect.

7. The Chairman also thanked SCED on behalf of local SMEs for his effort in liaising closely with the Mainland authorities to assist Hong Kong-owned enterprises to adjust to Mainland's policy changes on the processing trade. SCED said that the CPG appreciated the contribution of Hong Kong-owned enterprises in

processing trade. The Administration would continue to strengthen its communication with the Mainland authorities and reflect to them the difficulties faced by the trade.

8. In this connection, Mrs Sophie LEUNG informed the Panel that the Textiles and Garment Information Centre (TGIC) would organize a seminar for the textile and clothing industry in end October 2007. TGIC had invited a garment manufacturing company, which was an SME specializing in embroidered evening dresses in Chaozhou of the Guangdong Province, to share with participants as to how it could make use of the business opportunities in attracting buyers from Milan in order to gain access to the overseas market. Mrs LEUNG was of the view that representatives from the Administration should attend the seminar so that the Administration could, through such platform, enhance its communication with as well as its understanding of the needs of SMEs of the industry. Moreover, the Administration might also consider taking this opportunity to encourage participating SMEs to get prepared to upgrade, restructure or relocate their operations arising from the Mainland's new policy on processing trade. In this respect, the Chairman requested Mrs LEUNG to provide after the meeting details of the seminar for the Administration's information.

*Formulating strategies on the development of Hong Kong's convention and exhibition industry*

9. Mr WONG Ting-kwong recalled that during the Chief Executive's visit to Beijing last year, President HU Jintao had re-affirmed Hong Kong's position as a centre for international conventions and exhibitions for the country. As such, Mr WONG urged the Administration to strengthen its effort in developing Hong Kong as a capital of international trade fairs and conventions. Noting that a cross-sector Steering Committee led by FS and SCED had been set up to formulate relevant development strategies on the convention and exhibition industry, he sought information on the membership list of the Steering Committee. Moreover, he was given to understand that the Steering Committee had conducted a brainstorming session in September 2007. In this respect, he enquired about the discussion results, in particular the new measures to be implemented to enhance Hong Kong's attractiveness as an international centre of conventions and exhibitions.

10. In response, SCED advised that the Steering Committee comprised representatives from the Government, Hong Kong Trade Development Council (TDC), the convention and exhibition, tourism and hotel industries as well as education and training institutions. Apart from the brainstorming session held in September 2007, the Steering Committee held its first meeting on 12 October 2007 to discuss ways to strengthen Hong Kong's competitiveness in MICE (Meetings, Incentives, Conventions and Exhibitions) industries. At the meeting, it was agreed that follow-up work would be undertaken in the following areas:

- (a) Apart from stepping up marketing efforts and introducing measures to ensure that event participants from overseas would have a welcoming feeling during their stay in Hong Kong, cross-selling opportunities arising from international events held in Hong Kong would also be explored and efforts would be made to strengthen the co-ordination of the Government, TDC, the Hong Kong Tourism Board and the Invest Hong Kong (InvestHK) in order to cross-sell, for example, tourism products to participants in exhibitions and conventions staged in Hong Kong, and to provide a one-stop service to promote Hong Kong as a destination for conventions and trade shows as well as tourism;
- (b) Revitalization of the "Brand Hong Kong";
- (c) In view of the intensifying competition from the neighbouring cities, such as Macao, and the competing demand for skilled workers and talents, enhanced efforts would be made to nurture, attract and retain talents so as to maintain the quality of professional service available in Hong Kong and sustain Hong Kong's long-term competitiveness in the MICE industries; and
- (d) Increase of convention and exhibition as well as hotel facilities.

11. On the development of Hong Kong's convention and exhibition facilities, SCED pointed out that notwithstanding the completion of the Atrium Link Extension project of the Hong Kong Convention and Exhibition Centre (HKCEC), which would boost its exhibition space by 42%, and the commencement of the Phase 2 project of the AsiaWorld-Expo (AWE), the total dedicated exhibition space as provided in Hong Kong was still less than those provided in Shenzhen and Macao, which amounted to about 2 500 000 square feet (i.e. 232 250 square meters) and 1 500 000 square feet (i.e. 139 350 square meters) respectively. Nevertheless, he stressed that Hong Kong still maintained its competitive advantages with respect to its leading position as an international city, professional services and experience in the MICE industries, as well as efficient aviation network, etc. With the support of the CPG, the Administration would continue to make good use of both Hong Kong's hardware and software infrastructures for hosting more mega international events. On the membership of the Steering Committee, he advised that the Administration had already made such announcement via the press release on 12 October 2007, and he undertook to provide after the meeting the membership list for the Panel's reference.

Admin

*(Post-meeting note: The membership list provided by the Administration was circulated to members vide LC Paper No. CB(1)106/07-08 dated 23 October 2007.)*

12. Mr WONG Ting-kwong was of the view that the development of convention and exhibition industry was essential to shaping the economic development of Hong Kong. In this connection, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) had conducted a study with a view



to optimizing the use of the border areas between Hong Kong and Shenzhen for the development of convention and exhibition infrastructure. He passed the study report entitled "永不落幕的國際展銷之都" to SCED for reference. Sharing Mr WONG's view, SCED said that he would study in detail DAB's proposals made in the report.

13. In response to Mr CHIM Pui-chung's view that the Administration should review the existing policy so as to avoid creating a monopoly situation for the supply of convention and exhibition space in Hong Kong, SCED stressed that there was no question of such a situation as there was keen competition among the two major exhibition venues (namely, HKCEC and AWE) in Hong Kong.

14. In this regard, Mr CHIM Pui-chung expressed his concern that other than Hong Kong, Guangzhou had also been playing a key role in the Mainland's exhibition industry. A notable example was the 102<sup>nd</sup> China Import and Export Fair (also known as "Canton Fair"), which was held twice a year since 1957 and had become a mega trade event since then. He considered that in order to sustain Hong Kong's competitiveness in the face of booming exhibition and convention industries in neighbouring cities, such as Shenzhen, Guangzhou and Macao, the Administration should devise appropriate measures to strengthen the Hong Kong's supporting facilities in this respect, such as to ensure adequate supply of hotel rooms and to promote night-time entertainment so as to establish Hong Kong as a preferred destination for business tourism. Moreover, he pointed out that notwithstanding Hong Kong's competitive advantages in the areas of professional experience in the MICE industries, enhanced efforts should be made to retain those talents so as to ensure that there was sustainable supply of talents to meet the needs of the local industries.

15. Acknowledging Mr CHIM Pui-chung's views, SCED highlighted that Hong Kong's airport was connected to destinations worldwide and could handle a capacity of more than 40 million passengers a year. In addition, Hong Kong had a competitive edge in respect of its world-class hotels despite that they were not the mega-type hotels in the region. There was also a wide variety of entertainment programmes (e.g. night tour at Victoria Peak, etc) and performing arts events (e.g. Hong Kong Arts Festival, etc) to be enjoyed by overseas visitors to Hong Kong. In this respect, he affirmed that while Hong Kong had the capability to host mega international functions, the Administration would spare no effort to continue to strengthen Hong Kong's advantages and attractiveness as well as reinforce its position as the world's events capital.

16. In this connection, the Chairman remarked that there would be a motion debate on "Development of the convention and exhibition industry" at the LegCo meeting to be held on 17 October 2007, and members could express their views on the subject during the debate.

*Implementation of CEPA*

17. On the implementation of CEPA, Mr CHIM Pui-chung opined that except a few Hong Kong brands and enterprises of international brand-name products, the vast majority of local SMEs could not enjoy the benefits brought about by CEPA, nor could the local labour force benefit from the implementation of CEPA. As such, he urged the Administration to take enhanced measures to reap greater benefits from CEPA arrangements, particularly in creating more business and employment opportunities for the local SMEs and workforce respectively. He also suggested the Administration to conduct a study with a view to releasing more land for Hong Kong manufacturing industry to establish their production plants so as to facilitate their enjoyment of the arrangements under CEPA. Echoing Mr CHIM's suggestion, Mrs Sophie LEUNG remarked that the land which would be released as a result of the reduction of the Frontier Closed Area could be considered for development as production base for local manufacturers.

18. In response, SCED pointed out that the latest economic impact assessment on CEPA conducted by the Administration indicated that CEPA had brought about positive impact on Hong Kong's economy. Apart from tariff free access to the Mainland market for goods made in Hong Kong, preferential treatments were already given to Hong Kong service suppliers in 27 service areas. In addition, the liberalization measures had attracted enterprises to set up production operations in Hong Kong in order to export goods to the Mainland as consumers had greater confidence in Hong Kong products. He stressed that the Administration would continue to improve market access opportunities for Hong Kong businesses. In this regard, the Administration would hold a forum in November 2007 to gather views of major business associations on CEPA implementation and liberalization. Their views would be reflected to various Mainland bureaux and agencies in the context of discussions on further Supplement to CEPA. He also welcomed members to forward their views and suggestions to the Administration.

19. Noting the Administration's response, the Chairman shared with the meeting that the implementation of CEPA had attracted manufacturers of proprietary Chinese medicine to undertake manufacturing activities in Hong Kong as Mainland buyers and consumers had greater confidence in those products made in Hong Kong.

*Promoting Hong Kong design*

20. The Chairman opined that it was necessary to promote design excellence and awareness to help boost the local manufacturing industry. However, he noted that local design graduates tended to further their studies and pursue their careers in overseas countries. In order to retain those promising local talents for the future development of the design industry in Hong Kong, he suggested that the Administration should work with tertiary institutions and invite internationally renowned scholars from overseas design institutes to conduct local programmes, such that the degree course organized by local institutes like the Hong Kong Polytechnic University (HKPU) would be recognized by design institutes

worldwide. He considered that such an arrangement would not only help retain local design talents but also raise the profile of Hong Kong tertiary institutions in design training programmes. As such, he urged the Administration to consider pursuing his suggestion with HKPU.

21. While taking note of the Chairman's suggestion for consideration, SCED held the view that local professional talents should be encouraged to grasp the opportunities in pursuing their careers in the world market so as to strive for personal achievements. This could also help raise the profile of Hong Kong in the area of design and showcase Hong Kong's excellence in nurturing design talents. In this respect, he advised that apart from the training programmes offered by HKPU, the Administration would step up the training of local design talents with the support of HKDC in order to meet the demand of the local market.

22. In this connection, Mrs Sophie LEUNG opined that the Administration should not lose sight of the development of local textile and clothing industry in view of the new trend of seamless garment and the advanced production technology and equipment introduced recently. She also called on the Administration to formulate measures to make use of Hong Kong design in raising the profile of such kind of garment products and help the local industry move up the value chain. SCED took note of Mrs LEUNG's views.

*Promotion of inward investment*

23. Mrs Sophie LEUNG said that as far as she was aware, some of the pharmaceutical manufacturing companies in the Silicon Valley of the United States had been looking for new production base for further developing cross-Pacific business opportunities in other parts of the world, such as India and China, which had a huge population demanding for quality health care services. As Hong Kong was a metropolis located within the Pearl River Delta region of the Mainland, the Administration should explore new opportunities which would help attract to Hong Kong the manufacturing operations of pharmaceutical products. This included manufacturing process involving quality assurance work, which was yet to be matched by the manufacturing companies in the Mainland.

24. Sharing Mrs Sophie LEUNG's view, SCED said that in view of the economic restructuring and high production costs in Hong Kong as well as the recent liberalization of the Mainland market, many local manufacturers had moved their production base to the Mainland while retaining their offices or headquarters in Hong Kong so as to make use of Hong Kong's services in design, finance and marketing to build up their business. As consumers had greater confidence in products of Hong Kong brands, Hong Kong could leverage on the advanced technology and supply of local professionals to focus on the development of value-added industries (e.g. pharmaceutical industry) or those which had a competitive edge. In this regard, he stressed that InvestHK had been proactive in attracting the Mainland and overseas enterprises to set up business operation of such industries in Hong Kong. InvestHK would formulate further measures to strengthen the promotion of inward investment in this area.

*2008 Beijing Olympic Games*

25. The Chairman pointed out that Beijing would become a focus of world attention as the city would stage the 2008 Olympic Games. As such, the Administration should liaise with the Mainland authorities with respect to aviation arrangement with a view to increasing the number of flights between Hong Kong and Beijing to address the demand during the period when the event was held. The Administration should also explore with the relevant authorities in the Mainland as to whether the local retail and catering sectors could use the term "Olympic City" to help promoting their products/services. He considered that such kind of promotion could bring about significant direct economic benefits to Hong Kong's economy. Moreover, although oversea visitors could make advance booking for Hong Kong hotels during the period when the 2008 Olympic Games and the Paralympic Equestrian Events were held, the room rates had yet to be fixed. In order that overseas visitors could get hold of more information to facilitate their travel plans to Hong Kong, he urged the Administration to liaise with the local hotel industry so that the hotel room rates could be made known as soon as possible. In this connection, he considered that a higher level inter-departmental task force should be set up to handle issues related to the abovementioned world events.

26. In response, SCED said that he had already discussed with the Chairman of the Hong Kong Tourism Board on issues related to the promotion of the Olympic and Paralympic Equestrian Events. As these were important events of the country, he assured members that CE, all Bureau Secretaries and Heads of Department would strive to make the Events a resounding success so as to bring pride to Hong Kong and the nation. On the Chairman's suggestion for the establishment of a dedicated task force, he advised that the Home Affairs Bureau (HAB) had already set up an inter-departmental task force to handle matters relating to the 2008 Olympic Games. He also undertook to relay the Chairman's aforesaid views and concerns to HAB for necessary action.

Admin

*(Post-meeting note: The Administration subsequently advised that it had referred the issues concerned to the Equestrian Events Coordinator of HAB for necessary follow-up action.)*

27. The Chairman thanked SCED and the Administration for attending the meeting to brief members on the initiatives concerned.

**IV. Road Cargo System**

(LC Paper No. CB(1)32/07-08(04) -- Paper provided by the Administration)

Briefing by the Administration

28. At the invitation of the Chairman, the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the Administration's funding proposal to implement an electronic

advance cargo information (e-ACI) system for customs clearance of road cargoes (ROCARS). She recalled that at the Panel meeting held on 16 January 2007, members had given in-principle support to the Administration's proposal to implement the system and e-ACI measures. The Import and Export (Amendment) Bill 2007, which sought to provide the necessary regulation making powers for implementing e-ACI, was subsequently passed in the Legislative Council on 23 May 2007. She advised that the Administration had consulted industry stakeholders, including those involved in the handling of cross-boundary road cargoes, and the majority of them had pledged support for the early implementation of the ROCARS. In this connection, the Administration was seeking the Panel's support for an estimated non-recurrent provision of \$178 million from 2007-2008 to 2010-2011 under the Capital Works Reserve Fund (Head 710: Computerization) to implement the ROCARS. The Administration planned to submit the funding proposal to the Finance Committee for approval in November 2007. A cost and benefit analysis for the implementation of the system was set out at Annex D of the Administration's paper (LC Paper No. CB(1)32/07-08(04)).

29. PSCIT said that the ROCARS, if supported by Members, would be rolled out in September 2009. An 18-month transitional period would be provided before e-ACI for road cargoes would be mandated in early 2011. In view of the large number of stakeholders involved, and most of which were small-and-medium sized enterprises (SMEs), the Administration would step up publicity efforts and provide training for stakeholders during the transitional period with a view to encouraging all parties concerned to prepare themselves for the migration to the electronic mode of submitting road cargo information as early as possible.

### Discussion

#### *Design and compatibility of the ROCARS*

30. Commending that the implementation of the ROCARS would greatly facilitate cross-boundary road cargo movement, Mrs Sophie LEUNG expressed support to the Administration's funding proposal and hoped that the ROCARS could be implemented smoothly. The Chairman, Mr Jeffrey LAM and Mr Andrew LEUNG also expressed support to the implementation of the ROCARS.

31. Mr Jeffrey LAM enquired whether there would be flexibility in the ROCARS to cater for future need for system upgrading with the advent of technology. In response, PSCIT advised that in designing the ROCARS, the Administration had adopted a modular system configuration which could be enhanced promptly to cater for future upgrading, including the electronic submission of all data in a road cargo manifest when the conditions were ripe.

32. Mr Andrew LEUNG pointed out that local traders, in particular SMEs, had subscribed to the electronic services provided by the Digital Trade and Transportation Network (DTTN) and Government Electronic Trading Services (GETS) to conduct their e-business and fulfill statutory requirements such as the

submission of electronic import and export declarations, etc. In this connection, he was of the view that efforts should be made, as far as practicable, to facilitate traders to transfer the data already stored in the DTTN and GETS for the ROCARS so as to lessen the cost implications on traders and avoid causing inconvenience to and creating extra burden on them due to the implementation of the ROCARS.

33. PSCIT explained that DTTN, GETS (provided by Tradelink Electronic Commerce Ltd. and Global e-Trading Services Limited) and the ROCARS served different functions at different stages of the trading cycle. The former two systems were operated by service providers to facilitate e-business, while ROCARS would be operated by C&ED to conduct computer-assisted risk profiling of cross-boundary road cargo on the basis of e-ACI.

34. Mr Andrew LEUNG re-iterated his concern that the interests of traders, especially SMEs, should be safeguarded while implementing the ROCARS to enhance cross-boundary customs control. Pointing out that most cross-boundary cargoes would be directly delivered for transshipment after crossing the boundary, he stressed that efficiency was the utmost concern of traders. As such, the Administration should consider imposing a tender requirement such that the ROCARS could be compatible with the GETS, etc, with a view to minimizing traders' efforts and time in inputting cargo information repeatedly among these systems.

35. PSCIT assured members that it was the Administration's intention to standardize the format of data fields among the most commonly used trade documents, to maximize the potential of customs facilitation and to minimize the data input efforts of the industry, including SMEs. The Administration would accord priority to aligning the data format of the ROCARS and the most widely used import and export trade declaration (TDEC) first. In addition, she undertook to take forward Mr Andrew LEUNG's view that data inheritance would be adopted as an important design parameter of the ROCARS. The Administration would invite an open tender for ROCARS, and any party, including service providers of existing electronic services, could make a bid.

Admin

*Measures to ensure effective and efficient boundary control*

36. The Chairman noted that the Chief Executive (CE) had announced in his 2007-2008 Policy Address that to ensure food safety, a Food Safety Bill would be introduced into the Legislative Council to provide for a comprehensive registration scheme for food importers and distributors. In this regard, he enquired whether trucks which transported food would be required to stop at control points for food safety inspection as a result of the implementation of the proposed registration scheme. Since such measure, if adopted, might affect the smooth flow of cross-boundary road cargoes, he remarked that the Administration should be mindful of striking a balance between the facilitation of cross-boundary cargo movement and the combating of illicit activities when taking forward the CE's initiative to ensure food safety.

37. In reply, PSCIT said that apart from the import and export information required for customs clearance, flexibility would be provided in the ROCARS for processing additional information for the purpose of other regulatory control, such as those related to the enhancement of food safety control. The Deputy Commissioner of Customs and Excise (DCCE) assured members that the Customs and Excise Department (C&ED) would continue to liaise closely with the Food and Environmental Hygiene Department (FEHD) to ensure that the ROCARS would be able to support FEHD's work on food safety control. The ROCARS would also allow Customs officers to conduct computer-assisted risk assessment to determine whether a particular truck, such as those transporting food, would be required to stop for physical inspection at the control point. In particular, cargo consignments classified by either Customs or FEHD as being high risk would be selected for thorough inspection. It was envisaged that with the ROCARS, it would be possible to further facilitate the movements of legitimate cargoes while strengthening the food safety control.

38. While appreciating that the ROCARS would enhance cross-boundary cargo movement, Mr Jeffrey LAM expressed concern about measures to be put in place to ensure smooth cargo movement in case of system failure as traders might incur economic losses due to the delay of their cross-boundary cargo consignments. In this respect, he sought information on the backup system and the contingency measures to be undertaken by the Administration in case of the breakdown of the ROCARS.

39. In reply, the Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry) (PACSI) said that having regard to the importance of ensuring a smooth flow of land boundary traffic and the mission critical nature of the ROCARS, the Administration would equip the system with primary servers, resilience servers and off-site disaster recovery system to ensure the high serviceability of its operation. DCCE supplemented that it was C&ED's standing practice to have a contingency plan for every computer system. To cater for the unlikely event of total system failure of ROCARS, C&ED had devised a contingency plan under which a command centre would be set up within a very short time, and Customs officers could be deployed within a few minutes for manning the customs kiosks at land boundary control points to process the clearance of cross-boundary vehicles in a manual mode, so as to ensure that there would not be any traffic congestion. As such, he stressed that cross-boundary cargo movement would not be adversely affected due to system failure. In response to Mr Jeffrey LAM's further enquiry, he assured members that close liaison had all along been maintained among C&ED, the Immigration Department, Hong Kong Police Force as well as the Mainland authorities at each and every land boundary control point to handle various emergency matters in a co-ordinated manner. For instance, traffic implications due to system failure would be announced by the Police to the general public.

40. Mr Andrew LEUNG pointed out that during inclement weather such as the hoisting of Tropical Cyclone Warning Signals, telecommunications network might be heavily congested, thereby causing delay in the transfer of e-cargo manifest to

C&ED. He was concerned that the cross-boundary truck drivers might be required to fill in paper manifests manually, thereby causing severe traffic congestion at control points. As such, he enquired whether there would be contingency measures to be undertaken by the Administration in this respect.

41. In reply, DCCE said that the hoisting of Tropical Cyclone Warning Signals was one of the emergency situations covered by C&ED's contingency plan. Regarding the possible implications on cross-boundary truck drivers due to the delay of submission of cargo data as a result of network congestion, he explained that notwithstanding the implementation of the ROCARS, cross-boundary truck drivers would still be required to carry paper manifests when their trucks crossed the land boundary control points in order to fulfill their statutory obligation. During system failure, truck drivers would be required to present their paper manifests to Customs officers at customs kiosks where screening of cargo data would be conducted in a manual mode. C&ED would ensure that the time required for customs clearance would not be worse off than the existing system. He also assured members that the present service level of clearing a laden and an empty truck within 30 and 16 seconds respectively would be maintained under such circumstance.

42. While noting the measures to be adopted by the Administration to ensure smooth cross-boundary cargo flow, Mr Andrew LEUNG nevertheless reminded the Administration to pay heed to all kinds of possible threats and to formulate suitable measures accordingly.

*Capacity of land boundary control points*

43. The Chairman expressed concern about the enormous cross-boundary cargoes handled by the Man Kam To Boundary Control Point and enquired whether the Administration had any plan to expand the control point such that it could cope with new boundary control measures, such as those announced by the CE on food safety control.

44. DCCE advised that the expansion or otherwise of a control point was a matter to be negotiated between the Mainland and Hong Kong. In respect of the Man Kam To Boundary Control Point, he pointed out that even though it was operating at close to maximum capacity, the Administration had no plan to expand it due to the lack of available land on the Hong Kong side and the busy traffic on the Mainland side. As such, relevant authorities on both sides were exploring other various options to expand the food inspection facilities, which included the newly commissioned Shenzhen Bay Control Point and the feasibilities of developing another new control point at Liantang. Operationally speaking, there could be scope for expanding food inspection facilities at the Shenzhen Bay Control Point and other control points. However, he added that any changes to the current arrangement would need to be further discussed with FEHD and the Mainland authorities.



*Efforts to encourage industries to take up the ROCARS*

45. Recalling that at the Panel meeting held on 16 January 2007 when members had given support to the migration of the electronic manifest of road cargoes, the Chairman re-iterated members' concern that adequate training should be provided to the cross-boundary truck drivers with a view to helping them acquire the necessary IT skills for using the proposed electronic system.

46. PSCIT advised that various promotional efforts would be made to facilitate all parties concerned, including the cross-boundary truck drivers, for migration to the electronic mode of submitting cargo information. DCCE elaborated that C&ED would provide large-scale seminars on the new workflow and train-the-trainer workshops for various trade associations and organizations as well as hands-on training for shippers and truck drivers throughout the 18-month transitional period. Teaching aid materials, such as promotional pamphlets, self-learning CD-ROMs, user manuals, etc. would also be provided and uploaded onto C&ED's website for easy reference by the public. Moreover, to encourage early take-up of the ROCARS, outreach technical teams would be set up within C&ED to actively approach relevant industries to assist them to register with ROCARS and to use the system as early as possible.

*The way forward*

47. Summing up the discussion, the Chairman said that the Panel supported in principle the Administration's funding proposal to provide \$178 million to implement the ROCARS.

**V. Any other business**

48. There being no other business, the meeting ended at 4:05 pm.