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Establishment Subcommittee of the Finance Committee

Minutes of the 6th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 15 January 2014, at 8:30 am

Members present:

Hon Mrs Regina IP LAU Suk-ye, GBS, JP (Chairman)
Hon Kenneth LEUNG (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, JP
Hon WONG Kwok-kin, BBS
Hon Steven HO Chun-yin
Hon YIU Si-wing
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, JP
Hon SIN Chung-kai, SBS, JP
Hon IP Kin-yuen
Hon Martin LIAO Cheung-kwong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Hon CHUNG Kwok-pan

Member absent:

Hon LEUNG Kwok-hung

Public Officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Eddie MAK Tak-wai, JP	Deputy Secretary for the Civil Service (1)
Ms Gracie FOO, JP	Deputy Secretary for Home Affairs (1)
Ms Candy LAU	Principal Assistant Secretary for Home Affairs (Community Care Fund)
Mr John LEE, JP	Under Secretary for Security
Mrs Millie NG	Principal Assistant Secretary for Security
Mr David Michael CARTWRIGHT	Regional Commander (Kowloon East), Hong Kong Police Force
Mr David WONG, JP	Deputy Secretary for Commerce and Economic Development (Commerce and Industry)
Miss Patricia SO	Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry)
Mr Peter CHEUNG, JP	Director of Intellectual Property
Mr Thomas TSANG	Assistant Director of Intellectual Property (Patents)
Mr Duncan Warren PESCOD, JP	Permanent Secretary for Transport and Housing (Housing)
Mr Vincent TANG	Principal Assistant Secretary for Transport and Housing (Housing) (Policy Support)

Clerk in attendance:

Ms Connie SZETO	Chief Council Secretary (1)4
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Staff in attendance:

Mr Andy LAU	Assistant Secretary General 1
Mr Hugo CHIU	Council Secretary (1)4
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Ms Clara LO	Legislative Assistant (1)9

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(At 10:22 am, the Chairman announced that the meeting be extended to 10:45 am. Members agreed.)

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The Chairman drew members' attention to the information paper ECI(2013-14)12 which set out the latest changes in the directorate establishment approved since 2002.

EC(2013-14)17 Proposed retention of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Community Care Fund (CCF) Secretariat under the Home Affairs Bureau from 6 May 2014 to 30 June 2017 to continue to provide dedicated directorate support to CCF to ensure its smooth operation

2. The Chairman said that the Administration's proposal was to retain one supernumerary post of Administrative Officer Staff Grade C (AOSGC) (D2) in CCF Secretariat under the Home Affairs Bureau from 6 May 2014 to 30 June 2017 to continue to provide dedicated directorate support to the CCF to ensure its smooth operation.

3. The Chairman advised that the Subcommittee on Poverty under the House Committee of the Legislative Council had been consulted on the proposal at its meeting on 17 December 2013. Subcommittee members supported the proposal in general, and expressed concern about whether CCF Secretariat had sufficient manpower to cope with its increasing workload.

Implementation and review of CCF programmes

4. Mr Martin LIAO pointed out that according to the statistics of the Social Welfare Department (SWD), of the some 396 700 Comprehensive Social Security Assistance (CSSA) recipients in November 2013, around 100 000 were able-bodied. However, he noted that the trial incentive scheme to further encourage CSSA recipients of the Integrated Employment Assistance Programme for Self-reliance to secure employment (the incentive scheme for CSSA recipients) to be rolled out in April 2014 under CCF would only benefit about 2 050 able-bodied CSSA recipients. Mr LIAO expressed concern about efficacy of the incentive scheme for CSSA recipients and enquired whether the Administration would study further measures to encourage more CSSA recipients to secure employment.

5. Deputy Secretary for Home Affairs (1) (DS for HA) responded that the incentive scheme for CSSA recipients would be implemented on a pilot basis and the Administration would monitor the implementation and consider refinements and enhancement where necessary. DS for HA added that a working group comprising CCF Task Force members and SWD's representatives had been established under CCF Task Force to monitor the incentive scheme.

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6. Pointing out that CCF had a number of assistance schemes relating to rent subsidy for CCSA recipients and the low-income elderly, Mr TANG Ka-piu enquired whether CCF would consider providing rent allowance for private housing tenants who were applicants on the Waiting List of public rental housing (PRH), and whether the Administration would consider implementing rent control to help PRH applicants living in private housing. Mr TANG also enquired whether CCF and holder of the proposed AOSGC post would carry out research in this area.

7. DS for HA responded that CCF had launched a number of assistance programmes for low-income families including those renting private housing. While CCF would implement measures on a pilot basis, the decision on whether a pilot measure would be incorporated into the Government's regular assistance programme would be made by the bureau concerned having regard to the information provided by CCF and other relevant factors. CCF would adopt an open attitude in exploring suitable assistance programmes and would collect public views as appropriate. DS for HA undertook to relay Mr TANG Ka-piu's views to the Transport and Housing Bureau for consideration.

8. Mr TANG Ka-piu considered that instead of merely reflecting stakeholders' views on pilot schemes supported by CCF to the relevant bureau, CCF Secretariat should be more proactive in undertaking analyses, collating feedbacks from stakeholders and making proposals to the bureau concerned. Mr TANG urged CCF Secretariat to carry out research on the suggestions of providing rent allowance for private housing tenants who were applicants on the Waiting List of PRH and imposing rent control.

9. DS for HA responded that while one of the duties of the proposed post was to liaise with bureaux/departments/stakeholders, the bureau concerned was often responsible for implementing relevant CCF programmes. The Administration had explained this issue to Members at the meetings of the Subcommittee on Poverty. DS for HA added that CCF would launch assistance programmes having regard to public views collected and the needs identified in society, and evaluation would be conducted for every CCF assistance programme with the evaluation report available for public information. As regards Mr TANG Ka-piu's remark on the issue of providing rent allowance for private housing tenants who were applicants on the Waiting List of PRH, the Administration had explained its position on a number of occasions. In response to Mr TANG Ka-piu's further enquiry about whether the Administration would carry out research on CCF programmes relating to rent allowance, DS for HA responded that research on individual CCF programmes would be carried out if it was considered useful by CCF Task

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Force. For instance, CCF would conduct research on the incentive scheme for CSSA recipients. Mr TANG Ka-piu expressed disappointment that CCF had limited its role.

10. Noting from paragraph 7(f) of EC(2013-14)17 that CCF would re-launch the programme of subsidy for CSSA recipients living in rented private housing, the Chairman enquired if the Administration would examine whether the programme would lead to a surge in the rents of private housing and cause the subsidy to end up benefitting the private flat owners.

11. DS for HA reiterated that CCF would conduct evaluation on each CCF programme. For example, preparation was underway for the evaluation of the assistance programme targeting "n-have-nots". Principal Assistant Secretary for Home Affairs (Community Care Fund) (PAS(CCF)) added that as the programme had just been rolled out and the application period would end in August 2014, it was anticipated that the evaluation report would be available in late 2014 or early 2015. While CCF Secretariat would be involved in the evaluation of the programme, part of the evaluation work would be contracted out to academic institutions e.g. universities.

Duties of the proposed post

12. Mr CHUNG Kwok-pan referred to paragraph 10 of EC(2013-14)17 and enquired whether the deposit of \$15 billion placed by CCF with the Hong Kong Monetary Authority (HKMA) was managed by HKMA. Noting that paragraph 14(d) of EC(2013-14)17 specified that one of the duties of proposed post was to formulate investment strategy of CCF, Mr CHUNG was concerned whether the post holder had the relevant knowledge and expertise to handle the task.

13. DS for HA responded that a deposit of \$15 billion had been placed with HKMA to earn a higher investment return that was linked to the performance of the Exchange Fund. The remaining amount of CCF funding had been deposited with banks in Hong Kong dollar and Renminbi time deposits so as to earn interest income for financing the assistance programmes and other liquidity needs of CCF. DS for HA added that the investment strategy of CCF was decided by CCF Task Force and the Commission on Poverty (CoP). In response to Mr CHUNG Kwok-pan's comment that the formulation of CCF's investment strategy did not seem to be the post holder's core duty, DS for HA remarked that the post holder had to ensure prudent deployment of funds from CCF for meeting its objectives. For funds established by the Government, it was the usual practice to appoint a government official to monitor the use of each fund. The Chairman remarked that the Administration should specify the information in relation to

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the financial management duties more clearly in future staffing proposals. DS for HA took note of members' views. She also clarified that as spelt out in the paper, the post holder would assist CoP and CCF Task Force to oversee the financial management and overall funding allocation of CCF and monitoring its operation and use, including the formulation of investment strategy.

14. Mr Christopher CHEUNG enquired about the workload of CCF Secretariat in the coming three years, and why the Administration had proposed to extend the post for three years given that the operation of CCF would continue.

15. DS for HA responded that the Finance Committee ("FC") had approved in June 2013 an additional injection of \$15 billion into CCF to strengthen the poverty alleviation efforts. As at end November 2013, more than 550 000 person-times had benefited under CCF programmes. Looking forward, CCF would launch various assistance programmes and CCF Secretariat would also be responsible for implementing some of them. As set out in paragraph 10 of EC(2013-14)17, the funding available for CCF from 2013-14 to 2016-17 would be around \$1.7 billion to \$2 billion per year. It was thus necessary to retain the proposed post to provide directorate support to CCF to ensure its smooth operation.

Performance of CCF Secretariat

16. Pointing out that CCF had operated for two years and its assistance programmes covered a wide portfolio, Mr YIU Si-wing enquired whether the Administration had reviewed the performance of the staff in CCF Secretariat, and whether it had received complaints against work of CCF Secretariat.

17. DS for HA responded that most of the staff members in CCF Secretariat (including holder of the proposed post) were civil servants who were subject to continued performance appraisal system of the civil service. DS for HA pointed out that CCF programmes (including those targeting "n-have-nots") were smoothly implemented, which had demonstrated the importance of continuous and dedicated directorate support for the smooth operation of CCF. PAS(CCF) added that over the past two years, CCF Secretariat had mainly received enquiries/comments on the eligibility criteria for various CCF programmes. Some members of the public also expressed disappointment and felt aggrieved for failing to meet the eligibility criteria of some CCF programmes, which were not complaints against the work of CCF Secretariat. PAS(CCF) reiterated that evaluation would be conducted for each CCF programme, incorporating the relevant views of the public, beneficiaries and stakeholders. Mr YIU suggested that the Administration

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should review the performance of CCF Secretariat in future.

Incorporation of CCF programmes into the Government's regular assistance programme

18. Ms Emily LAU noted from paragraph 6 of EC(2013-14)17 that some CCF programmes would be incorporated into the Government's regular assistance programme. Ms LAU welcomed this initiative and enquired whether consideration would be given to incorporate more CCF programmes in future.

19. DS for HA responded that the relevant bureau would examine the effectiveness of every CCF programme and considered whether they should be regularized taking into account the relevant policy objectives, resources implications and feedbacks from beneficiaries and stakeholders on the programmes. However, not all CCF programmes were suitable for incorporation into the regular assistance programme. In considering whether a CCF programme would be regularized, the relevant bureau would consider the issue on a case-by-case basis. PAS(CCF) added that while CCF would continue to implement the following four programmes, the relevant bureaux and departments had reviewed the programmes and concluded that there were better alternatives than incorporating the programmes into the Government's regular assistance programme. The four CCF programmes were: (a) "Subsidy for patients of Hospital Authority for specified self-financed cancer drugs which have not yet been brought into the Samaritan Fund safety net but have been rapidly accumulating medical scientific evidence and with relatively higher efficacy"; (b) "Subsidy for the severely disabled persons aged below 60 who are non-CSSA recipients, requiring constant attendance and living in the community"; (c) "Subsidy for elders aged 65 or above from low-income families who are on the waiting list for Integrated Home Care Services (Ordinary Cases) for household cleaning service and escorting services for medical consultations"; and (d) "Subsidy for CSSA recipients living in rented private housing and paying a rent exceeding the maximum rent allowance under the CSSA Scheme". Ms Emily LAU considered that the Administration should clearly specify the relevant criteria for incorporating CCF assistance programme into the regular assistance programme in its papers in future.

20. The item was voted on. Members agreed that the Subcommittee should recommend the item to FC for approval.

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EC(2013-14)18 Proposed creation of one permanent post of Chief Superintendent of Police (PPS 55) in the Hong Kong Police Force with effect from 17 March 2014 as District Commander of the new Tseung Kwan O Police District

21. The Chairman said that the Administration's proposal was to create one permanent post of Chief Superintendent of Police (CSP) in the Hong Kong Police Force (the Police) with effect from 17 March 2014 as District Commander (DC) of the new Tseung Kwan O Police District (TKODIST).

22. The Chairman advised that the Panel on Security had been consulted on the proposal at its meeting on 2 July 2013. Panel members supported the Administration submitting the proposal to the Subcommittee. Panel members noted that whilst the upgrading of Tseung Kwan O Police Division (TKODIV) to TKODIST (the upgrading exercise) would involve an increase in manpower, there would not be reduction in the manpower establishment of other police districts in the same police region.

Considerations in undertaking the upgrading exercise and making establishment changes in the Police

23. Mr Kenneth LEUNG declared that he was a member of the Independent Police Complaints Council. He enquired about the criteria, among others, the population, size and number of crimes of the police division concerned etc. that the Administration would consider in deciding the upgrading of a police division to a police district. Mr YIU Si-wing noted that the manpower establishment for TKODIV was increased from 219 in 2002 to 295 at present and 39 additional non-directorate posts were created in June 2013 in relation to the upgrading exercise. He enquired about the criteria adopted in increasing the establishment for a police district and whether the same criteria were applied for all police districts.

24. Under Secretary for Security (US for S) responded that in deciding the upgrading of a police division to a police district and the actual establishment of a police division/district, a host of factors would be taken into account, including the population size, number of crimes, workload, area of the police division/district concerned, operational and service needs, patrol beat arrangements and benefits brought by organizational changes, etc. While in general, the annual number of reported crimes and property cases for a police division was 1 200 and 2 000 respectively, the Police had to consider the actual circumstances and the practical needs in considering whether the police division should be upgraded to a police district. US for S pointed out that units like Crime Units, Investigation Teams, Police Community Relations

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Office, Training and Staff Relations Office and District Traffic Section etc. were not provided in a police division but were part of the structure of a police district. The Police had to consider whether there would be sufficient accommodation and equipment for the new units and additional staff to cater for the upgrading exercise. Moreover, as upgrading a police division to a police district would involve strengthening the command structure, the post holder of proposed DC post would also consider the benefits arising from this in considering the actual manpower needs of the police district. Furthermore, given that the number of crimes in each police division/district would change over time, in considering the establishment for the division/district, it was necessary to take into account the fluctuation in workload and the absorption rate, i.e. the number of crimes that a police division/district could cope with effectively. The Divisional Commander/District Commander of each police division/district would assess the appropriate establishment making reference to these factors.

25. Mr POON Siu-ping expressed support for the proposal. He sought information on the total number of police districts in the territory after the upgrading exercise. Noting that the establishment of a police district usually ranged from around 400 to 700, Mr POON enquired about the establishment target of TKODIST.

26. US for S responded that the total number of police districts in Hong Kong with the DC ranked at CSP level would be increased from 18 to 19 after the upgrading exercise. As for the establishment of a police district, while the establishment was around 400 to 700 in general, the actual establishment of a police district had to be determined having regard to a host of factors and the actual circumstances of the police district. The establishment of TKODIST was estimated to increase to over 300 in early 2015. The new DC would work out the actual establishment over time taking into account operational needs and other factors.

27. Mr Kenneth LEUNG noted from Enclosure 2 to EC(2013-14)18 that DCs were currently ranked at either CSP level or Senior Superintendent of Police (SSP) level and enquired about the reasons.

28. US for S replied that for a normal police district, the DC was ranked at CSP level. Owing to their different natures, the DCs of five special police districts (i.e. Airport District, Railway District, Lantau District, Marine Outer Waters District and Marine Port District) were ranked at SSP level. US for S added that FC agreed in 1981 that the DC of a normal police district should be ranked at CSP level.

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29. Dr KWOK Ka-ki noted that while the crime rates were relatively higher and the crimes were more serious and complex in some of the 18 police districts like Yau Tsim and Wan Chai, all the police districts were headed by a DC ranked at CSP level. Dr KWOK was concerned about adequacy of resources for police districts with more serious state of crime, and enquired if the Administration would consider deploying resources with reference to the crime rates of respective police districts.

30. US for S clarified that the crime rate of a police district would reduce with growth in population in the district. Whilst it was a useful reference for policing, another important reference was the actual number of reported crimes in the police district. Besides, a host of factors, including the area of the police district, organizational structure, support from the Regional Headquarters etc, would be considered in determining the manpower deployment in the police district. US for S reiterated that FC agreed in 1981 that the DC of a normal police district should be ranked at CSP level. The DC of a police district was responsible for a wide range of and complex duties, including operational functions, resources deployment, local administration and community relations. US for S said that the establishment of a police district was around 400 to 700 and the actual establishment would be determined having regard to the actual circumstances. For police districts with more serious state of crime, the Police would examine the nature of crime and deploy more resources to the relevant sections/units (like sections for handling serious crimes) of the police districts concerned. US for S stressed that the current arrangements provided flexibility on manpower deployment.

Manpower establishment of the new TKODIST

31. Mr CHUNG Kwok-pan referred to the proposed organization chart of TKODIST (i.e. Enclosure 3 to EC(2013-14)18) and enquired about deployment of manpower and resources in the new TKODIST. Mr Kenneth LEUNG enquired whether each police district would have similar organization structure.

32. US for S replied that a number of new units, like Training and Staff Relations Office, District Registry, Police Community Relations Office and District Traffic Section, would be created in TKODIST, and the establishment of some existing units of TKODIV would also be strengthened. The actual establishment for each unit in TKODIST would be determined having regard to the actual operational needs. He added that the Police had identified suitable manpower resources to take up posts in the new units to be created in TKODIST, and some of the new posts would be filled by existing staff members who were taking charge of the relevant jobs in TKODIV. For instance, staff members working in police community relations in TKODIV

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would be deployed to the newly created Community Relations Office in TKODIST. In some cases, the responsibilities of some existing staff would be revised or expanded to tie in with the new structure. The new DC would review the establishment in TKODIST as necessary in light of policing requirements, population growth, crime trend and infrastructure development, etc. As regards the organization structure for other police districts, US for S said that in general, all police districts in the territory had similar structure. However, a police district consisting of two or more police divisions would have a more complex organizational structure.

33. Mr Kenneth LEUNG noted that the number of reported crimes and property cases in TKODIV were 2 915 and 3 466 in 2012 respectively. He enquired whether the sum of the two figures represented the total number of crimes in TKODIV. Mr LEUNG sought the Police's assessment of the crimes trend in TKO and details of manpower planning and work focus of TKODIST.

34. US for S pointed out that when TKODIV was established in 1992, the population in TKO was around 100 000 as compared to the current of around 410 000. With the growth in population, the establishment of TKODIV had increased from 180 to 295 at present. While the number of reported crimes in TKODIV had increased over the years, the figure remained relatively stable in recent years. As regards the difference between the number of reported crimes and the number of property cases, US for S clarified that the two figures were independent from one another. The former was the number of actual crimes and the latter included the number of found property reported by the public which was not categorized as crimes. On the manpower planning of TKODIST, US for S pointed out that the sections to be headed by Chief Inspectors such as the Operations and Crime sections would have relatively more staff owing to operational needs. US for S added that the majority of crimes occurred in TKO included theft, criminal damage, assault and youth crimes. Resources of TKODIST would be deployed to tackle these crimes.

35. Mr KWOK Wai-keung noted that while the establishment of TKODIV had increased over the years and the police-to-population ratio had improved from 1 to 1 800 to 1 to 1 380, the ratio remained much higher than those in other police districts which stood at around 1 to 250. Mr KWOK enquired whether the Police would further increase its establishment in TKO to improve the ratio. Mr KWOK also enquired whether the Police had any plan to construct another police station in TKO in addition to the present TKO Divisional Police Station in Po Lam.

36. US for S confirmed that the police establishment in TKO would further increase after it was upgraded to a police district. The DC of

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TKODIST would assess the actual operational needs in devising the manpower plan. US for S assured members that while the police-to-population ratio of TKODIV was higher than those of police districts in the urban areas, the organization of TKODIV would be restructured (e.g. a number of new units would be created) during the upgrading exercise and this would enhance the effectiveness and efficiency of police services in TKO. US for S added that the future TKODIST would remain under the Kowloon East Police Region (KE Region), which had an establishment of some 3 600. Cross-district deployment of manpower resources (like Emergency Unit, Police Tactical Unit and Regional Crime Units) among various police districts/divisions under KE Region would be made if necessary. US for S confirmed that the Administration had no plan to construct a new police station in TKO under the upgrading exercise.

Admin

37. At members' request, the Security Bureau was required to provide supplementary information on the proposed manpower increase and the considerations in relation to the upgrading of TKODIV to TKODIST in 2015.

Accommodation and supporting facilities for the upgrading exercise

38. Pointing out that residents in TKO at times had to use the police facilities (like report rooms) of other police divisions/districts, Ms Emily LAU opined that there was a pressing need to provide accommodation as well as necessary facilities for the additional staff in the upgrading exercise.

39. US for S responded that some units of Crime KE Regional Headquarters and Traffic KE were currently situated in the TKO Divisional Police Station. Relocation of these units was underway to release office space for the new units/sections to be established under TKODIST.

Admin

40. At Ms Emily LAU's request, the Security Bureau was required to provide supplementary information on details of accommodation and supporting facilities for the additional manpower, including plans on relocation of the existing offices of KE Regional Headquarters from TKO and the office space to be released for use by the new TKODIST.

41. The item was voted on. Members agreed that the Subcommittee should recommend the item to FC for approval.

EC(2013-14)19 Proposed creation of one supernumerary post of Assistant Director of Intellectual Property (DL2) in the Intellectual Property Department for three years with effect from 1 April 2014 to carry out the work relating to the implementation of the "original grant" patent system and the strengthening of the promotion of Hong Kong as an intellectual property trading hub

42. The Chairman said that the Administration's proposal was to create one supernumerary post of Assistant Director of Intellectual Property (ADIP) (DL2) in the Intellectual Property Department (IPD) for three years with effect from 1 April 2014 to carry out the work relating to the implementation of the "original grant" patent (OGP) system and the strengthening of the promotion of Hong Kong as an intellectual property (IP) trading hub.

43. The Chairman advised that the Panel on Commerce and Industry (CI Panel) had been consulted on the proposal at its meeting on 17 December 2013. Panel members supported the proposal in principle. Panel members urged the Administration to implement OGP system as soon as possible and explore the possibility of mutual recognition of patents between Hong Kong and other jurisdictions, in particular, the Mainland. As the development of a sound IP protection regime and promotion of IP trading would complement the development of innovation and technology industries in Hong Kong, Panel members suggested that IPD should enhance its communication with the Innovation and Technology Commission (ITC) and the innovation and technology sector in matters relating to the implementation of OGP system and promotion of IP trading in Hong Kong.

Promotion of IP trading in Hong Kong

44. Mr CHUNG Kwok-pan opined that IP trading was a new industry which Hong Kong had advantages to develop. Noting the Administration's initiative to develop Hong Kong as an IP trading hub, he enquired about the details of and timetable in formulating the policy concerned. Mr CHUNG also enquired about education and promotion of IP for the youth to help them start their own business in creative industries.

45. Director of Intellectual Property (DIP) said that promotion of IP trading was conducive to Hong Kong's economic development. To this end, the Administration set up a Working Group on IP Trading (the Working Group) in March 2013 chaired by the Secretary for Commerce and Economic Development to advise on the overall strategies to promote the development of Hong Kong as a premier IP trading hub in the region, and to identify

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appropriate policy and other support measures to facilitate IP trading in Hong Kong. The Working Group had held three meetings so far and was looking further into a number of topics. Two Sub-groups on IP valuation and IP arbitration and mediation had also been established under the Working Group. It was anticipated that the Working Group would formulate support measures on IP trading in a year's time. Regarding assistance to the youth for establishing businesses in the creative industries, DIP pointed out a number of online platforms on IP trading established by private companies were currently available in the market. These platforms had acted as intermediaries for facilitating IP transactions between IP sellers and buyers. It was observed that the fees charged by such platforms should be low and affordable to the youth, and that transactions were carried out effectively.

46. The Chairman enquired about the development of IP trading in the Mainland in recent years. She further opined that as the majority of IP transactions involved the trading of patents and the demand for patents by Hong Kong industries was relatively low, developing IP trading in Hong Kong would have limited benefits. Moreover, given that IP trading could lead to surge in IP prices, she was concerned that promoting IP trading might not necessarily be conducive to the development of innovation and technology industries in Hong Kong.

47. On the development of IP trading in the Mainland, DIP responded that the commercialisation of IP was commonly known as "知識產權交易" in the Mainland and currently such activities were mainly carried out in the form of one to one transactions. While a number of IP trading platforms (either established in the form of websites or exchanges) were available in the Mainland, most users were Mainlanders and the user interfaces were predominantly in Chinese. On the other hand, Hong Kong's IP trading infrastructure was more developed and catered for international clients, and the user interfaces of the relevant local platforms were usually in both Chinese and English. It was the Administration's target to develop Hong Kong into an international IP trading hub attracting IP sellers, buyers and intermediaries from around the world. The Mainland, particularly Guangdong Province, was making reference to Hong Kong's experience in developing IP trading in recent years. As for the cost implications of IP trading, DIP pointed out that innovative and creative industries flourished by using licensed technology. IP trading facilitated the licensing of technology and thus promoted the development of innovative and creative industries. DIP indicated that although IP trading currently involved mostly patent transactions, the Administration would not overlook the promotion of IP trading in other IP rights such as copyrights and designs.

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48. While supporting the proposal, Dr KWOK Ka-ki shared the concern about the cost implications of IP trading for the local creative industries and measures to protect the interests of IP owners. To lower the IP trading costs for the local creative industries, especially those involving the youth with small business start-ups and little capital, Dr KWOK asked if the Administration would consider setting up low-fee online IP trading platforms or providing subsidies to private IP trading platforms, as well as helping IP buyers and sellers in resolving legal disputes in IP trading. He enquired whether the above issues would be covered in the duty list of the proposed ADIP post.

49. On the cost of registration of IP, DIP pointed out that registration was necessary for patents to secure priority for protection, while registration was optional for designs and unnecessary for copyrights. DIP added that ITC operated the Patent Application Grant to provide a maximum funding of \$150,000 for each patent application filed by local companies and individuals. Regarding the fees of local IP trading platforms, DIP pointed out that very often users were charged a low fee for each successful transaction via the platform and some platforms only levied a membership fee for their members. Such fees were relatively low and should be affordable to the youth and even students. To promote IP trading, DIP added that the Hong Kong Trade Development Council (HKTDC) had established in December 2013 an IP trading platform. DIP remarked that IP trading involved complex issues and an IP trading platform could act as an intermediary effectively between the IP seller and buyer to facilitate the transaction of IP. On the protection for IP owners, DIP pointed out that infringement of IP was subject to sanctions. The Customs and Excise Department would continue combating IP infringement acts on the Internet and cooperating with its international counterparts.

50. Mr Martin LIAO declared that his brother was the Chairman of the Advisory Committee on Review of the Patent System in Hong Kong (the Advisory Committee). Mr LIAO expressed disappointment that despite that he and the IP industry had advocated the establishment of IP trading platforms for a number of years, there had been little response from the Administration. Mr LIAO was concerned how the relevant civil servants who lacked the relevant expertise and knowledge could succeed in promoting Hong Kong as an IP trading hub. He sought details on the Administration's vision in IP development, plans and measures in achieving the targets concerned, and the views received from the industry and the Administration's responses in this regard.

51. DIP responded that since he took up his post in 2011, he had been pressing ahead the initiative to promote the development of IP trading in Hong

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Kong and development of Hong Kong as a regional IP trading hub. The efforts had brought positive results, including the increase in the number of privately established IP trading platforms. The Working Group was also set up in 2013 to devise a comprehensive IP trading strategy with support measures in one to two years' time. IPD had since 2011 organized a number of seminars on IP with HKTDC and the feedbacks were encouraging. DIP said that he had raised the issue of IP trading in a number of events of the World Intellectual Property Organization since 2011. Moreover, IPD had cooperated with the industry to carry out a number of IP-related activities. He assured members that The Administration would continue to step up its efforts in promoting IP trading.

52. On the policy of promoting IP trading, Deputy Secretary for Commerce and Economic Development (Commerce and Industry) (DS for CED) said that the establishment of the Working Group to develop Hong Kong as a premier IP trading hub in the region was announced in the 2013 Policy Address delivered in January 2013. The Working Group was set up in March 2013 to champion the cause. It had held three meetings and set up two Sub-groups. The Administration briefed CI Panel on its work in May 2013. According to the policy framework promulgated by the Working Group in late 2013, the Government's vision was to position and promote Hong Kong as the premier IP trading hub in Asia and it had identified four strategic areas for promoting IP trading in this regard, namely (a) enhancing the IP protection regime; (b) supporting IP creation and exploitation; (c) fostering IP intermediary services and manpower capacity; and (d) pursuing promotion, education and external collaboration efforts. Concrete measures would be devised under each of the four strategic areas. Examples of possible measures that could be considered were enhancing manpower training, promoting IP knowledge, fostering the commercialization and licensing of IP, and signing more comprehensive avoidance of double taxation agreements with other jurisdictions.

53. In response to Mr Martin LIAO's comment that the Administration should provide financial support for developing IP trading in Hong Kong, DS for CED stressed that the Administration was determined to promote IP trading in Hong Kong. Apart from the current staffing proposal to create the ADIP post to head the dedicated team to take forward the initiatives for implementing OGP system and promoting Hong Kong as an IP trading hub, the Administration would seek additional recourses where necessary in carrying out other measures to promote IP trading.

54. Mr Kenneth LEUNG pointed out that it had been advocated some ten years before that Hong Kong should develop into an "IP rights holding centre" like Switzerland, and this would be pre-requisite for the development

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of an IP trading hub. He enquired about the relevant progress in this area.

55. DIP responded that an IP owner would usually set up a company to hold the IP right concerned so as to facilitate IP trading. DIP remarked that according to his understanding, Switzerland had no plan to develop itself as an IP trading hub, and he pointed out that Hong Kong was one of the first-movers in this area. DIP added that the Administration planned to develop a network model which permitted many-to-many transactions in the IP trading context.

56. Mr Kenneth LEUNG expressed concern about the lack of attractiveness of the sub-licensing regime in Hong Kong in the absence of a facilitating legal and taxation framework. He enquired if the Administration had any plan to review and enhance the legal and taxation framework in this regard.

57. DIP responded that in deciding which jurisdiction's legislation should apply, details of individual sub-licensing transactions had to be considered. DIP undertook to relay Mr Kenneth LEUNG's suggestion on enhancing Hong Kong's legal and taxation framework for the sub-licensing regime to the Working Group.

Implementation of OGP system

58. The Chairman considered that in implementing OGP system in Hong Kong, it would be essential for IPD to seek recognition from international patent offices on patents granted by the relevant authority in Hong Kong. To achieve this, it was necessary for Hong Kong to develop its capability in conducting formality and substantive examinations for patent applications. Given that the IP market of Hong Kong was relatively small and the lack of professionals with the expertise on patents, the Chairman expressed concern about the implementation of OGP system in Hong Kong, including provision of manpower training and registration mechanism for the relevant professionals like patent agents and patent attorneys. Ms Emily LAU enquired about the reasons for the Administration to seek the assistance of the State Intellectual Property Office (SIPO) in conducting substantive examination for Hong Kong's OGP system and refined short-term patent system as stated in paragraph 5 of EC(2013-14)19. She noted that under the current patent re-registration system in Hong Kong, the designated patent offices had included the United Kingdom Patent Office and the European Patent Office besides SIPO.

59. DIP agreed that the IP market of Hong Kong was relatively small. He said that implementation of OGP system would be in phases, including the building up of relevant manpower in the longer run. He added that the

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Administration's clear policy initiative to introduce an OGP system in Hong Kong would attract more professionals to join IP industry and further encourage provision of training courses by universities and tertiary institutions, and these in turn would give impetus to the development of IP industry. Regarding the regulation for patent agents, DIP said that the Administration and the Advisory Committee had received different views. The initial thinking was to implement the regulation in phases, with the target of developing a full-fledged regulation of the relevant professionals in the long run. The Administration and the Advisory Committee would further explore the way forward and consult stakeholders concerned.

60. As regards the patent system for Hong Kong in future, DIP pointed out that the Administration planned to introduce OGP system in Hong Kong while retaining its existing re-registration system. The new OGP system would require the setting up of both formality and substantive examinations of patent applications. Given that Hong Kong lacked the relevant expertise in conducting substantive examination of patents for the time-being, and that SIPO was an internationally recognized search and examination authority for grant of patents, the Administration had decided to seek technical assistance from SIPO. The Administration would develop Hong Kong's capability in conducting substantive examination in niche areas of patents in the long run.

61. Ms Emily LAU reiterated the views expressed by CI Panel about the importance of a sound IP protection system in facilitating the development of Hong Kong's innovation and technology industries. She suggested that representatives from both ITC and IPD should be invited to attend CI Panel meetings in the future for discussion on issues relating to the development of Hong Kong's innovation and technology industries. DIP responded that IPD had been working closely with ITC. The Working Group also included representatives from ITC. DS for CED took note of Ms LAU's views and advised that the Administration had already planned to brief CI Panel on the progress of promoting IP trading in Hong Kong in the current legislative session.

62. The item was voted on. Members agreed that the Subcommittee should recommend the item to FC for approval.

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EC(2013-14)20 Proposed creation of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Housing Department for two years with effect from 1 April 2014 to cope with the increased workload relating to the implementation of recommendations arising from the Long Term Housing Strategy review

63. The Chairman said that the Administration's proposal was to create one supernumerary post of AOSGC in the Housing Department (HD) for two years with effect from 1 April 2014 to cope with the increased workload relating to the implementation of recommendations arising from the Long Term Housing Strategy review.

64. The Chairman advised that the Panel on Housing had been consulted on the proposal at its meeting on 2 December 2013 and 6 January 2014. While Panel members did not oppose the Administration submitting the proposal for consideration by the Subcommittee, some Panel members considered that it might be premature to consider the current staffing proposal at this stage given that the Long Term Housing Strategy Steering Committee had not yet submitted its report to the Government and the way forward was not yet known. At the Panel meeting on 6 January 2014, the Administration undertook to provide supplementary information before this Subcommittee meeting on the policy issues that the proposed supernumerary AOSGC post would address during his/her two-year term.

65. As three members had indicated that they would raise questions on the proposal, and given that the meeting would soon end at 10:45 am, the Chairman proposed and members agreed that discussion of the item be postponed to the next meeting scheduled for 24 January 2014.

66. The Chairman enquired whether it was necessary for the three proposals considered at this meeting to be voted on separately at FC meeting to be held on 21 February 2014. No members requested for the arrangement.

67. There being no other business, the meeting ended at 10:40 am.

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Legislative Council Secretariat
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