

立法會
Legislative Council

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**Report of the Panel on Commerce and Industry
for submission to the Legislative Council**

Purpose

This report gives an account of the work of the Panel on Commerce and Industry during the 2007-2008 session of the Legislative Council. It will be tabled at the Council meeting on 2 July 2008 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002 and 11 July 2007 for the purpose of monitoring and examining Government policies and issues of public concern relating to commerce and industry. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 11 members. Hon Vincent FANG Kang and Hon WONG Ting-kwong were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

Major work

Development of the convention and exhibition industry

4. The Panel followed up closely on the provision of convention and exhibition facilities in Hong Kong to ensure that the capacity of local facilities stayed ahead of the industry demand, with a view to maintaining Hong Kong's leading position as an international business centre. Following an overseas duty visit to Dubai, Frankfurt, Las Vegas and Los Angeles to study the development of convention and exhibition facilities in these places, the Panel published a report in January 2008 on its observations and recommendations on the way forward for the development of convention and exhibition industry in Hong

Kong, with a view to providing useful reference on how new exhibition venues could be developed in Hong Kong.

5. Subsequent to the publication of the report, the Panel held a meeting to exchange views with the Administration. The Panel was pleased to note that the Administration had taken aboard the Panel's recommendations and proposed a host of measures including providing 10 pieces of land dedicated for the development of hotel, setting aside \$150 million to carry out "Meetings, Incentives, Conventions and Exhibitions (MICE)" activities in the next five years, and establishing a dedicated office named "Meetings and Exhibitions Hong Kong" to provide one-stop MICE services. The Panel noted that an Alliance Group comprising the Tourism Commission, Hong Kong Tourism Board, Hong Kong Trade Development Council, Invest Hong Kong (InvestHK) and the Economic and Trade Offices (ETOs), would be set up with a view to identifying MICE opportunities and promoting concerted marketing efforts. Members supported the proposal to set up an Alliance Group which would be conducive to maximizing the synergy of Hong Kong's network for MICE promotion.

6. Despite the completion of the Atrium Link extension of the Hong Kong Convention and Exhibition Centre (HKCEC) in early 2009, members considered it necessary to pursue the Phase 3 development of HKCEC without further delay. In this connection, the Administration should consider relocating Wanchai Sports Ground so that a larger site would be available for the Phase 3 development of HKCEC, or expanding HKCEC above the nearby bus terminal. Pointing out that it would take time for new exhibition facilities to be completed, members were keen to ensure that appropriate measures would be taken by the Administration to enhance co-operation between HKCEC and Asia World-Expo, with a view to making fuller use of the latter's facilities to meet service needs of the burgeoning MICE business. Members were of the view that the Administration should consider relocating some existing events from HKCEC to Asia World-Expo, and allowing flexibility in terms of event schedule and venue so as to help attract new events which might prefer the central business district location. Views of the relevant event organizers and participants should be considered in order not to lose Hong Kong's well-established trade shows to its competitors. Due care should also be taken for staging new trade shows in Hong Kong to avoid clashing with the mega events of the same kind organized in overseas exhibition venues. In this connection, some members were of the view that a fair mechanism should be devised to consider providing sponsorship to non-governmental organizations, in cash or in kind, to support their staging of mega events in Hong Kong in order to strengthen Hong Kong's image as an international hub in various socio-economic aspects.

Promotion of inward investment

7. On the Administration's proposed funding for a non-recurrent provision of \$100 million to InvestHK, the Panel generally supported the proposal which would allow for continued funding of investment promotion (IP) undertaken by InvestHK for three years starting from 2008-2009. Members commended that

IP efforts made by InvestHK was conducive to sustaining Hong Kong's competitive edge vis-à-vis its competitors in the region. Nevertheless, they considered that resources of InvestHK should be pooled together with other bodies which were also promoting Hong Kong for cost savings.

8. Noting that the Government had commissioned a follow-up study to review the strategy for promotion of inward investment in October 2007, the outcome of which was expected to be available in the second quarter of 2008, members urged the Administration to report to the Panel on the key findings of the study to facilitate discussion on the future development of InvestHK. The Administration assured members that subject to the outcome of the study, it would formulate a long-term IP policy and work out relevant implementation details.

9. Following consultation with the Panel, the relevant funding proposal was approved by the Finance Committee (FC) on 11 January 2008.

Furthering of trade relations between the Mainland and Hong Kong

10. The Panel conducted a public hearing for Hong Kong enterprises and businessmen to exchange views with the Panel on the implications of the Mainland's laws and regulations and its policies on their operation in the Mainland. Members noted that the recent changes in the Mainland's policy, such as those on processing trade, the implementation of the Labour Contract Law and Enterprise Income Tax Law, the appreciation of Renminbi and the tightening of environmental standards, would all have an impact on Hong Kong-owned enterprises in respect of export of goods, operation, pricing and tax rebate. A noticeable number of these enterprises might close down their operation in the near future as a result of the intensified business environment in the Mainland. While expressing concern that this would adversely affect Hong Kong's economy and the livelihood of Hong Kong citizens working in the Mainland, the Panel was keen to ensure that suitable measures would be taken by the Administration to alleviate the trade's hardship. In this connection, some Panel members urged the Administration as well as Hong Kong deputies to the National People's Congress and representatives of Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference to enhance efforts in conveying Hong Kong businessmen's concerns to the Mainland authorities. The Administration assured the Panel that it had spared no efforts in relaying the views and concerns of Hong Kong enterprises to various levels of the Mainland governments, including the Central authorities and the Guangdong Provincial Government.

11. Members were of the view that the Mainland ETOs should assist in enhancing information exchange between the relevant trade associations and the Mainland authorities on new legislation and policies. Members suggested that the Mainland ETOs should compile and analyze the complaints lodged by aggrieved Hong Kong businessmen such that loopholes of existing laws, regulations and policies could be identified for follow up with the Mainland

authorities accordingly. Consideration should also be given to providing enquiry services to Hong Kong businessmen on general legal matters about the Mainland.

Small and medium enterprise funding schemes

12. The Panel was briefed on the latest position and the future development of the small and medium enterprise (SME) funding schemes, namely the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF) and the SME Development Fund. The Panel was also consulted on the Administration's proposal to inject additional funding of \$500 million into the three SME funding schemes, which would enable their continued operation until 2011. This included the proposals of raising the guarantee ceiling of the Business Installations and Equipment Loan under SGS (i.e. from \$2 million to \$5 million for each SME, or 50% of the approved loan, whichever was the less) and replacing the Associated Working Capital Loans and Accounts Receivable Loans with a new Working Capital Loans with guarantee ceiling at \$1 million, as well as raising the grant ceiling of EMF for each SME from \$80,000 to \$100,000.

13. Members expressed their support, in principle, for the Administration's proposals as they could enhance the assistance provided to SMEs, particularly Hong Kong-owned enterprises in the Mainland, so as to get them prepared for upgrading, restructuring or relocating their operations arising from the Mainland's new policy. On EMF, members considered it useful to help local SMEs promote their brand name products, thus saving them from exposing to market fluctuations. Nevertheless, members were of the view that the Administration should step up the publicity of EMF so that more SMEs could benefit from the scheme and more employment opportunities could be created for the local workforce, thus benefiting the economic development of Hong Kong as a whole.

14. Following consultation with the Panel, the relevant funding proposal was approved by FC on 11 January 2008.

Innovation and technology development

15. The Panel was briefed on the progress of the operation of the five Research and Development (R&D) Centres. Despite that a substantial amount of funding from the Innovation and Technology Fund (ITF) had to be provided for maintaining the operation of the R&D Centres and supporting part of their R&D projects for a long period of time before the R&D results could be proven for application in the relevant industries, members looked forward to the R&D results which could benefit the society as a whole. They were also concerned how the financial resources allocated to the Centres were used and the level of industry contribution secured by the Centres in undertaking each of their projects.

16. Members noted that a mid-term review would be conducted by the Administration by the end of 2008 on whether the R&D programme and direction could actually meet the industry demand as reflected by the industry contribution and participation, whether the planned R&D programme would need to be adjusted to ensure that adequate industry contribution and income could be generated to sustain the programme for the whole of the five-year period, and whether any improvements were necessary to strengthen the infrastructure support for the purpose of enhancing R&D activities in Hong Kong. The Panel would continue to follow up the outcome of the review.

17. The Panel discussed with the Administration the proposed improvements to the University-Industry Collaboration Programme (UICP) under ITF to provide further impetus to the development of applied scientific research. Members noted that the Administration proposed to relax the geographical requirement by allowing a non-local university to undertake the major part or the whole of the R&D work of a project as well as allowing a major part or the whole of the R&D work of a project to be conducted outside Hong Kong. As Hong Kong adopted a low threshold for foreign capital to set up registered companies in Hong Kong, some members opined that the proposed relaxation would open up opportunities for foreign-capital-owned-local-companies to apply for public funding under UICP to engage non-local universities to undertake the R&D work. Members were concerned that such an arrangement would lead to abuse and defeat the purpose of encouraging a stronger culture of R&D in Hong Kong and accumulating human capital for the territory through the process. To address members' concern, the Administration had consulted relevant stakeholders on the concerned proposal and reported the outcome of consultation to the Panel.

18. Noting that there was general support for the proposed relaxation of the geographical restrictions of UICP, the Panel was supportive in principle of the Administration's proposal which would enable the local industry to tap on a wider choice of expertise and technological facilities that might not be available in Hong Kong. As the promotion of R&D would help revive the local industry and promote the development of high-tech and high value-added production, members considered that publicity should be stepped up to promote the results of the R&D projects. Nevertheless, members urged the Administration to be mindful of the need to guard against misuse of the UICP funding, and to consider members' suggestion that a certain percentage of the R&D work of UICP projects should continue to be undertaken by local universities. Efforts should be made to foster cooperation between the local and non-local universities in conducting R&D work of UICP projects. The Administration undertook to take forward members' suggestion and consider how best the modus operandi of UICP should be developed.

Copyright protection

19. The Panel was briefed on the publicity and public education activities conducted by the Administration following the enactment of the Copyright (Amendment) Ordinance 2007, the proposed "Safe Harbour" Regulation in relation to the new business end-user copying and distribution offence, the First List of Exceptions on Act of Circumvention and the commencement timetable for provisions which had yet to come into operation. Members generally supported the proposal to introduce the "Safe Harbour" Regulation which would be conducive to the development of the creative industry in Hong Kong. To enhance copyright protection, members urged the Administration to review the propriety of the thresholds vigorously from time to time. The Panel was also in principle supportive of the rest of the Administration's proposals, in particular the proposed commencement timetable for the provisions under the Amendment Ordinance which had yet to come into operation. As regards the concerns about the rental rights for films, the Panel had requested the Administration to assist the copyright owners and rental shop operators to reach an agreement on the terms of the licensing scheme. The Administration subsequently reported to the Panel that the two sides had reached consensus to implement the licensing scheme in a progressive manner.

20. The Panel noted that the provisions related to moral and related rights for performers of aural performances and for underlying works in sound recordings, new criminal and civil liability in relation to the making of and dealing in circumvention devices, rental rights for films, and rights management information came into effect on 25 April 2008 following negative vetting by the Legislative Council. As regards the provisions related to the act of circumvention and directors' or partners' liability in relation to "possession offence" of business end-user, they would come into operation on 11 July 2008.

21. The Panel discussed the outcome of the public consultation exercise conducted by the Administration on copyright protection in the digital environment. Members noted that copyright owners in general urged the Administration to expand the scope of criminal offences and bring in relevant measures to facilitate their pursuit of civil actions. However, the users, most trade associations as well as some professional groups had concerns about criminalizing unauthorized downloading activities and the possible adverse impact that such measures might have on the free flow of information on the Internet, personal data privacy, and the development of Hong Kong as an Internet service hub.

22. The Panel noted that the Administration had taken into account public views received and the latest developments in different overseas jurisdictions when formulating its preliminary proposals. Members considered that it was incumbent upon the Administration to ensure that the copyright protection regime would facilitate the free flow of information in the digital environment while not compromising the protection of personal data privacy. While members supported protection of intellectual property rights, they were keen to ensure that,

in addition to enforcement, the Administration would devise measures to forestall infringing acts. As criminal sanction would bring far-reaching effect on one's life, the Panel urged the Administration to be mindful of such a concern and to consult the public extensively before formulating any new legislation to combat Internet infringement. The Administration assured members that it would endeavour to engage all relevant parties with a view to reaching an early consensus on the subject matter in the next round of consultation, which would be conducted in the second and third quarters of 2008. The Administration would also take the lead in establishing a tripartite forum comprising representatives from online service providers, copyright owners and users to strengthen copyright protection in the Internet environment. The Administration would report to the Panel after firming up the relevant legislative proposals in late 2008 or early 2009.

Government Electronic Trading Services (GETS)

23. The Panel was consulted on the proposed arrangements for the provision of GETS after the expiry of the current service contracts between the Government and the two incumbent service providers in December 2009. Members noted that improvement measures, in particular the standardization and harmonization of trade data, would be introduced in the new contracts with a view to minimizing traders' data input efforts. An open tender would be invited in early 2008 with a view to appointing the service providers in mid 2008.

24. Members were concerned about the sustainability of the service providers to be appointed for the provision of GETS from 2010. To promote the GETS market and encourage the wider use of electronic mode of service delivery in the Government, the Panel suggested that the Administration should draw up a blueprint setting out specific recommendations on enhancing the development potential of GETS market. Extensive consultation should be conducted to solicit views from GETS service providers, users and other stakeholders on the blueprint before the tender exercise was conducted. Noting member's view, the Administration undertook to consult the relevant stakeholders on the future scope of documents that might be covered by service providers to cater for the needs of their clients. The Administration assured members that it would exercise due care when scrutinizing the bids, to uphold the policy intent of striking a proper balance between ensuring fair and effective competition and maintaining a sustainable market.

25. Some members also reminded the Administration that in undertaking the consultation, not only the existing service providers, but also potential bidders, should be consulted with a view to including the business opportunities proposed by respondents in the tender documents for a meaningful evaluation of the bids. The Administration stressed that it had all along conducted thorough consultation covering existing service providers, major Chambers of Commerce and the trading and logistics industries. Noting members' concern, the Administration undertook to invite views from IT companies which were potential bidders.

Road Cargo System

26. On the Administration's proposal to provide \$178 million to implement an electronic advance cargo information system for customs clearance of road cargoes (ROCARS), the Panel generally supported the proposed funding as it would greatly facilitate the ever-increasing cross-boundary road cargo movement. Nevertheless, members were of the view that the interests of traders, in particular SMEs, should be safeguarded while implementing ROCARS. The Administration should consider imposing a requirement in the tender such that ROCARS could be compatible with GETS with a view to minimizing traders' efforts and time in inputting cargo information repeatedly among these systems. Members also reckoned that there was a need for back-up systems and contingency measures to ensure smooth cargo movement, as any delay in cross-boundary cargo consignments could cause economic loss to traders. In addition, adequate training should be provided to the cross-boundary truck drivers with a view to helping them acquire the necessary information and technology skills for using the proposed electronic system. The Administration assured members of its 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. In addition to the standing practice of the Customs and Excise Department (C&ED) to provide contingency plan for every computer system, the Administration would equip ROCARS with primary servers, resilience servers and off-site disaster recovery system to ensure the high serviceability of its operation. Outreach technical teams would also 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.

27. Following consultation with the Panel, the relevant funding proposal was approved by FC on 16 November 2007.

Hong Kong Design Centre (HKDC)

28. In discussing the work of HKDC, the Panel appreciated the accomplishments of HKDC during the report period. In view of the development in the Mainland in recent years, members considered that efforts should be stepped up in nurturing design talents to meet with market demand so that Hong Kong would maintain its competitive edge in the long run. The Administration should strive to obtain international recognition of the local design qualification with a view to encouraging more inspired talents to join the design industry, thereby raising the quality of the local design industry.

29. Noting that many business and industry players were not yet convinced of or conversant with design and branding, members were concerned whether the Administration would take appropriate measures to assist the trades and industries to make fuller use of design and innovation to build their brand names. The Administration assured the Panel that in addition to the DesignSmart

Initiative which aimed to promote the interest and investment of Hong Kong entrepreneurs in relation to utilizing design and transforming design activity into tradable deliverables, HKDC had spared no efforts in promoting the private sector to move from Original Equipment Manufacture to Original Brand Manufacture by various promotional activities including conferences, workshops, discussion fora and experience sharing sessions.

Hong Kong Economic and Trade Offices (ETOs) and Beijing Office (BJO)

30. The Panel was briefed by the various Heads of ETOs and BJO on the major activities and the latest development in economic and trade related matters under their respective purview. Members appreciated the services rendered by these offices in keeping the local commercial and industrial sectors abreast of the latest information on the political and economic developments in the respective countries/places, and updating the overseas business communities on the policy changes in relation to the enhancement of the business environment of Hong Kong. Members also commended the BJO and the Mainland ETOs for their efforts in providing assistance to Hong Kong residents and their families suffering accidents in the Mainland, in particular the Guangdong ETO for its 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.

31. Members were of the view that overseas ETOs should continue to enhance Hong Kong's prestige and profile in international trade, and promote Hong Kong's comparative advantages in hosting international mega events (e.g. Equestrian Event), to reinvigorate the "Brand Hong Kong" message and to widely publicize the successful implementation of "One Country, Two Systems". In this connection, the Panel noted from the San Francisco ETO that NBC, the official US broadcaster of the Beijing Olympics, would promote the Equestrian Event and Hong Kong as a prime destination for international events by releasing a special television program on Hong Kong and running an online campaign in US from June 2008.

Hong Kong Special Administrative Region's participation in the World Exposition 2010 Shanghai China

32. The Panel followed up closely the preparations of Hong Kong Special Administrative Region (HKSAR) for participating in the World Exposition 2010 Shanghai China (Shanghai Expo). Members supported in principle the project and the overall funding as they considered the participation in the Shanghai Expo an excellent opportunity to exhibit Hong Kong's quality city life and position itself as a creative capital, as well as to emphasize Hong Kong's role as an important city connecting the Mainland and the rest of the world. Moreover, the local creative talents, particularly those in the fields of design, architecture, software and performing arts, would have a good opportunity to showcase their talent and creativity to the Mainland and international audiences.

33. The Panel noted that HKSAR would participate in the Urban Best Practices Area Exhibition (UBPA Exhibition) at Zone E with smartcard applications as the main theme. While there was 18 months' lead-time for preparing HKSAR's participation in the Shanghai Expo, members were keen to ensure that the Administration would take the opportunity to promote the wider use of smartcard systems and application of new technology by various bureaux and departments to improve efficiency and promote connectivity. Members suggested that consideration should be given to leveraging on the successful cases of the private sector in integrating technology and design in the city life with a view to enriching the content of Hong Kong's UBPA Exhibition. In this connection, members urged the Administration to reach out to the private sector without delay so as to secure sponsorships to cover some of the planned activities of the Shanghai Expo and to offset some of the financial commitments earmarked for the project. They were also keen to ensure that, to put resources to good use, some of the exhibits, especially the Hong Kong Pavilion, would be retained for continuous exhibition after the Shanghai Expo. The Administration assured members that it was mindful to make continuous efforts to further explore the wider use of smartcard applications in various community areas in the coming period. It would explore the possibility of retaining the exhibits in Shanghai after the conclusion of the Expo, if mutual agreement could be reached with the relevant Mainland authorities, or retaining the key features of the Hong Kong Pavilion and UBPA Exhibition and re-assembling them in Hong Kong for further exhibition to the local public, if possible.

34. The financial implications of supporting HKSAR's participation in the Shanghai Expo and the Hong Kong Pavilion project were approved by FC at the meetings on 9 May and 6 June 2008 respectively.

35. From October 2007 to June 2008, the Panel held a total of ten meetings.

Panel on Commerce and Industry

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to commerce, industry, business and services promotion, innovation and technology, intellectual property protection and inward investment promotion.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Panel on Commerce and Industry

Membership list for 2007-2008 session

Chairman	Hon Vincent FANG Kang, JP
Deputy Chairman	Hon WONG Ting-kwong, BBS
Members	Dr Hon LUI Ming-wah, SBS, JP
	Hon CHAN Kam-lam, SBS, JP
	Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
	Hon SIN Chung-kai, SBS, JP
	Hon Timothy FOK Tsun-ting, 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
	(Total : 11 members)
Clerk	Ms YUE Tin-po
Legal Adviser	Mr Timothy TSO
Date	11 October 2007