

立法會
Legislative Council

LC Paper No. CB(1)1529/10-11
(These minutes have been seen
by the Administration)

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Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 18 January 2011, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Fred LI Wah-ming, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Members absent** : Hon Timothy FOK Tsun-ting, GBS, JP
Hon Paul CHAN Mo-po, MH, JP
- Public officers attending** : Agenda item IV
Mr Andrew H Y WONG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Simon GALPIN
Director-General of Investment Promotion

Miss Victoria TANG
Assistant Director-General of Investment
Promotion

Agenda item V

Mrs Rita LAU, JP
Secretary for Commerce and Economic
Development

Miss Janet WONG, JP
Commissioner for Innovation and Technology

Mr K S CHIANG
Head of Standards and Calibration Laboratory
Innovation and Technology Commission

Agenda Item VI

Mr Christopher K B WONG
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)

Mr Stephen SELBY
Director of Intellectual Property

Miss Finnie QUEK
Assistant Director of Intellectual Property
(Hearings)

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)1017/10-11 -- Minutes of meeting held on 16 November 2010)

The minutes of the meeting held on 16 November 2010 were confirmed.

II. Information paper issued since last meeting

2. Members noted that no paper had been issued since the last meeting held on 21 December 2010.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1050/10-11(01) -- List of outstanding items for discussion

LC Paper No. CB(1)1050/10-11(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 15 February 2011 at 2:30 pm to discuss the following items:

- (a) The 2010 Hong Kong/Shenzhen Co-operation Meeting; and
- (b) Third Plenary Session of the Hong Kong/Beijing Economic and Trade Cooperation Conference.

IV. Promotion of inward investment

(LC Paper No. CB(1)1050/10-11(03) -- Administration's paper on promotion of inward investment

LC Paper No. CB(1)1050/10-11(04) -- Paper on promotion of inward investment prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the Chairman's invitation, Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) and Director-General of Investment Promotion (DGIP) briefed members on the work of Invest Hong Kong (InvestHK), as set out in the Administration's paper (LC Paper No. CB(1)1050/10-11(03)).

Discussion

Attracting foreign direct investment

5. Mr Jeffrey LAM noted that whilst Hong Kong still ranked the world's freest economy by the Wall Street Journal and the Heritage Foundation in their 2011 Index of Economic Freedom, the second-ranked Singapore had been catching up with Hong Kong with its overall score risen from 2010. He enquired about the comparison between Hong Kong and Singapore in terms of attracting foreign direct investment (FDI) in the past year. In this connection, he relayed the industry's concern about the proposed sanctions for contravening the competition rules under the Competition Bill in Hong Kong, including pecuniary penalties of up to 10% of the undertaking's global turnover, whereas in Singapore, penalties would only be imposed on local turnover. This provision, if enacted, would affect Hong Kong's overall attractiveness. Eventually, Hong Kong might lose out to Singapore which was fast catching up in attracting and retaining FDI.

6. In response, PSCIT said that the Administration was fully aware of the concerns expressed by some Members and stakeholders on different aspects of the Competition Bill, which should best be addressed in discussions of the Bills Committee. PSCIT supplemented that Hong Kong's competitive edges and strong fundamentals would continue to attract FDI. In making their investment decisions, investors would consider a host of factors. The enactment of a competition law, being a common feature in other economies, would be but one of the relevant considerations. DGIP added that the subject of enacting a Competition Bill in Hong Kong had not been raised by overseas and Mainland companies with which InvestHK had been in touch.

7. DGIP supplemented that global FDI dropped quite substantially in 2009 in the wake of the financial crisis. However, Hong Kong did very well with a slight decrease compared to many other economies including Singapore. For the first time, Hong Kong was not only the second largest FDI recipient in Asia after the Mainland, but also ranked the fourth FDI recipient in the world behind the United States, Mainland and France. In

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terms of FDI amount received, Hong Kong was considerably ahead of Singapore, which was more than the total amount received by Singapore, Taiwan, Japan and Korea. With the increased FDI, India was the only economy in Asia that was beginning to gain on Hong Kong. At Mr LAM's request, the Administration undertook to provide comparative statistics between Hong Kong and Singapore on the amount of inward FDI over the past three years.

Foreign direct investment in information technology

8. Mrs Regina Ip considered it necessary to explore markets, such as Israel, instead of relying heavily on the Mainland in attracting FDI. She also considered it necessary to attract FDI in the information and technology (IT) sector including software development, cloud computing and the development of data centres, etc.

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9. DGIP advised that InvestHK had a dedicated team responsible for attracting FDI in IT sector, in particular on developing data centres and cloud computing. In this regard, InvestHK had been reaching out to hi-technology companies in countries such as the United States and more recently in Israel where InvestHK had engaged a promotion consultant, following the recent visit by the Secretary for Commerce and Economic Development. There had been some successful cases. For example, NTT Communications would be setting up a data centre in one of the locations of the Hong Kong Science Park (HKSP) in 2011. At Mrs IP's request, the Administration undertook to report progress in attracting FDI in the IT sector to the Panel in around six month's time.

10. Dr Samson TAM opined that in terms of high value-added service industry such as data centre development, Hong Kong had lost much ground to Singapore in recent years. Noting that Singapore authorities had attracted some major companies to set up data centres in Singapore whereas InvestHK could only attract relatively smaller ones to set up their centres in Hong Kong, he urged the Administration to step up effort in attracting large flagship companies in this regard by providing incentives such as the provision of land. He also enquired about the Administration's assessment on Singapore's competitive edge vis-à-vis Hong Kong. Noting that Singapore had good working relationships with India and Malaysia in this area, he suggested that Hong Kong should take a proactive role in forging ties with Shenzhen and Guangzhou in developing data centres to enhance Hong Kong's competitiveness in the region.

11. In response, DGIP advised that Singapore provided certain attractive incentives, such as subsidized/free land, to overseas companies looking to set

up data centres there. However, different companies chose their locations of operations for different reasons. For examples, banks tended to choose data centres which were located close to their regional headquarters to address the latency issue. For other companies which needed to be close to the Mainland, Hong Kong had a definite locational advantage over Singapore. On cooperating with Shenzhen and Guangzhou, DGIP advised that InvestHK had carried out many joint promotion activities overseas in partnership with cities such as Shenzhen and Zhuhai.

Foreign direct investment in green technology

12. Mr Vincent FANG noted that Hong Kong had done very little in green technology, especially waste recycling, due to its low return on investment. He enquired about the incentives to attract FDI in this aspect. Sharing a similar view, Mrs Regina Ip urged the Administration to explore the development of eco-technology such as water treatment technology. In this connection, she expressed concern about the alleged poor management of the EcoPark as relayed by the companies operating there.

13. In response, DGIP advised that InvestHK did promote the advantages which Hong Kong could offer in green technology such as the solar cell technology provided by the research and development (R&D) centres and universities, Hong Kong's strategic location as a gateway to the Mainland and other regional markets, the protection for intellectual property (IP) rights in Hong Kong, subsidized accommodation at the HKSP and the various schemes offered by the Innovation and Technology Commission such as the R&D Cash Rebate Scheme. In addition, a substantial part of the expansion of the HKSP would be devoted to the hosting of green technology companies. InvestHK also marketed the EcoPark as a project for FDI in the recycling and environmental industry. Building on the success of Dupont Apollo's photovoltaic project at the HKSP, the focus of overseas promotional campaign for the coming year would be on green technology. In this connection, the Administration agreed to relay members' concerns over management of the EcoPark to the Environment Bureau for follow up.

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Liaison with international business community

14. Ms Emily LAU enquired whether there was a mechanism for the Administration to gauge the views of the international business community in Hong Kong. She considered that different government bureaux/departments should cooperate to address the issues which cut across different policy areas, e.g. the provision of affordable land for the environmental industry.

15. In reply, PSCIT said that the International Business Committee (IBC), chaired by the Chief Secretary for Administration, was set up to maintain regular dialogue with major foreign chambers of commerce in Hong Kong. The IBC met a few times a year to facilitate exchange between the Administration and the international business community on Government policies, latest economic developments and initiatives to strengthen Hong Kong's position as an international business and financial centre.

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16. DGIP supplemented that InvestHK had been playing an increasing role of advocacy and worked with various government departments/bureaux to provide the various types of support to existing and potential investors. For example, InvestHK worked closely with the Environment Bureau in search of a suitable location for the EcoPark. At Ms LAU's request, the Administration undertook to provide information on examples of and Administration's responses to the proposals to attract FDI put forward by the international business community in their next report to the Panel.

Summing up

17. The Chairman urged InvestHK to continue to strengthen its services and support to existing and prospective investors with a view to promoting more inward FDI.

V. Financial support for Partner State Key Laboratories

(LC Paper No. CB(1)1050/10-11(05) -- Administration's paper on provision of funding support for Partner State Key Laboratories in Hong Kong

LC Paper No. CB(1)1050/10-11(06) -- Paper on financial support for Partner State Key Laboratories prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

18. At the Chairman's invitation, Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (SCED) briefed members on the arrangements for providing funding support to Partner State Key Laboratories (Partner SKLs) in Hong Kong through the Innovation and

Technology Fund (ITF), as set out in the Administration's paper (LC Paper No. CB(1)1050/10-11(05)).

Discussion

Admission

19. Mr Jeffrey LAM expressed in-principle support for the proposed arrangements for providing funding support to the Partner SKLs. He also enquired about the admission process of the Partner SKLs.

20. In response, Commissioner for Innovation and Technology (CIT) advised that with the assistance of the Research Grants Council (RGC), an expert group consisting of five academic members from overseas universities was formed to vet the proposals. In mid 2008, a delegation from the Ministry of Science and Technology (MOST) led by a Director-General also conducted site visits to the universities to further assess the proposals. After rounds of clarification and deliberation, MOST approved in 2009 and 2010 the establishment of the seven Partner SKLs in Hong Kong in addition to the original five Partner SKLs approved prior to 2007. The Administration would discuss with MOST with a view to starting the next round of invitation for applications of Partner SKLs in future.

Level of funding

21. Noting that their counterparts in Mainland were receiving RMB 10 million each year from MOST, Mr Jeffrey LAM expressed concern about the adequacy of the proposed funding ceiling of \$2 million annually for each Partner SKL. Sharing a similar concern, Mrs Regina IP and Mr Albert CHAN urged the Administration to increase the level of funding. Mr CHAN considered it important to monitor the use of the funding and the use of IP by individual researchers. Sharing a similar view, the Chairman suggested that there should be a mechanism whereby the level of funding could be increased for those Partner SKLs with outstanding achievements.

22. CIT advised that in determining the amount of proposed funding, the Administration had obtained information for 12 Partner SKLs and found that the average annual operating expenditure was about \$8 million, with variations in individual Partner SKLs. About half of their operating expenditure was used as staff cost. For a start, the proposed funding would on average provide for some one-fourth of the annual operating cost of each of the Partner SKLs. This would also provide added flexibility for Partner SKLs to hire professional staff, particularly in engaging post-doctorate staff. Although the amount of funding for each individual SKL would be less than

that of their Mainland counterparts, the total annual financial commitment for the 12 Partner SKLs for five years would already amount to \$120 million.

23. CIT also advised that there would be a good mechanism to administer the proposal. Under the funding arrangements, payment would be made on a reimbursement basis upon the end of each financial year. A balance would be struck between the need for monitoring of public fund and the need to prevent excessive administrative work on the part of researchers, thus depriving their effort on R&D work.

Commercialization of research and development results

24. Dr Samson TAM said that the funding arrangement would enhance the development of research and development in Hong Kong. Noting that the funding for basic research was already provided for by the \$18 billion Research Endowment Fund towards research projects selected by RGC, he hoped that the proposed funding for Partner SKLs would not be used for undertaking basic research only, but for applied research leading to realization of R&D results in collaboration with the R&D Centres in Hong Kong.

25. SCED responded that all Partner SKLs in Hong Kong had come a long way in their respective areas of excellence. The Administration hoped to nurture an innovation and technology culture in Hong Kong through the provision of a stable source of funding to the Partner SKLs. With the further development of the Partner SKLs, it was anticipated that their basic research results would cascade downstream. CIT added that Partner SKLs were also encouraged to undertake more applied research projects where possible.

Attracting talents

26. Noting the dwindling pool of post-doctorate local R&D graduates, with the majority of the researchers coming from the Mainland, Mrs Regina IP urged the Administration to step up effort to attract Mainland talents and Hong Kong's overseas graduates with post-doctorate R&D-related qualifications to return and join the ranks of R&D professionals in Hong Kong.

27. CIT advised that the Administration was exploring ways to provide incentives, such as by offering attractive scholarship programmes to Hong Kong students to encourage them to pursue a career in innovation and technology. On the other hand, convergence of talents from the Mainland and in Hong Kong had been enhanced since the refinement of the ITF

funding mechanism, making it possible for up to 50% of the funding to go across the border so as to leverage on the vast supply of frontline researchers in the Mainland. So far, four Hong Kong universities had established bases in Nanshan District, Shenzhen, to enhance R&D and nurture talents by leveraging on the strengths of both places.

Mutual recognition of research and development results

28. Mr Vincent FANG said that the Liberal Party was in support of the proposed funding arrangement. He enquired about the arrangement for mutual recognition of R&D results for the Partner SKLs with their Mainland counterparts, and whether private enterprises would be eligible to apply for the Partner SKL status.

29. SCED advised that as one of the objectives of the Partner SKL programme was to provide a platform for Hong Kong and Mainland scientists to collaborate and exchange in R&D research projects, their R&D results should be highly regarded by both sides under the partnering arrangement.

30. CIT added that at this stage, all the Partner SKLs were local universities as they were still the leaders at the frontier of cutting-edge technology in Hong Kong. They were eligible to join force with their Mainland counterparts for applying research funding in the Mainland, such as the "National High Technology Research and Development Program (863 Program)" and the "State Basic Research Program of China (973 Program)". Nevertheless, the possibility of allowing applications from other institutions could be explored.

Intellectual property sharing

31. In response to the enquiry about IP sharing arrangement by Mr Vincent FANG, Mr Albert CHAN and Ms Emily LAU, CIT advised that under the existing ITF mechanism, the applicant research organization concerned would own the IP for platform projects which required industry contribution of at least 10% of the project cost, whereas the industry sponsor would own the IP for collaborative projects which required industry contribution of at least 50% of the project cost. Given the nature of the Partner SKL Scheme in which ITF was used to fund their operating expenses, the Government did not intend to lay any claims to IP rights to the projects undertaken. The Partner SKLs would negotiate with their industry sponsors on their benefit sharing arrangements. In this connection and to further look into the IP issue, the Administration had established a steering committee to review current practices and recommend improvements on issues pertaining to IP. Mr Andrew Liao Cheung Sing, Senior Counsel had been invited to

chair this committee.

Promotion of research and development results

32. Ms Starry LEE said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposed funding arrangement. She urged the Administration to step up promotion on the R&D results to enhance the public awareness of the R&D achievements made so as to cultivate an innovation and technology culture in Hong Kong.

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33. In response, SCED advised that updates on major R&D breakthroughs in Hong Kong were regularly publicized through the mass media, e.g. the anti-shaking camera technology successfully developed to fruition by Hong Kong Applied Science and Technology Research Institute. The annual InnoCarnival at Hong Kong Science Park was also organized as a showcase of the latest technological developments in the local R&D scene. At Ms LEE's request, the Administration undertook to provide information on the work/achievements made by the 12 Partner SKLs in recent years.

Summing up

34. The Chairman concluded that members generally supported the funding arrangements to provide a stable source of funding to enable Partner SKLs to map out a longer-term development plan.

VI. Proposed creation of two permanent posts at Assistant Principal Solicitor (DL1) rank in the Intellectual Property Department

(LC Paper No. CB(1)1050/10-11(07) -- Administration's paper on proposed creation of two permanent posts at Assistant Principal Solicitor (DL1) rank in the Intellectual Property Department)

Presentation by the Administration

35. At the Chairman's invitation, Deputy Secretary for Commerce and Economic Development (Commerce and Industry) (DSCED) briefed members on the proposed upgrading of the two permanent posts at Senior Solicitor ("SS") rank to two permanent posts at Assistant Principal Solicitor ("APS") (DL1) rank in the Intellectual Property Department ("IPD"), as set out in the Administration's paper (LC Paper No. CB(1)1050/10-11(07)).

Discussion

36. Ms Emily LAU welcomed the Administration's proposal in response to the recommendation by the Standing Commission on Civil Service Salaries and Conditions of Service ("Standing Commission"). However, she expressed concern whether the upgrading proposal would be sufficient to absorb the caseload and help resolve the problem of high wastage rate and recruitment difficulties faced by IPD in recent years. Sharing a similar concern, Ms Starry LEE enquired whether the Administration had investigated into the crux of the manpower wastage problem with a view to formulating an effective strategy to address the problem.

37. In response, Director of Intellectual Property (DIP) advised that although the manpower situation was tight, the department had been able to meet its performance pledge over the years. Whilst the demand for legal professionals in other larger government departments and private practice was strong, the IPD had been facing difficulty in retaining talents as the department was a relatively small one with limited promotion opportunities. The proposed upgrading of the two permanent posts at SS rank to two permanent posts at APS (DL1) rank would provide recognition of their management responsibilities and help retain talents by enhancing their promotion prospects. In response to Ms Emily LAU's enquiry, he said that the posts left vacant by the ten Solicitors who had resigned or sought appointment in another department over the past three years had subsequently been filled.

38. DSCED supplemented that the management of IPD had put much effort in communicating with its staff about their concerns and stepped up staff training, which often involved overseas training, to serve as non-monetary incentives for raising staff morale.

Summing up

39. The Chairman concluded that Panel members in general supported the staffing proposal. At the request of Ms Emily LAU, the Administration undertook to provide supplementary information on its assessment of the effectiveness of the proposal on raising staff morale and resolving the wastage and recruitment problems in the paper to be submitted to the Establishment Subcommittee under the Finance Committee.

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VII. Any other business

40. There being no other business, the meeting ended at 4:30 pm.

Action

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Council Business Division 1
Legislative Council Secretariat
11 March 2011