

立法會
Legislative Council

LC Paper No. CB(1)2189/09-10
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI/1

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 20 April 2010, at 2:30 pm
in the Chamber of the Legislative Council Building

- Members present** : Hon Vincent FANG Kang, SBS, JP (Chairman)
Dr Hon LAM Tai-fai, BBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
- Members attending** : Hon James TO Kun-sun
Hon Miriam LAU Kin-ye, GBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon LEE Wing-tat
Hon IP Kwok-him, GBS, JP
- Member absent** : Hon Fred LI Wah-ming, SBS, JP

**Public officers
attending**

: Agenda Item IV

Mrs Rita LAU, JP
Secretary for Commerce and Economic Development

Mr Gregory SO, JP
Under Secretary for Commerce and Economic
Development

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr John HUNG
Secretary-General (Testing and Certification)

Agenda Item V

Mrs Rita LAU, JP
Secretary for Commerce and Economic Development

Mr Gregory SO, JP
Under Secretary for Commerce and Economic
Development

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

Mr Philip YUNG, JP
Commissioner for Tourism

Ms Linda LAI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Agenda Item VI

Mr Joshua LAW, JP
Permanent Secretary for Constitutional and Mainland
Affairs

Mr Howard CHAN, JP
Deputy Secretary for Constitutional and Mainland
Affairs (2)

Ms Angela HO
Chief Executive Officer (Constitutional and Mainland
Affairs)

**Attendance by
invitation**

: Agenda Item IV

Hong Kong Council for Testing and Certification

Professor CHING Pak-chung
Chairman

Agenda Item V

Hong Kong Tourism Board

Ms Gilly WONG
General Manager (MICE & Cruise)

Hong Kong Trade Development Council

Mr Fred LAM
Executive Director

Mr Benjamin CHAU
Deputy Executive Director

Mr William CHEUNG
Head of Media & Public Affairs

Hong Kong Business Community Joint Conference

Mr Aaron SHUM
Chief Secretary

Department of Decision Sciences and Managerial
Economics, The Chinese University of Hong Kong

Professor CHEUNG Wai-man
Professor and Chairman

Hong Kong Small & Medium Enterprises General
Association

Mr Albert LAU
Vice-Chairman

The Hong Kong Electronic Industries Association

Prof CHAN Kei-biu
Chairman

Federation of Hong Kong Industries

Mr Bernie TING
General Committee Member

Hong Kong Apparel Society

Mr Felix K P CHUNG
Chairman

The Civic Party

Miss Tanya CHAN
ExCo Member

Crown Wine Cellars Limited

Mr Gregory De 'Eb
Concept Founder & General Manager

Hong Kong Jewelry Manufacturers' Association

Mr Sunny CHAN
Chairman

Federation of Hong Kong Machinery and Metal
Industries

Dr TSUI Ping-kwong
Chairman

Hong Kong Far Infrared Rays Association

Dr Edward CHAN
Chairman

Hong Kong Auto Parts Industry Association

Dr WONG Chun
President

Hong Kong Diecasting and Foundry Association

Dr Peter LAU Chor-beng
Senior Vice-Chairman

The Hong Kong Metals Manufacturers Association

Mr SZE Kam-shing
Chairman

Hong Kong Electrical Appliances Manufacturers Association

Mr K C LEUNG
President

Hong Kong Environmental Industry Association

Mr Daniel CHENG
President

Hong Kong Metal Merchants Association

Mr LAI Hin-fai
Chairman

Lion Rock Institute

Ms Nicole ALPERT
Research Associate

The Federation of Hong Kong Hotel Owners

Mr Michael LI Hon-shing, BBS, JP
Executive Director

The Hong Kong Chamber of Small and Medium Business Ltd

Mr Kevin LAU Kin-wah
President

The Federation of Hong Kong Watch Trades & Industries Ltd

Mr Joseph CHU
Chairman

The Chinese Manufacturers' Association of Hong Kong

Dr Dennis NG, MH
Executive Committee Member, Chairman of CMA
Trade & Industry Standing Committee

Hong Kong Gemstone Manufacturers' Association

Mr Johnny KWOK
Vice President

Hong Kong Watch Manufacturers Association Ltd

Mr Paul SO
Vice President

Designing Hong Kong

Mr Paul ZIMMERMAN
Founding member

Paper Communication Exhibition Services

Mr Eddie LEUNG
Managing Director

Hong Kong Jewellery & Jade Manufacturers
Association

Mr Benedict SIN
Vice Chairman

Biba Toys Company Limited

Mr Perry YIP
General Manager

Hong Kong Convention and Exhibition Centre

Ms Monica LEE-MÜLLER
Deputy Managing Director

The Chinese General Chamber of Commerce

Mr Leslie LEE
Committee Member

AsiaWorld-Expo Management Limited

Mr Allen HA
Chief Executive Officer

TKO Industries and Commerce Association

Ms Christine FONG
Chairman

New Territories SME Association

Mr Benny CHAN
Chairman

Concern Group for a Competitive Exhibition Industry
in Hong Kong

Mr Michael KWOK
Spokesperson

Global Sources

Mr Merle A. HINRICHS
Chairman

IEC Investments Limited

Mr HA King-fai
Director

Hong Kong Synthetic Leather & Metal Material
Suppliers' Association

Mr OU Shiu-ting
Vice Chairman

The Hong Kong Exporters' Association

Mr Tom TANG, JP
Chairman

Hong Kong Exhibition and Convention Industry
Association

Mr Javed KHAN
Vice Chairman

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)6

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)1570/09-10 -- Minutes of meeting held on
19 January 2010)

The minutes of the meeting held on 19 January 2010 were confirmed.

II. Information paper issued since last meeting

(LC Paper No. CB(1)1559/09-10(01) -- Information paper on Framework
Agreement on Hong
Kong/Guangdong Co-operation)

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

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1601/09-10(01) -- List of outstanding items for
discussion

LC Paper No. CB(1)1601/09-10(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on
18 May 2010 at 2:30 pm in Conference Room A to discuss the following items:

- (a) Framework Agreement on Hong Kong/Guangdong Co-operation in
relation to trade and industry between the two places;
- (b) 2009 Hong Kong/Shenzhen Co-operation Meeting in relation to trade
and industry between the two places.

**IV. Three-year development plan for the testing and certification industry
by the Hong Kong Council for Testing and Certification**

(LC Paper No. CB(1)1529/09-10(01) -- Report of the Hong Kong Council
for Testing and Certification

LC Paper No. CB(1)1601/09-10(03) -- Administration's paper on Report
of the Hong Kong Council for
Testing and Certification

LC Paper No. CB(1)1601/09-10(04) -- Paper on promoting the development of the testing and certification industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the Chairman's invitation, the Secretary for Commerce and Economic Development (SCED) and the Chairman of the Hong Kong Council for Testing and Certification (CHKCTC) briefed members on the recommendations made by the HKCTC to the Chief Executive on 31 March 2010, as set out in the Report of the Hong Kong Council for Testing and Certification (LC Paper No. CB(1)1529/09-10(01)) and the Administration's paper (LC Paper No. CB(1)1601/09-10(03)) respectively.

Discussion

Provision of land for the development of the testing and certification industry

5. Mr WONG Ting-kwong opined that the limited supply of land had been a hindrance to the development of Hong Kong's testing and certification industry. He enquired if the Administration would consider the industry's proposals for the setting up of a testing and certification park near the border or in revitalized industrial buildings, or introducing the industry into the Science Park.

6. Mrs Regina IP shared a similar view and opined that amongst the six economic areas identified by the Task Force on Economic Challenges (TFEC), the testing and certification industry was most worthy of support because it was a high value-added industry which would create local job opportunities and nurture local talents. She expressed support for the granting of land at the Lok Ma Chau Loop for the development of the testing and certification industry.

7. In response, Commissioner for Innovation and Technology (CIT) advised that currently the majority of the testing laboratories were located in commercial/industrial buildings. For laboratories that had special accommodation needs and required purpose-built premises, industrial estates offered a possible solution. Currently, two laboratories having special accommodation needs were located in the industrial estates. HKCTC had been advised by the Development Bureau that there would be a major public consultation on the future land use of the Lok Ma Chau Loop in 2010. HKCTC would, via the Innovation and Technology Commission, continue to liaise with the Bureau on the issue and provide its views in response to the consultation exercise. SCED supplemented that in line with the spirit of cooperation with Guangdong Province, consideration would be given to the provision of land near the border for the development of the testing and certification industry.

Mainland and Hong Kong Closer Economic Partnership Arrangement

8. Mr WONG Ting-kwong enquired if the Administration would consider the industry's proposal for the pilot implementation of the testing and certification of the goods targeting the Mainland domestic market in Guangdong Province under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

9. SCED advised that in response to the industry's call for the testing results of Hong Kong's accredited laboratories to be recognized under the China Compulsory Certification (CCC) System, the Administration was pursuing with the Mainland authorities through CEPA to seek their agreement to accept testing reports of accredited laboratories in Hong Kong.

Grooming of talents

10. Mr Jeffrey LAM declared interest as the Director of the Hong Kong Standard & Testing Centre Limited. He opined that over the years, Hong Kong's exported products had won worldwide recognition in terms of quality, and Hong Kong's testing and certification industry had played a major part in the success of Hong Kong's export business. Nowadays, many Hong Kong companies had based their productions across the border. The recognition of testing results of Hong Kong's accredited laboratories by the Mainland authorities had become more significant. In this connection, he enquired about measures taken in the grooming of local talents to support Hong Kong's testing and certification industry.

11. In response, CHKCTC recognized the importance of talent grooming in the testing and certification industry. Nevertheless, he opined that it was a very complicated issue as the testing and certification of a wide array of products ranging from garments to drugs and toys were involved. Every single kind of testing required the expertise associated with the particular kind of product involved. There was currently no specific degree courses offered by local tertiary institutions. Nevertheless, graduates from a wide range of science, applied science and engineering disciplines in universities could join the testing and certification industry, examples included electronics, chemistry, biology, etc. Moreover, the Hong Kong Institute of Vocational Education (IVE) offered many Higher Diploma courses in testing and certification, providing a pool of talents for the testing and certification industry of Hong Kong. Efforts would be put in promoting the industry's potential to local students and undergraduates to attract them to join the industry. Separately, IVE had introduced 21 new courses that could help enhance the professional knowledge of practitioners working in the industry.

Emerging trades

12. Whilst indicating support for HKCTC to assist the four selected trades, i.e. Chinese medicine, construction materials, food and jewellery which were more traditional trades, Dr Samson TAM said that the emerging trades, including the software sector of the information and communications technologies (ICT) trade,

should not be neglected. In this connection, he called on the Administration to spearhead the development of software certification. He also enquired about the timetable for the formation of the working group to deliberate on the development direction of testing and certification services for the ICT trade. Sharing a similar view, Mrs Regina IP opined that the Administration should take the opportunity to develop ICT related industries including certification of software and IT professionals, cloud computing, information storage and security, software as a service, etc.

13. In response, CHKCTC advised that apart from the four selected trades, the HKCTC had identified two emerging trades, i.e. environmental protection and ICT, for close monitoring of developments. Whilst testing and certification service for the four selected trades would be the first to be developed, the emerging trades would not be neglected. HKCTC had on-going exchanges with members of the ICT trade with a view to reaching a consensus on the way forward for the development of testing and certification services for the trade. More time was need for such exchanges before a comprehensive proposal on the way forward could be formulated. As soon as the Report of HKCTC was endorsed by the Administration, HKCTC would press ahead with the above work in relation to the four selected trades and the two emerging trades.

14. CIT supplemented that the Administration considered that the two emerging trades had very good potentials for development but they were relatively less matured in certain aspects compared to the four selected trades. She envisaged that the first meeting of the working group to deliberate on the development direction of testing and certification services for the ICT trade would be convened in a few months' time, and the group would include representatives from the Office of the Government Chief Information Officer.

Selected trades

15. Dr LAM Tai-fai enquired about the rationale behind the selection of the four selected trades, and why traditional industries such as the textile and garment and the toys and electronics industries which had made great contributions to the economy had been left out. He also enquired about the reasons for the lack of trade representatives in the working team for the jewellery trade.

16. In response, SCED advised that the testing and certification services for the textile and garment and the toys and electronics industries were well-established in Hong Kong. To maximize the effect of efforts to be put on specific trades, the strategy was to identify new trades where there were potential strong demand for testing and certification services. She emphasized that the Administration would welcome representatives from the jewellery trade to work closely with HKCTC. CHKCTC supplemented that in the process of preparing the Report of HKCTC, HKCTC members had formed working teams to work on recommendations to be included for each of the selected trades. The working team on jewellery had on-going exchanges with representatives from the jewellery trade and was aware of their wish to participate in the work of HKCTC. In this connection, HKCTC

would invite representatives from the jewellery trade to join HKCTC's panel on jewellery trade to be formed in due course.

Summing up

17. The Chairman concluded that members of the Panel generally supported the development of the testing and certification industry in Hong Kong. He called on the Administration to spearhead the development in this area, and to strive for the recognition of the testing results of Hong Kong's accredited laboratories by the Mainland authorities.

V. Development of the exhibition industry in Hong Kong

(LC Paper No. CB(1)1601/09-10(05) -- Administration's paper on development of the MICE industry in Hong Kong

LC Paper No. CB(1)1601/09-10(06) -- Paper on the development of convention and exhibition industry in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Submissions from deputations/individuals not attending the meeting

(LC Paper No. CB(1)1601/09-10(18) -- Submission from Ponti Trading Limited
(English version only)

LC Paper No. CB(1)1601/09-10(19) -- Submission from the Toys Manufacturers' Association of Hong Kong
(Chinese version only)

LC Paper No. CB(1)1601/09-10(20) -- Submission from Jointek Fine Wines (Hong Kong) Limited
(Chinese version only)

LC Paper No. CB(1)1601/09-10(21) -- Submission from Hong Kong General Chamber of Commerce
LC Paper No. CB(1)1644/09-10(10)
(English version only)

LC Paper No. CB(1)1601/09-10(22) -- Submission from Democratic Party
(Chinese version only)

LC Paper No. CB(1)1601/09-10(23) -- Submission from 陳美嬌
(Chinese version only)

LC Paper No. CB(1)1601/09-10(24) -- Submission from LI Ng Bui
(English version only)

LC Paper No. CB(1)1601/09-10(25) -- Submission from CHEUNG Ka-ho
(Chinese version only)

LC Paper No. CB(1)1601/09-10(26) -- Submission from Samson CHAN
(English version only)

LC Paper No. CB(1)1601/09-10(27) -- Submission from Agnes AU
(Chinese version only)

LC Paper No. CB(1)1601/09-10(28) -- Submission from Andrew LIANG
(Chinese version only)

LC Paper No. CB(1)1601/09-10(29) -- Submission from YC WONG
(Chinese version only)

LC Paper No. CB(1)1601/09-10(30) -- Submission from Clement
(Chinese version only)

LC Paper No. CB(1)1601/09-10(31) -- Submission from Cammy CHAN
(Chinese version only)

LC Paper No. CB(1)1601/09-10(32) -- Submission from 周英傑
(Chinese version only)

LC Paper No. CB(1)1601/09-10(33) -- Submission from Karen CHEUNG
(English version only)

LC Paper No. CB(1)1601/09-10(34) -- Submission from Wai WONG
(English version only)

LC Paper No. CB(1)1601/09-10(35) -- Submission from W Y KWOK
(Chinese version only)

LC Paper No. CB(1)1601/09-10(36) -- Submission from Jenny LO
(Chinese version only)

LC Paper No. CB(1)1601/09-10(37) -- Submission from Janet HO
(Chinese version only)

LC Paper No. CB(1)1601/09-10(38) -- Submission from 吳鎮財
(Chinese version only)

LC Paper No. CB(1)1601/09-10(39) -- Submission from LEE Kar-man
(English version only)

LC Paper No. CB(1)1601/09-10(40) -- Submission from Karen KWAN
(Chinese version only)

LC Paper No. CB(1)1601/09-10(41) -- Submission from Christina
(Chinese version only) CHENG

LC Paper No. CB(1)1601/09-10(42) -- Submission from Christina
(Chinese version only) CHENG

LC Paper No. CB(1)1601/09-10(43) -- Submission from Carmen LEE
(Chinese version only)

LC Paper No. CB(1)1601/09-10(44) -- Submission from TP HONG
(Chinese version only)

LC Paper No. CB(1)1601/09-10(45) -- Submission from PAK Siu-fun
(Chinese version only)

LC Paper No. CB(1)1631/09-10(04) -- Submission from Hong Kong Toys
(English version only) Council

LC Paper No. CB(1)1683/09-10(06) -- Submission from Momentum107)
(Chinese version only)
*(tabled at the meeting and
subsequently issued via email on
21 April 2010)*

Presentation by the Administration

18. At the Chairman's invitation, Secretary for Commerce and Economic Development (SCED) briefed members on the Government's efforts in promoting the development of the MICE (Meetings, Incentive Travels, Conventions and Exhibitions) industry and its responses to the recent submissions to the Legislative Council on the role of Hong Kong Trade Development Council (TDC) as an exhibition organizer, as set out in the Administration's paper (LC Paper No. CB(1)1601/09-10(05)).

Presentation by deputations

19. The Chairman welcomed representatives of the deputations to the meeting. He said that written submissions from deputations received before the meeting had been circulated to members and uploaded onto the Legislative Council (LegCo)'s website for public perusal. He requested the deputations to provide a written submission if they had not already done so, and also provide supplementary submissions, if any, to the Panel after the meeting. He reminded the deputations that when addressing the Panel at the meeting, they were not covered by the protection and immunity under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382), and their written submissions were not covered by the said Ordinance.

Presentation by the deputations

Hong Kong Business Community Joint Conference

(LC Paper No. CB(1)1601/09-10(07) -- Submission (Chinese version only))

20. Mr Aaron SHUM of the Hong Kong Business Community Joint Conference expressed support for TDC's proposal for the development of Phase 3 of the Hong Kong Convention and Exhibition Centre (HKCEC) to cope with the demand for exhibition infrastructure. He opined that TDC had not competed for profits with the private enterprises. On the contrary, the trade shows organized by TDC had provided much support to the private enterprises and helped their business thrive and achieve their current statuses. Unlike the profit-making private enterprises, TDC had been serving the local exhibition industry in an unwavering commitment in good and bad times, irrespective of whether the trade shows were profitable or not. It would not raise its exhibition participation fees as a result of good response as private enterprises did. He quoted a case where the exhibition fee charged by the organizer of a jewellery exhibition was more than 40% higher than those charged for exhibitions of the same type organized by TDC.

Department of Decision Sciences and Managerial Economics, The Chinese University of Hong Kong

(LC Paper No. CB(1)1601/09-10(08) -- Submission (English version only))

LC Paper No. CB(1)1644/09-10(01) -- Submission

LC Paper No. CB(1)1644/09-10(02) -- Submission (English version only))

21. Professor CHEUNG Wai-man of the Department of Decision Sciences and Managerial Economics, The Chinese University of Hong Kong expressed recognition of the TDC's contribution to Hong Kong's exhibition industry over the years. He said that the development of the Asia World-Expo (AWE) in 2006 had significantly increased the supply of exhibition space and competition, resulting in strong growth of the exhibition market in Hong Kong. His study on the exhibition industry had found that apart from helping greatly the local enterprises, the exhibition industry itself was capable of sustainable development. He hoped that the Administration would continue its effort in supporting the exhibition industry and uphold its policy of introducing competition to the exhibition industry. Whilst expressing support for additional exhibition space in the long run, he noted that the Atrium Link expansion had led to a higher concentration of exhibition being held at HKCEC by the TDC. The percentage of TDC's exhibitions held at AWE had dropped from 7% to 4% following the Atrium Link expansion. As such, he opined that apart from promoting the HKCEC, TDC should also put more effort in promoting the AWE.

Hong Kong Small & Medium Enterprises General Association

(LC Paper No. CB(1)1644/09-10(03) -- Submission (Chinese version only))

22. Mr Albert LAU of the Hong Kong Small & Medium Enterprises General Association recognized the contribution to the exhibition industry and the overall economy of Hong Kong. Noting that whilst TDC occupied 45% of the total exhibition space, it only organized 26 trade fairs which represented 29% of the total number of exhibitions held in Hong Kong. Being a champion of free market economy, the Government should not impose any restrictions on the development of TDC. He suggested that TDC should provide more assistance to the small and medium enterprises (SMEs) by organizing the World SME Expo each year to enhance the awareness of Hong Kong products or services. This would help SMEs promote themselves and take orders in this event.

The Hong Kong Electronic Industries Association

(LC Paper No. CB(1)1683/09-10(01) -- Submission (Chinese version only))

(tabled at the meeting and subsequently issued via e-mail on 21 April 2010)

23. Professor CHAN Kei-biu of the Hong Kong Electronic Industries Association said that TDC had been in strategic partnership with the electronics industry of Hong Kong for over 30 years. With TDC's unrelenting support, the electronics industry of Hong Kong had developed into an industry leader in the South China region, and the Hong Kong Electronics Fair had become Asia's biggest electronics event. Such support would not have come from some profit-making organizations which would not hesitate to leave the Hong Kong market if they could not make a profit out of it.

Federation of Hong Kong Industries

(LC Paper No. CB(1)1644/09-10(04) -- Submission (Chinese version only))

24. Mr Bernie TING of the Federation of Hong Kong Industries emphasized that Hong Kong needed a designated organization for the development of overseas markets. In this connection, TDC had been entrusted with the function of promoting and developing Hong Kong's trade with places outside Hong Kong. The fairs organized by TDC had helped SMEs expand their overseas markets and gained their support and trust.

Hong Kong Apparel Society

(LC Paper No. CB(1)1601/09-10(09) -- Submission (Chinese version only))

25. Mr Felix K P CHUNG of the Hong Kong Apparel Society expressed support for the Phase 3 development of the HKCEC. He said that with the assistance of TDC, the apparel industry of Hong Kong had grown from a cottage industry to an industry comprising SMEs and even large enterprises. The Hong Kong Fashion Week organized by TDC had become one of the most well-known platforms for buyers from the international fashion industry. In recent years, TDC had been helping SMEs to develop the Mainland fashion market through organizing trade fairs in different Mainland cities. Such a level of service was not

deemed to be available from profit-making private exhibition organizers.

The Civic Party

(LC Paper No. CB(1)1683/09-10(02) -- Submission (Chinese version only))
(tabled at the meeting and subsequently issued via e-mail on 21 April 2010)

26. Miss Tanya CHAN of the Civic Party said that TDC might have trespassed its statutory function of promoting Hong Kong's trade with places outside Hong Kong by organizing local trade fairs such as the Hong Kong Book Fair. She drew members' attention to the noncompetition clauses in the 1985 Exhibition Center Operation Agreement between TDC and Polytown Company Limited (Polytown), a subsidiary of the New World Service Holdings (New World), and the Government's statement issued in 2003 that it would consider the question of supporting the HKCEC Phase 3 if it was satisfied that there would be unmet demand taking into account inter alia the additional 100 000 square metres exhibition space to be provided by AWE and the timing of its availability. She opined that as AWE had only developed up to about 70 000 square metres of the exhibition space, there was still room for further development of AWE before the question of supporting HKCEC Phase 3 should be considered by the Government. She also relayed the public concern over the idea of the HKCEC Phase 3 taking over the land currently occupied by public amenities such as the Wan Chai Sports Ground. She urged the Administration to review the role and functions of TDC as an exhibition organizer. She stressed that it was vital to introduce competition into the exhibition market.

Crown Wine Cellars Limited

(LC Paper No. CB(1)1601/09-10(10) -- Submission (English version only))

27. Mr Gregory De 'Eb of Crown Wine Cellars Limited said that with a decade of unrelenting support from the Government and TDC, Hong Kong had developed into Asia's wine trading and storage centre. TDC had helped the local SMEs fulfill their wine trading centre aspirations through its excellent service, organization and planning of the Hong Kong Wine and Spirits Show which gained international recognition. TDC had achieved its mission to promote Hong Kong goods and services.

Hong Kong Jewelry Manufacturers' Association

(LC Paper No. CB(1)1601/09-10(11) -- Submission (Chinese version only))

28. Mr Sunny CHAN of the Hong Kong Jewelry Manufacturers' Association said that TDC was a business partner of SMEs rather than their competitor. Through organizing trade fairs and its some 40 overseas offices, TDC had helped SMEs attract overseas buyers to TDC's trade fairs and helped them develop their overseas markets. TDC offered very competitive exhibition participation fees to the SMEs, thus enabling them to participate in TDC's exhibitions. TDC did not enjoy monopoly over its competitors. He expressed support for Phase 3 expansion of HKCEC to provide additional exhibition space. He also suggested the setting up of an independent mechanism for regulating the use of exhibition space.

Federation of Hong Kong Machinery and Metal Industries

29. Dr TSUI Ping-kwong of the Federation of Hong Kong Machinery and Metal Industries expressed support for the effort of TDC in the development of Hong Kong's exhibition industry. TDC had made significant contribution in promoting the machinery and metal industries of Hong Kong to the markets on the Mainland and around the world. He supported the Phase 3 expansion of the HKCEC in Wan Chai which was easily accessible to the international buyers and was well-equipped with the necessary supporting infrastructure.

Hong Kong Far Infrared Rays Association

30. Dr Edward CHAN of the Hong Kong Far Infrared Rays Association said that being the users of exhibition facilities, the exhibitors knew full well that accessibility of the exhibition venue to the buyers was their prime concern. He opined that the AWE was an inconvenient location for buyers and exhibitors. This was reflected by the fact that even after the opening of the Atrium Link expansion, there was still a long waiting list for the exhibitors at the HKCEC. Whilst supporting the Phase 3 expansion of the HKCEC, he would not rule out the possibility of staging exhibitions at other venues, provided that such venues could offer the kind of service, venues, supporting infrastructures and prices they required.

Hong Kong Auto Parts Industry Association

31. Dr WONG Chun of Hong Kong Auto Parts Industry Association said that TDC performed an indispensable role in the development of Hong Kong's MICE industry. TDC's exhibitions had become an integral part of promotion of Hong Kong's industries to the world. Hong Kong's achievement of the status of an international MICE capital had been attributable to both TDC's hard work and HKCEC's accessibility. By locating at the centre of the city, HKCEC provided easy access to international buyers and the exhibitors. TDC offered quality services at competitive prices for the benefit of all the exhibitors and buyers who were the ultimate end-users. He opined that it was the overall interests of Hong Kong rather than the interests of a few stakeholders in the exhibition industry which should be taken care of. As such, he expressed support for the Phase 3 expansion of the HKCEC in Wan Chai.

Hong Kong Diecasting and Foundry Association

32. Dr Peter LAU Chor-beng of Hong Kong Diecasting and Foundry Association said that the diecasting and foundry industry owed its present success to TDC's assistance over the past few decades. Through its extensive global network, the diecasting and foundry industry had been able to establish business contacts and access useful information which had been conducive to the development of the industry.

The Hong Kong Metals Manufacturers Association

(LC Paper No. CB(1)1601/09-10(12) -- Submission (Chinese version only))

33. Mr SZE Kam-shing of the Hong Kong Metals Manufacturers Association opined that TDC's trade shows such as the Hong Kong Electronics Fair spring and autumn editions were more effective than those organized by other organizations in terms of visitor flow, quality of the buyers and outcome of the shows. However, owing to space constraints, it had been difficult for the exhibitors to seek expansion of their exhibition areas and better positions within the exhibition venue. As such, he expressed support for the Phase 3 expansion of HKCEC so as to provide additional exhibition facilities for Hong Kong's industries.

Hong Kong Electrical Appliances Manufacturers Association

34. Mr K C LEUNG of Hong Kong Electrical Appliances Manufacturers Association expressed support for TDC's continued organization of trade shows. With an annual funding of only \$360 million, TDC could not have supported the operation of its 40 overseas office had it not subsidized its promotion work for SMEs with its own profits generated from its MICE operations. Noting that the waiting time for would-be exhibitors at HKCEC had not been shortened despite the Atrium Link expansion, he expressed support for the Phase 3 expansion of HKCEC to leverage on the convenience of its location to the buyers. Regarding the idea of "one fair, two locations", he noted the failure experience of a previous exhibition held simultaneously at HKCEC and the Tamar site and considered the idea unworkable.

Hong Kong Environmental Industry Association

(LC Paper No. CB(1)1683/09-10(03) -- Submission (Chinese version only))
(tabled at the meeting and subsequently issued via e-mail on 21 April 2010)

35. Mr Daniel CHENG of the Hong Kong Environmental Industry Association opined that the expansion of the operation of TDC would be beneficial to all SMEs. TDC was subject to less market considerations and was more willing to assist minority industries such as the environmental industry. With the help of TDC, the environmental industry of Hong Kong had gained a foothold in Southeast Asia in the past few years. He expressed support for the continued development of TDC and the Phase 3 expansion of HKCEC.

Hong Kong Metal Merchants Association

(LC Paper No. CB(1)1644/09-10(05) -- Submission (Chinese version only))

36. Mr LAI Hin-fai of the Hong Kong Metal Merchants Association said that the metal merchants had been relying on trade shows to promote their products to the overseas buyers. In this regard, TDC's contributions over the years should be recognized. Looking forward, the Administration and TDC should put more effort in developing Hong Kong's MICE industry in the face of strong competition from Mainland cities and other Asian cities. He therefore expressed support for the Phase 3 development of HKCEC. Whilst HKCEC remained the favorite

exhibition venue for the exhibitors and buyers due to its proximity, the Administration should formulate measures to enhance the ancillary infrastructure of AWE to attract more exhibitors to use the venue.

Lion Rock Institute

37. Ms Nicole ALPERT of the Lion Rock Institute expressed support for the introduction of more competition into the MICE market to avoid the inefficient use of public funds by TDC. TDC had been assigned a certain share of the market and the resources they used would otherwise be more efficiently used by private enterprises. Since TDC had been receiving Government subvention from trade declaration charges, there was no level playing field in the market where private enterprises were largely excluded. TDC was benefitting itself at the expense of the interest of the public. She urged that TDC should be scaled back and subject to the scrutiny of the Audit Commission.

The Federation of Hong Kong Hotel Owners

(LC Paper No. CB(1)1644/09-10(06) -- Submission (English version only))

38. Mr Michael LI Hon-shing of the Federation of Hong Kong Hotel Owners said that from a macro point of view, TDC's trade fairs had provided abundant employment opportunities in the MICE industry and helped buttress Hong Kong's overall economy. He opined that there should be more collaboration amongst the Meetings and Exhibitions Hong Kong (MEHK), Hong Kong Tourism Board, TDC, AWE, the tourist and hotel industries, with a view to formulating strategies on attracting more international buyers to Hong Kong. TDC should work more closely with AWE on enhancing the utilization rate of the exhibition facilities in Hong Kong. Meanwhile, the HKSAR Government should draw on the experience of its competitors such as Singapore and implement policies which would be conducive to the development of the MICE industry. The Government should identify its own strengths and weaknesses vis-à-vis that of its competitors and formulate its strategies for future development.

The Hong Kong Chamber of Small and Medium Business Ltd

(LC Paper No. CB(1)1601/09-10(13) -- Submission (Chinese version only))

39. Mr Kevin LAU Kin-wah of the Hong Kong Chamber of Small and Medium Business Limited opined that TDC had been providing value-added service to SMEs, including trade matching services and trade tours over and above the organization of trade fairs in Hong Kong. The 40 overseas offices of TDC had proven to be useful to SMEs seeking to promote their products to overseas markets. The quasi-official status of TDC had made its overseas promotion work for the SMEs more effective. He looked forward to closer cooperation between TDC and the various industry associations.

The Federation of Hong Kong Watch Trades & Industries Ltd

(LC Paper No. CB(1)1631/09-10(01) -- Submission (Chinese version only))

40. Mr Joseph CHU of the Federation of Hong Kong Watch Trades & Industries Limited opined that the decision on where to stage an exhibition was dictated by market demand. HKCEC had obvious locational advantage over AWE and it was unwise to support the development of AWE at the expense of HKCEC. He expressed support for the HKCEC Phase 3 development in parallel with the further development of AWE. In order to support the development of AWE, he suggested that reference could be made to the arrangement of free transport service from hotels for exhibitors at the Basel Watch Fair. He opined that many sports grounds in Hong Kong such as the Hong Kong Stadium, Chai Wan Sports Centre and Wong Chuk Hang Sports Centre were under-utilized. For the overall economic benefit of Hong Kong, the idea of sports grounds giving way to HKCEC was worthy of consideration.

The Chinese Manufacturers' Association of Hong Kong

(LC Paper No. CB(1)1644/09-10(07) -- Submission (Chinese version only))

41. Dr Dennis NG, MH of the Chinese Manufacturers' Association of Hong Kong advised that trade fairs were the most important channel for manufacturers to secure orders from the buyers. According to the findings of the latest survey of the Association's members with operations in the Pearl River Delta (PRD) region, 74% of the respondents indicated that they would step up market development whereas 34% indicated that they would participate in more exhibitions and trade fairs. 70% of the respondents indicated that the support provided in Hong Kong in terms of marketing and other areas was vital to their operation in the PRD region. As such, he urged the Administration to assist in holding more trade fairs to help Hong Kong manufacturers develop the Mainland market. The Administration should also expedite the HKCEC Phase 3 development in order to upgrade Hong Kong's exhibition hardware. To consolidate Hong Kong's status as an international exhibition and convention centre, TDC's role in the MICE industry should be strengthened rather than lessened. As a non-profit organization, TDC had no incentive to use its own market position to suppress other exhibition organizers. On the contrary, through TDC's work in developing the MICE market, private exhibition organizers had benefitted from the expanding market. Leveraging on its economies of scale, TDC had performed a function which could not be performed by any private exhibition organizers. TDC's leading role was vital for spearheading Hong Kong's leadership in the MICE market.

Hong Kong Gemstone Manufacturers' Association

(LC Paper No. CB(1)1601/09-10(14) -- Submission (Chinese version only))

42. Mr Johnny KWOK of the Hong Kong Gemstone Manufacturers' Association advised that members of the Association relied heavily on participating in trade fairs for local and export marketing. He expressed support for TDC's effort in organizing multifarious trade shows, and the early implementation of the HKCEC Phase 3 expansion to cope with the shortage of exhibition space.

Hong Kong Watch Manufacturers Association Ltd

43. Mr Paul SO of the Hong Kong Watch Manufacturers Association Limited advised that with the assistance of TDC in promoting the watch manufacturing industry of Hong Kong, the industry now ranked the world's first in terms of volume, and the second in terms of value. Amidst the SARS crisis in 2003, TDC had successfully strived for the setting up of the Hong Kong Pavilion at Basel World Watch and Jewellery Show 2003. To cope with market demand, TDC had provided many value-added services such as market promotion, trade matching, market intelligence and brand management in recent years. He urged for the early implementation of the HKCEC Phase 3 expansion.

Designing Hong Kong

(LC Paper No. CB(1)1601/09-10(15) -- Submission)

44. Mr Paul ZIMMERMAN of Designing Hong Kong advised that as a trade promoter, TDC was doing a good job. However, it had an unfair competitive advantage over the private sector in the businesses of providing trade information, exhibition organization and the provision of venues. At present, TDC had only one competitor, i.e., AWE, and TDC was the only supplier of trade information in the Internet age. He urged the Administration to allow more competitors into Hong Kong's MICE market for the benefit of Hong Kong in the long run.

Paper Communication Exhibition Services

45. Mr Eddie LEUNG of the Paper Communication Exhibition Services advised that the MICE market was an uncompetitive one with no room for new entrants. Being a trade fair organizer, TDC had a role conflict which prevented it from fulfilling its mission of promoting trade in goods and services when it came to promoting the service of other fair organizers. He opined that TDC should withdraw from its trade fair organizing business to make room for the private sector organizers. He said that it was the Administration's intention to achieve a more balanced town planning by choosing Chek Lap Kok as the site for AWE.

Hong Kong Jewellery & Jade Manufacturers Association

(LC Paper No. CB(1)1635/09-10(01) -- Submission (Chinese version only))

46. Mr Benedict SIN of the Hong Kong Jewellery & Jade Manufacturers Association said that the Jewellery industry relied heavily in trade fairs as a means to secure orders. The industry had maintained a good working relationship with TDC which had been able to provide quality service to SMEs over the years. Compared to TDC, the service provided by private trade fair organizers came at a much higher price. He hoped that TDC could review its mechanism of giving priority to applications of the existing exhibitors as such practice would be unfair to those traders who had never participated in such exhibitions.

Biba Toys Company Limited

(LC Paper No. CB(1)1601/09-10(16) -- Submission (Chinese version only))

47. Mr Perry YIP of Biba Toys Company Limited advised that TDC's toy fairs and overseas exchange programmes and trade shows had helped SMEs in the toy industry explore overseas markets which would otherwise be impossible, given their limited resources. TDC had provided the SMEs with customer-oriented services and had been willing to consider their requests.

Hong Kong Convention and Exhibition Centre

(LC Paper No. CB(1)1644/09-10(08) -- Submission)

48. Ms Monica LEE-MÜLLER of the HKCEC said that HKCEC had served Hong Kong for 22 years, bringing tremendous economic benefits to the economy. Its mode of operation had become the role model for the industry. Its success was based on years of hard work and heavy capital investments to upgrade its services and facilities. She maintained that Hong Kong's MICE market was open and HKCEC had a fair mechanism of according priority to exhibition organizers. In 2009, out of the total 109 exhibitions held at HKCEC, only 30 of which were organized by the quasi-official TDC, and the remaining 79 were organized by private organizers. During the past four years after the opening of AWE, 58 new trade shows had been staged at HKCEC, attracting 21 organizers to stage their trade fairs at HKCEC for the first time, among which 5 were local companies and 16 were from overseas. Such companies, which were free to choose their exhibition venues, had consistently chosen HKCEC to stage their shows. HKCEC remained the first choice for organizers of large-scale trade shows. Any Government intervention in the choice of venues would undermine the long-established policy of free market economy and thwart the future development of the MICE industry. Out of the existing 91 500 square metres of rentable area, only 66 000 square metres were designated areas for the holding of exhibitions. Further expansion of HKCEC was necessary to cope with the shortage of exhibition space at HKCEC. Otherwise, Hong Kong might lose out to its regional competitors.

The Chinese General Chamber of Commerce

(LC Paper No. CB(1)1601/09-10(17) -- Submission (Chinese version only))

49. Mr Leslie LEE of the Chinese General Chamber of Commerce highlighted the contribution of the MICE industry to the overall economy. In recent years, major cities in the Mainland had been actively expanding MICE facilities, bringing new challenges to Hong Kong's MICE industry. In order to consolidate Hong Kong's position as a MICE capital, he urged the Administration to upgrade Hong Kong's MICE software and hardware in terms of venue, transport facilities, hotels, infrastructure, information services and the training of professionals. He expressed recognition of TDC's contributions in the promotion of Hong Kong's MICE industry. TDC's public body status had put it in a vantage position in fostering the integration of the MICE industries of Hong Kong and Guangdong.

AsiaWorld-Expo Management Limited

(LC Paper No. CB(1)1635/09-10(02) -- Submission

(LC Paper No. CB(1)1683/09-10(04) -- Submission (Chinese version only))
(tabled at the meeting and subsequently issued via e-mail on 21 April 2010)

50. Mr Allen HA of the Asia World-Expo Management Limited said that since its opening at the end of 2005, AWE had been committed to continuously enhancing and improving its facilities and service quality. In an independent market survey, over 90% of the exhibitors and buyers rated the services at AWE as "satisfactory to excellent", underscoring the AWE's industry reputation. However, he expressed grave concern over the perceived unhealthy internal competition posed by HKCEC, and the "non-competition clause" in the operation and management agreement of the HKCEC signed between TDC and Polytown, which prevented both parties from participating in the development of other exhibition facilities in Hong Kong for 40 years. He expressed strong disapproval to the fact that being a public-funded body, TDC had been restricted from using the venues of AWE which was built with public money.

TKO Industries and Commerce Association

(LC Paper No. CB(1)1635/09-10(03) -- Submission (Chinese version only))

51. Ms Christine FONG of TKO Industries and Commerce Association expressed the hope that TDC could keep up its work in helping the SMEs in promoting to overseas buyers. She also expressed support for the Phase 3 expansion of the HKCEC.

New Territories SME Association

(LC Paper No. CB(1)1635/09-10(04) -- Submission (Chinese version only))

52. Mr Benny CHAN of New Territories SME Association opined that without the support of the Government or public-funded bodies like TDC, it would be very difficult to stage any large-scale exhibitions in Hong Kong given the soaring land prices and rentals. He expressed support for the Phase 3 expansion of the HKCEC, and the hope that TDC would provide more assistance to the first-time exhibitors.

Concern Group for a Competitive Exhibition Industry in Hong Kong

(LC Paper No. CB(1)1631/09-10(02) -- Submission (Chinese version only))

53. Mr Michael KWOK of the Concern Group for a Competitive Exhibition Industry in Hong Kong said that a level playing field for the market players was important, but there had been no improvement in the situation ever since the Panel discussed the subject some ten years ago. The Concern Group urged the Administration to urgently review the role and functions of TDC, and commission an independent investigation into the suspected anti-competition activities conducted by TDC. It also urged that the accounts of TDC be subject to audit by the Audit Commission. To raise the transparency of the market, he urged that the Administration to regularly publish information on the respective market shares of

the exhibition organizers and the demand and supply situation of the exhibition venues.

Global Sources

(LC Paper No. CB(1)1631/09-10(03) -- Submission (English version only)

LC Paper No. CB(1)1683/09-10(05) -- Submission (English version only)
(tabled at the meeting and subsequently issued via e-mail on 21 April 2010)

54. Mr Merle A. HINRICHS of Global Sources said that when Invest Hong Kong invited Global Sources to tender for operating exhibitions at AWE, it had given it the assurance that no further exhibition space would be built in Hong Kong until the second phase of AWE was completed. However, the Atrium Link expansion of HKCEC had directly impacted the business of Global Sources and TDC were encouraging exhibitors at AWE to switch to HKCEC on the basis of convenience. The switch had only brought benefits to TDC but loss to AWE and the exhibition industry of Hong Kong. If the Phase 3 expansion of HKCEC went ahead, the Government investment of \$2 billion in AWE would be totally jeopardized. As a result, many private investors in the business would fail or go elsewhere. He said that Global Sources had lost trust in the Government and called on the Government to immediately redress the problem.

IEC Investments Limited

(LC Paper No. CB(1)1635/09-10(05) -- Submission (English version only))

55. Mr HA King-fai of IEC Investment Limited said that one of the Government's original intention of building the AWE was to encourage competition in Hong Kong's MICE market. To address the concern of the bidders for the operation of AWE over unhealthy competition with HKCEC, the Administration issued a statement in 2003 regarding its policy on further expansion of HKCEC. Currently, Phase I of AWE consisted of about 70 000 square metres of rentable space. The above policy envisaged that AWE would be further expanded to its intended 100 000 square metres of exhibition space before the Government would consider supporting any expansion of HKCEC. Any further expansion of HKCEC would not only compound the irreparable damage already caused to the Government-funded AWE as a result of the opening of the HKCEC Atrium Link expansion, but also undermine the credibility of the policy statement made by the Government. He urged the Government to leverage on AWE's geographical advantage of locating near the starting point of the Hong Kong-Zhuhai-Macau Bridge to develop Hong Kong's leadership in the MICE industry of the Pan-Pearl River Delta Region.

Hong Kong Synthetic Leather & Metal Material Suppliers' Association

(LC Paper No. CB(1)1635/09-10(06) -- Submission (Chinese version only))

56. Mr OU Shiu-ting of the Hong Kong Synthetic Leather & Metal Material Suppliers' Association said that many exhibitors had found Hong Kong's exhibition venues insufficient, and urged for the speeding up of the building of exhibition

venues. Whilst recognizing TDC's contributions to the development of the MICE industry, he also noted that there was still room for TDC's further improvement in many aspects, and urged the Administration to provide further assistance to TDC.

The Hong Kong Exporters' Association
(LC Paper No. CB(1)1644/09-10(09) -- Submission)

57. Mr Tom TANG, JP of the Hong Kong Exporters' Association expressed support for the missions of TDC which relentlessly provided professional trade services to foster the export growth of Hong Kong. For more than four decades, TDC had supported the development of Hong Kong exporters, who had been struggling in a mix of increasing global competition and changing manufacturing environment, by providing trade opportunities through organizing professional trade fairs, business missions and other trade services. Its work had been invaluable to the export growth of Hong Kong. The non-profit making nature of TDC enabled it to return its revenue to the trade by providing not just a trading platform but also comprehensive trade services which helped connect opportunities especially for SMEs. The Association believed that only a public organization like TDC could provide the essential and all-rounded services in pursuit of the best interest of exhibitors. Hong Kong was an open economy and the exhibition industry was open to any organizations. TDC enjoyed no privilege and had no monopoly over the exhibition industry. It was the quality services of TDC which attracted exhibitors' patronage. Meanwhile, the Association supported the Government's proposal in expanding exhibition area in Hong Kong to sustain Hong Kong's position as a world-class exhibition centre and to foster further growth.

Hong Kong Exhibition & Convention Industry Association
(LC Paper No. CB(1)1644/09-10(11) -- Submission (English version only))

58. Mr Javed KHAN of the Hong Kong Exhibition and Convention Industry Association said that the Association supported HKCEC's Phase 3 expansion and AWE's Phase 2 expansion because the idea of "one fair, two locations" could not be a long-term solution to the exhibition space shortage problem. Hong Kong must provide sufficient exhibition space during the peak buying seasons, or else exhibitors or visitors would divert their interests to other competing fairs in neighboring cities. He requested TDC to help promote Hong Kong's exhibitions and to avoid possible unfair competition with the private sector.

Presentation by the Hong Kong Trade Development Council

59. At the invitation of the Chairman, the Executive Director of the Hong Kong Trade Development Council (EDTDC) said that being a statutory body, TDC's functions were to promote, assist and develop Hong Kong's trade with places outside Hong Kong. Organization of trade fairs was one of the effective ways for TDC to carry out this function. It was evident that in organizing trade fairs, TDC was simply carrying out its statutory functions. The enhancement in the scale of the TDC shows was a testimony of the exhibitors' recognition of the effectiveness of its trade shows. According to the findings of a survey, exhibitions had been an

important source of orders for the exhibitors. Rather than competing with the private sector for profits, TDC had helped create business opportunities and helped industries flourish. It ploughed back all its profits from exhibition into assisting Hong Kong's SMEs. TDC had served to balance the interest between the market economy and the overall public interest of Hong Kong, a function which could not be delegated to a profit-making private enterprise. Since the opening of the AWE, TDC had staged a number of fairs there in support of AWE. Whilst TDC was a major exhibition organizer, there was no monopoly by TDC as perceived by some parties. Hong Kong was one of the most open cities for newcomers in the exhibition industry. TDC would step up communication and co-operation with AWE and other private sector exhibition organizers.

Discussion

Non-competition clause

60. In response to Ms Emily LAU's enquiries about the "non-competition clause" in the operation and management agreement of the HKCEC, the Government policy statement in 2003 and the Government undertaking to Global Sources, SCED advised that when the Administration submitted the funding proposal to LegCo for the construction of Phase 2 extension of HKCEC, it had made it clear to Members that the extension would form an integral part of the HKCEC and therefore it was logical that Phase 2 should be managed by Polytown Limited, a subsidiary of New World, which already operated and managed Phase 1 of the HKCEC. On the other hand, as a major shareholder of AWE, the Government was mindful of the need to take care of AWE's business. She advised that the Government had never made the undertaking as mentioned to any individual or organization. In 2003, upon the request of the bidders for the AWE project, the Government set out in a document its policy on the HKCEC Development 3 being considered at that time, stating that the Government would take into consideration all relevant factors in making a decision. The Government would consider the question of support for the proposed expansion only if it was satisfied that there would actually be unmet demand taking into account, inter alia, the additional 100,000 square metres exhibition space to be provided by AWE Phase 1 and Phase 2 and the timing of their availability, and that Government support was fully justified for the benefit of the economy. The Administration would also give due regard to the interests of the Government as a shareholder of AWE as well as the private sector's investment. She maintained that the Government had not yet decided on the development of the HKCEC Phase 3. It was still examining the feasibility of the project and would conduct a public consultation at an appropriate time when there was a concrete proposal.

61. Mr Ronnie TONG opined that rather than focusing on TDC's achievements, one should be looking at the deficiencies of TDC and room for improvement. On the other hand, he enquired about the Government's position on the future of AWE. He opined that in order for Hong Kong to stay internationally competitive in the MICE industry, it was necessary to tackle the internal unhealthy competition between TDC and AWE. By virtue of non-competition clause signed between

TDC and Polytown, the Government was allowing New World to monopolize the MICE market when it allowed TDC to achieve market dominance. He expressed grave concern that the non-competition clause had run against the Government's policy of encouraging fair competition.

62. SCED emphasized that the Government was committed to promoting open and fair competition. She agreed that apart from internal competition, Hong Kong was facing a bigger threat of external competition. In response to Mr Ronnie TONG's enquiry about whether TDC would be excluded from the operation of Phase 3, SCED reiterated that the Government had not yet decided on the development of the HKCEC Phase 3. In the event that Phase 3 would be implemented, the Administration had publicly pledged to grant the operation rights through public tender and the current operator of the HKCEC would not be accorded any priority. She commented that AWE did not compare unfavorably with similar exhibition facilities in other cities in terms of location. Being linked up by the Airport Express which took only 20 minutes to travel from Central, it was well-equipped with the necessary transport infrastructure. Moreover, AWE had certain attributes which enabled it to perform certain functions complementary to the inadequacies of HKCEC, including a ceiling height and large exhibition halls which were most suitable for the staging of large-scale, industrial-type exhibitions. In order to maximize the utilization of venue, the Administration also encouraged cooperation between AWE and TDC, such as the staging of TDC's shows at AWE and the staging of the same show concurrently at both venues. EDTDC advised that the non-competition clause did not bind TDC from holding trade fairs at venues other than HKCEC. TDC had organized six fairs at AWE, and welcomed the opportunity of staging more shows there.

63. Mr James TO asked Global Sources to ascertain the allegation that TDC had refused to promote the trade shows of Global Sources in clear violation of TDC's statutory obligation to promote Hong Kong's trade and service sector. He also asked TDC whether "non-competition clause" had prevented it from helping AWE, and TDC's view on the proposal to subject TDC's accounts to auditing by the Audit Commission.

64. Mr Merle A. HINRICHS of Global Sources said that TDC did not respond to the calls of Global Sources for assistance in its trade shows. There had been no pro-active suggestions on how TDC could assist AWE in its shows. EDTDC responded that TDC served the exhibition industry and all other industries in the same way. All exhibitions held in Hong Kong could be found on TDC's website which provided hyperlinks to the organizers concerned including Global sources. TDC organized overseas trade missions and other promotions with fair organizers who could also put up advertisements in TDC's publications and had their own booths established at TDC's trade fairs. He noted that a fair organizer such as the Global Sources was just one of the companies with operations in Hong Kong, and there was no reason to offer it any preferential treatment. Owing to resource constraints, TDC mainly focused on industry-wide promotions rather than the promotion of individual companies. He stressed the discussion with Global Sources was still on-going, and TDC had not ruled out any plans to cooperate with

AWE. TDC adopted an open attitude towards cooperation with AWE and looked forward to more room for collaboration. On subjecting its accounts to the Audit Commission, EDTDC said that as a public body, TDC would follow the Administration's instructions in this respect.

65. Miss Tanya CHAN of the Civic Party advised that it should be the overall public interest rather than the interests of the stakeholders which the Administration should be responsive to. Referring to the submission of Global Resources, she opined that Hong Kong's image would be tarnished if international investors felt "cheated" by the Administration when it failed to honour its pledges.

One fair, two locations

66. Mr Andrew LEUNG Kwan-yuen declared interest as a Council member of TDC. He said that whilst the exhibition industry of Hong Kong ranked amongst the first in the world, it faced tough competition from overseas. Hong Kong should not be restrained from developing its exhibition industry to compete with other cities because of space constraints. He invited views from deputations on the way forward for Hong Kong's exhibition industry.

67. In response, Mr Merle A. HINRICHS of Global Sources said that the concept of "one fair, two locations" was practical and could achieve better results if TDC was willing to cooperate with them. In this connection, Mr Benedict SIN of the Hong Kong Jewellery & Jade Manufacturers Association said that drawing from his extensive experience as an exhibitor, he had not seen any show employing the approach of "one fair, two locations" workable.

68. In response to Ms Audrey EU's enquiry about the reasons for the failure of the idea of "one fair, two locations", Mr Aaron SHUM of the Hong Kong Business Community Joint Conference said that the main reason for the failure of the concept of "one fair, two locations" was the inconvenient location of AWE which was of utmost importance to the exhibition industry. Mr Paul SO of the Hong Kong Watch Manufacturers Association Limited opined that the concept was unpopular with the budget conscious overseas buyers who preferred to use HKCEC.

Functions of HKCEC and AWE

69. Ms Regina IP said that whilst she recognized the contribution made by TDC to Hong Kong's trade development, she had received quite a number of complaints against TDC. She opined that in deciding to build the AWE at a location considered not so convenient by the industry, the Administration was looking at the future development of the whole area. As both HKCEC and AWE were Government-funded and that HKCEC had been so well-developed, it was time for the Government to provide more support to AWE. She advised that the Junior Chamber of Commerce had chosen AWE as the venue to stage a large-scale event as HKCEC did not have the capacity to cater for the large number of coaches arriving at the same time.

70. In response, SCED said that the Administration had to be accountable to the public for the \$2 billion investment in AWE. It had a well-thought-out plan for AWE. For example, the AWE was currently linked up by the Airport Express and had a five-star hotel situated in the vicinity. The Administration had spared no effort in lobbying for international conferences and trade fairs to be staged at AWE, including the ITU Telecom World 2006 and the Asian Aerospace International Expo and Congress in 2007 and 2009. Concessionary fares were offered by the Mass Transit Railway Corporation to the exhibitors during the exhibition period. With hindsight, TDC had taken over 30 years of hard work to achieve the present status. AWE had indeed achieved quite a lot in just a couple of years. She opined that the interests of AWE and HKCEC as well as the overall interest of Hong Kong had to be considered. HKCEC and AWE served different functions and had different market positions, and there was no conflict of interests between them.

Market dominance

71. Ms Starry LEE noted the different pictures depicted by the Administration's paper and the report compiled by the Chinese University of Hong Kong (CUHK). The Administration had advised that TDC was a major exhibitor/fair organizer but there was no monopoly by TDC, whereas the report had stated that TDC accounted for 45% of the total gross exhibition space. She enquired about the views of the Administration and TDC on whether TDC had monopolized the exhibition market.

72. SCED advised that the information provided in the Administration's paper was based on number of trade fairs. Gross exhibition space might not always represent a good measure for assessing the degree of market dominance in the exhibition market. EDTDC advised that an exhibition organizer's uptake of exhibition space had no direct bearing on its extent of market dominance. Different types of exhibitions had different requirements for space. The scale of an exhibition was immaterial unless it was compared to other exhibitions of the same type organized at the same time.

73. Mr WONG Ting-kwong opined that TDC's contributions to the exhibition industry should be recognized. On the other hand, AWE should leverage on the business opportunities to be brought about by the opening of the Hong Kong-Zhuhai-Macau Bridge. He expressed disagreement with the thinking that HKCEC should be restrained from expanding for the benefit of AWE, and opined that both venues should be developed in order to let the market grow larger to achieve a win-win situation. He opined that the Administration should be responsive to the needs of the users of the venues.

74. Mr LAM Tai-fai opined that TDC and AWE were not mutually exclusive and healthy competition could exist between them. TDC and AWE could learn from each other's strengths and weaknesses for their own improvement and for the benefit of the users. SCED responded that healthy competition between TDC and AWE should be promoted.

Cooperation with AWE and other SMEs

75. Mr Jeffrey LAM declared interest as advisor to certain exhibitions organized by TDC and other organizations, as well as an experienced exhibitor and participants in trade fairs. He said that the opposing views from both sides should be respected. He urged both TDC and AWE to discuss the issue of cooperation and said that LegCo Members would be very willing to play a coordinating role.

76. EDTDC responded that TDC was exploring the possibility of organizing more trade shows at AWE, provided that such shows would be financially viable. It was also looking forward to cooperating with private sector fair organizers. In collaboration with the Hong Kong Tourism Board, TDC would continue to promote Hong Kong's exhibition industry. He agreed to step up communication and co-operation with AWE as well as consider additional assistance to local SMEs and new companies.

77. Ms Starry LEE asked what measures AWE would like the Administration to take to achieve a beneficial outcome for all parties concerned. In response, Mr Allen HA of the AsiaWorld-Expo Management Limited urged that a level playing field should be provided by the Administration. On enhancing cooperation with TDC, he hoped that more TDC shows would be staged at AWE, and that any barriers preventing trade associations from participating in trade shows at AWE would be removed.

78. In response, SCED advised that trade associations, including some represented at the meeting, had participated in trade fairs held at AWE. Dr Edward CHAN of the Hong Kong Far Infrared Rays Association expressed strong objection to AWE's allegation that trade associations had been barred from participating in trade shows at AWE. He added that his Association had never been prevented from participating in exhibitions at AWE. The decision on the choice of exhibition venue rested with the exhibitors. Professor CHAN Kei-biu of the Hong Kong Electronic Industries Association said that it was the buyers who did not want to go to AWE, and as customers they were the ones who had the final say in the choice of venues. Mr Sunny CHAN of the Hong Kong Jewelry Manufacturers' Association advised that TDC had been responsive to his Association's call for enhancement of promotion to attract foreign buyers by providing subsidies and other incentives which were unlikely to be provided by other exhibition organizers.

Solution for the traffic problem at HKCEC

79. Ms Audrey EU invited views from attending deputations on the solution for the traffic problem of Wan Chai caused by the holding of large-scale trade fairs. Mr Aaron SHUM of the Hong Kong Business Community Joint Conference opined that an underground phase of HKCEC would solve the traffic problem associated with HKCEC. Mr Felix K P CHUNG of the Hong Kong Apparel Society suggested that the former Kai Tak Airport site should be developed into an

exhibition centre to address the problem of land shortage in Wan Chai. Ms Christine FONG of TKO Industries and Commerce Association proposed that an Airport Express terminal be provided at Phase 3 which would provide a link to AWE and facilitate the implementation of the concept of "one fair, two locations", and resolve the transport problem associated with the further expansion of HKCEC in Wan Chai.

Independent complaint handling mechanism

80. Mr LAM Tai-fai suggested the setting up of an assessment or complaints handling mechanism for users to reflect their opinion on the performance of the fair organizers. In response, SCED advised that there were different channels for complaints against public institutions in Hong Kong. TDC was no exception and had to deal with complaints against it in accordance with the principles of good governance. As regards the proposed mechanism, she observed that it would be difficult to set a benchmark with regard to what constituted a reasonable level of service. The Administration undertook to discuss with TDC on ways to help the first-time exhibitors and new entrants in the market.

Summing up

81. In summing up the discussion, the Chairman thanked the deputations for attending and presenting their views on the subject. At members' requests, EDTC agreed that TDC would step up communication and co-operation with AWE and would consider additional assistance to local SMEs and new companies. Members requested the Administration to report the progress of the above issues in about six months' time.

Admin

VI. Manpower arrangement in taking forward cooperation with the Mainland and Taiwan

(LC Paper No. CB(1)1601/09-10(46) -- Administration's paper on manpower arrangement in taking forward cooperation with the Mainland and Taiwan

LC Paper No. CB(1)1532/09-10(01) -- Information paper on the arrangements for the establishment of the Hong Kong-Taiwan Economic and Cultural Co-operation Council)

Presentation by the Administration

82. At the Chairman's invitation, Permanent Secretary for Constitutional and Mainland Affairs (PSCMA) briefed members on the proposal to create a time-limited supernumerary Administrative Officer Staff Grade B (AOSGB) (D3) post and a time-limited supernumerary Administrative Officer Staff Grade C

(AOSGC) (D2) post within the Constitutional and Mainland Affairs Bureau (CMAB) with a view to strengthening the manpower resources of CMAB to take forward various new cooperation initiatives with the Mainland and Taiwan. Details of the proposal were set out in the Administration's paper (LC Paper No. CB(1)1601/09-10(46)).

Discussion

Duties and responsibilities of the proposed posts

83. In response to Ms Emily LAU's enquiry, PSCMA advised that the main justification of the proposal was to strengthen the manpower resources of CMAB in taking forward the various strategic cooperation initiatives with the Mainland and Taiwan and the implementation of the Framework Agreement on Hong Kong/Guangdong Cooperation. Such matters fell within the purview of this Panel.

84. Ms Emily LAU opined that apart from stating in broad terms that some of the main duties of the proposed posts were to provide "strategic guidance" on and to "coordinate and oversee" matters concerning Hong Kong/Guangdong Cooperation, the Administration's paper had not provided any concrete descriptions of the main duties and responsibilities involved.

85. PSCMA advised that such duties and responsibilities, including providing strategic guidance on the implementation of the Framework Agreement on Hong Kong/Guangdong Cooperation, had been described in the annexes of the Administration's paper. At Ms LAU's request, the Administration agreed to elaborate on the main duties and responsibilities of the proposed posts in the paper to be submitted to the Establishment Subcommittee under the Finance Committee.

Admin

Candidates for the proposed posts

86. The Chairman opined that the candidates for the proposed posts should be well-versed in Putonghua and the current situation of the Mainland and Taiwan. He enquired whether the candidates would be selected through open recruitment or from the current pool of Administrative Officers in CMAB or the Commerce and Economic Development Bureau.

87. In response, PSCMA advised that there were many suitable candidates for the proposed posts who were both well-versed in Putonghua and the current situation of the Mainland and Taiwan amongst the current pool of Administrative Officers. The candidates for the proposed posts would be selected from within the Civil Service rather than through open recruitment.

Conclusion

88. The Chairman concluded that the majority of Panel members supported in principle the staffing proposal.

VII. Any other business

89. There being no other business, the meeting ended at 7:10 pm.

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