

立法會
Legislative Council

LC Paper No. CB(1)402/19-20

(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 17 December 2019, at 2:30 pm
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jimmy NG Wing-ka, BBS, JP (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon Dennis KWOK Wing-hang
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon SHIU Ka-fai, JP
Hon YUNG Hoi-yan, JP
Hon CHAN Chun-ying, JP
Hon LAU Kwok-fan, MH

Members absent : Hon WU Chi-wai, MH
Hon MA Fung-kwok, SBS, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon CHUNG Kwok-pan

**Public officers
attending**

: Agenda item IV

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP

Under Secretary for Commerce and Economic
Development

Mr Gary POON, JP

Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)²

Ms Sabrina LAW

Principal Assistant Secretary for Commerce and
Economic Development (Single Window)

Mr Boer CHAN

Chief Systems Manager (Single Window)

Customs and Excise Department

Mr Rudy HUI

Senior Staff Officer

(Trade Single Window Operation)

Agenda item V

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP

Under Secretary for Commerce and Economic
Development

Mr Gary POON, JP

Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)²

Ms Ivy CHAN

Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)⁴

Clerk in attendance : Mr Desmond LAM
Chief Council Secretary (1)3

Staff in attendance : Mr Joey LO
Senior Council Secretary (1)8

Mr Terence LAM
Council Secretary (1)3

Ms May LEUNG
Legislative Assistant (1)3

Miss Zoe YIP
Clerical Assistant (1)3

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)246/19-20 -- Minutes of meeting held on
29 October 2019)

The minutes of meeting held on 29 October 2019 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)173/19-20(01) -- Information paper on
"Amendments to the Agreement
on Trade in Services of the
Mainland and Hong Kong Closer
Economic Partnership
Arrangement"

File Ref: CITB CR 75/53/8 and -- Legislative Council Briefs on
CITB CR 75/53/10 United Nations Sanctions (Central
African Republic) Regulation
2019 (Amendment) Regulation
2019 and United Nations
Sanctions (Mali) Regulation 2019

LC Paper No. CB(4)188/19-20(01) -- Report of the Joint Subcommittee on Issues Relating to the Regulation of Devices and Development of the Beauty Industry under the Panel on Health Services and the Panel on Commerce and Industry)

2. Members noted the above papers issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)245/19-20(01) -- List of outstanding items for discussion

LC Paper No. CB(1)245/19-20(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 21 January 2020 at 2:30 pm to discuss the following items proposed by the Administration –

- (a) Findings of the survey of companies in Hong Kong with parent companies located outside Hong Kong and the survey of startups in Hong Kong; and
- (b) Trade relations between the Mainland and Hong Kong – Amendments to the Agreement on Trade in Services of the Mainland and Hong Kong Closer Economic Partnership Arrangement.

IV. Progress of the development of Trade Single Window

(LC Paper No. CB(1)245/19-20(03) -- Administration's paper on "Progress of the Development of Trade Single Window"

LC Paper No. CB(1)245/19-20(04) -- Paper on the development of a Trade Single Window prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

4. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the latest progress of the project of establishing the Trade Single Window ("TSW") and sought members'

support for the funding proposal for the information technology ("IT") system required for implementing Phase 2 of TSW. Details were set out in the Administration's paper (LC Paper No. CB(1)245/19-20(03)).

Discussion

Expediting the implementation of Trade Single Window

5. Mr CHAN Chun-ying said that Hong Kong's edge in export and re-export trade had for years been challenged in the face of keen competition from ports of neighboring Mainland cities such as Yantian of Shenzhen. In addition, there were profound changes in the external economic environment since the Administration's announcement of the establishment of TSW in February 2016, bringing a decline in total export value since November 2018 and a year-on-year decrease of 5.1% in the first ten months of 2019, thereby affecting Hong Kong's status as a trading and logistics hub. In this connection, Mr CHAN enquired whether the Administration would review the development plan of TSW and expedite the implementation timetable so as to maintain competitiveness of the re-export and logistics sectors, in particular, the air freight logistics sector, which he considered should still be highly competitive in the region.

6. USCED advised that the development of TSW aimed to enhance customs clearance efficiency across all transport modes (i.e. air, sea and land). Whilst the trade welcomed having the electronic option provided under Phase 1 of TSW, some users in the trade preferred keeping the flexibility for resorting to the conventional means of application through service counters. Accordingly, the Administration proposed to implement Phase 2, as with Phase 1, as a voluntary electronic option. As for Phase 3, the Administration had refined the original proposal of replacing the existing post-shipment Import and Export Declarations ("TDEC") by pre-shipment TDEC, and put forward in April 2017 a revised proposal (along the framework under paragraph 20 of the Administration's paper). However, there remained concerns that the proposed new pre-shipment documentation requirements under the revised proposal would still bring about additional compliance cost to the trade. In view of the prevailing economic conditions and the trade's concerns over the additional compliance cost arising from such pre-shipment requirements, the Administration was actively exploring ways to encourage the trade to submit pre-shipment cargo information for air exports through TSW by way of voluntary arrangements instead. So far, the trade was generally supportive of the latest proposed approaches. The Administration would continue to engage the trade through meeting major stakeholders and the six User Consultation Groups ("UCGs") (which were specifically set up to tap industry views for the TSW project) to map out the implementation plan for Phase 3.

7. Deputy Secretary for Commerce and Economic Development (Commerce and Industry)2 ("DS(C&I)2") added that the Administration was mindful of the need to implement all three phases of TSW as early as possible with a view to further enhancing Hong Kong's customs clearance efficiency. The Administration also attached great importance to the trade's feedback when formulating the implementation plan of TSW as reflected by, for example, the switch to voluntary arrangements for Phase 2. The Administration's target was to secure funding approval for Phase 2 in the first half of 2020 with a view to rolling it out in 2023 by batches. The Administration would continue to take into account the feedback from the trade in mapping out the implementation plan for Phase 3. DS(C&I)2 also said that Hong Kong continued to be renowned in customs clearance efficiency. Over the years, the Administration had also put in place measures such as the Single E-Lock Scheme and the Hong Kong Authorized Economic Operator Programme to enhance customs clearance efficiency. These measures were welcomed by the trade.

8. Mr Jeffery LAM was disappointed that after the announcement of developing TSW in February 2016, the Administration took three years just to roll out Phase 1 of TSW. Raising grave concern that the implementation period of TSW progressed at a snail's pace, Mr LAM urged the Administration to step up efforts to expedite the implementation of each phase of TSW and enquired about the exact timing for full implementation of all three phases of TSW. Mr Charles Peter MOK also said that Hong Kong had lagged behind other cities in the development of TSW. Noting that it would still take quite some more years for the last phase of TSW to be rolled out, Mr MOK enquired about the Administration's measures to maintain the eagerness of the users in the trade to keep using the new platform of TSW during such a long implementation process, thereby enabling the TSW project to deliver the expected benefits.

9. USCED said that a direct comparison with other economies on the pace of TSW development might not be appropriate due to the differences in import and export regimes and scope of TSW services among different economies. Due to the sheer amount of trade documents covered and the stakeholders involved, the implementation plan had to be carefully reviewed in order to map out a suitable workflow which would minimize burden on the trade. Pending full implementation of TSW, the Administration would continue to pursue enhancements to the existing platform. For example, the platform under Phase 1 might be extended to more trade documents if the business flow was similar to trade documents already covered.

10. DS(C&I)2 added that the implementation of TSW was a challenging task. The Administration had adopted an incremental approach in selecting which trade documents were to be covered under the various phases of TSW. For example, trade documents under Phase 1 and Phase 2 mainly involved licences/permits for

import/export of specific controlled products, and priority was given to trade documents that were hitherto processed on paper (i.e. those covered by Phase 1), so that the trade could enjoy the benefit of electronic submissions. As for Phase 3, it would cover documentation for both import and export across all transport modes with different trade practices, the Administration had set up six different UCGs to gauge the views of the various sectors with a view to formulating measures tailor made to their specific needs. Noting members' concern that the planning of Phase 3 was still ongoing at this stage, DS(C&I)2 assured members that Hong Kong's customs clearance efficiency remained high, ranking 9th in international ratings.

11. DS(C&I)2 also said that the Administration would continue to promote to the trade the benefits of TSW through the Customs and Excise Department ("C&ED") and other relevant government departments as TSW was progressively rolled out. While Phase 1 had been rolled out for only about one year, 15% of trade licences/permits could already be issued via the electronic platform. The take-up rate was not bad so far, and was expected to rise steadily. In light of the feedback from the trade, there would be ongoing enhancements on TSW to further facilitate the trade.

12. Mr Martin LIAO noted that Phase 1 of TSW was launched in December 2018 and it took one year to cover only 10 types of trade documents among all the 13 types planned for Phase 1, which provided only basic functions such as user registration, submission of licence/permit applications, and online payment of the relevant fees by the traders, whereas the 13th trade document would not be ready for submission using the new platform until 2020. Moreover, Phase 2 would not be ready for rolling out until 2023. Mr LIAO asked (a) why it took such a long time to roll out all 13 types of trade documents under TSW covering only five participating government agencies ("PGAs") and providing basic functions, (b) when in 2020 would the 13th trade document be rolled out, and (c) why it would take another three years from 2020 to roll out Phase 2 given the experience of Phase 1. He urged the Administration to expedite the implementation of Phase 2, and enhance Phase 1 in parallel by utilizing IT solutions such as the Government Cloud Infrastructure Services.

13. DS(C&I)2 advised that the TSW platform under Phase 1 had been extended, over the week before the Panel meeting, to two more types of trade documents, on top of the 10 mentioned in the Administration's paper (LC Paper No. CB(1)245/19-20(03)), making a total of 12. In view of the complex business workflow of the 13th document, the Administration estimated that it would be ready for rollout by mid-2020. The Administration would also continue to enhance the relevant functions of Phase 1. As for Phase 2, it would extend the platform to 28 more types of documents, and the number of documents to be processed would increase from 19 000 to 1 800 000 per annum. Moreover, as the

28 types of documents involved different modes of operation, it would take more time to construct an electronic platform capable of handling these 28 types of documents, on top of the 13 types in Phase 1. The Administration would utilize the latest technologies, including the Government Cloud Infrastructure Services, for the implementation of Phase 2.

14. Ir Dr LO Wai-kwok expressed support for the funding proposal for the IT system required for implementation of Phase 2. Noting that Hong Kong had lagged behind Mainland cities in providing electronic government services, Ir Dr LO urged the Administration to expedite the implementation of TSW.

15. DS(C&I)2 said that Hong Kong had not lagged behind in the provision of electronic government services as TDEC could already be lodged electronically for many years. TSW aimed to further facilitate the trading community by providing a one-stop electronic platform for lodging all the 50-plus trade documents and submissions with the Administration for trade declaration and customs clearance purposes. As a free port, Hong Kong's import and export regime was business friendly and sought to minimize the data required for submission from the trade while maintaining effective customs control. Such an approach had been welcomed by the trade and would continue to be upheld in the implementation of TSW.

Promotion of Trade Single Window

16. To facilitate adoption of TSW, Ir Dr LO Wai-kwok suggested that the Administration should design a user-friendly system and provide adequate promotion and training (including an online training kit) for the users in the trade. Sharing a similar view, Mr YIU Si-wing suggested that incentive measures and training be provided to encourage adoption by the trade.

17. USCED noted members' views and said that the Administration had been encouraging the trade to adopt IT services and solutions to upgrade their business processes through different programmes. DS(C&I)2 added that the Administration would actively consider the suggestion of providing online training materials on the use of the TSW platform. C&ED had established the Office of TSW Operation ("OSWO") in June 2018 to tie in with the launch of Phase 1. To promote the adoption of TSW, OSWO had been actively reaching out to both potential and current users in the trade to provide customer support and training. The feedback from users in the trade had been positive so far. The Administration believed that more players in the trade would switch to TSW having heard of the positive reviews from the users.

Benefits of Trade Single Window

18. Noting that TSW would enhance customs clearance efficiency for the benefits of the trade, Mr YIU Si-wing enquired whether TSW would also enhance the efficiency of PGAs and help reduce operating costs.

19. USCED advised that TSW would serve as a single platform for customs clearance with a centralized risk assessment system for C&ED and TSW would be connected with the IT systems of other PGAs. Through implementing TSW, manpower and operation could be streamlined.

20. DS(C&I)2 added that estimated savings of around HK\$7.8 million per annum for PGAs would be brought about by the implementation of Phase 2. In determining the fees and charges for different types of trade documents, the Administration would continue to follow the established mechanism along the cost-recovery principle and hence the fees might vary among different documents. Upon full implementation of TSW, the fees charged then should in general reflect the operational cost.

Connections with other Trade Single Windows

21. Mr CHAN Chun-ying noted that the Agreement on Trade in Goods signed between the Mainland and Hong Kong on 14 December 2018 included a dedicated Chapter on "Trade Facilitation Measures in the Guangdong-Hong Kong-Macao Greater Bay Area", stipulating that the nine Pearl River Delta municipalities and Hong Kong would explore the inter-connectivity of TSWs and study the mechanism for control point information exchange. He enquired about the progress in this respect and the need to provide such inter-connectivity under Phase 1 and Phase 2.

22. USCED advised that the Hong Kong Special Administrative Region Government ("HKSARG") would adopt an open attitude in exploring inter-connectivity of TSWs. USCED said that an expert group with the Guangdong authorities was already in place to explore the feasibility of TSW inter-connectivity. HKSARG would continue to monitor the latest development regarding inter-connectivity of TSWs among economies.

23. As regards the need to provide connectivity between Hong Kong's TSW and those of other jurisdictions, DS(C&I)2 said that such need might be limited under Phases 1 and 2 of Hong Kong's TSW as these two phases mainly involved trade licences/permits of specific controlled products for meeting local regulatory requirements. As for Phase 3, the Administration had been monitoring the latest developments of TSWs of other jurisdictions, and would continue to do so. It remained the Administration's target that Hong Kong's TSW, when fully

implemented, would have the technical capability to connect with TSW of other jurisdictions. Any actual connections would have to be subject to, among others, relevant legal considerations and conclusion of bilateral agreements. The Administration would continue to explore the inter-connectivity of TSWs and keep in view the latest developments in other economies.

Summing up

24. The Chairman concluded that the Panel supported in principle the Administration's funding proposal for the IT system required for implementing Phase 2 of TSW.

V. Progress of the implementation of the Professional Services Advancement Support Scheme

(LC Paper No. CB(1)245/19-20(05) -- Administration's paper on "Implementation of the Professional Services Advancement Support Scheme"

LC Paper No. CB(1)245/19-20(06) -- Paper on the Professional Services Advancement Support Scheme prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

25. At the invitation of the Chairman, USCED briefed members on the progress of implementation of the Professional Services Advancement Support Scheme ("PASS") and the way forward, including a number of proposed measures to enhance its operation and user-friendliness. Details were set out in the Administration's paper (LC Paper No. CB(1)245/19-20(05)).

Discussion

Effectiveness of the Professional Services Advancement Support Scheme

26. Mr YIU Si-wing and Mr CHAN Chun-ying noted that since the launch of PASS in November 2016, only 56 projects were funded with PASS grant totally HK\$42 million, which was equivalent to 21% of the approved financial commitment of HK\$200 million. Having regard to the success rate of applications for PASS, Mr YIU asked whether the number of PASS applications received and effectiveness of PASS were within the Administration's expectations

and, if not, the reasons for that. Mr CHAN raised reservations about the effectiveness of the Administration's proposed enhancement measures to attract more organizations to submit applications. He enquired whether the Administration would review the effectiveness of the enhancement measures in increasing the number of funded projects and total PASS funding approved.

27. USCED replied that a considerable number of projects had been funded in the past two years (i.e. 56), and a significant amount of PASS funding had been approved for these projects (i.e. HK\$42 million). The funded projects covered a wide range of sectors and featured a diverse variety of deliverables (such as forums, workshops and visits) contributing to PASS' stated objectives. In view of the above, the Administration considered that PASS had been taken forward in line with its intent. As regards the other 58 applications which were not funded after consideration by the Vetting Committee ("VC"), they were not funded for various reasons and, among them, 14 might be further processed subject to the applicants' provision of supplementary information or clarifications.

28. USCED added that the launch of the HK\$200 million PASS in 2016 had reflected the Administration's commitment to support the continuous development of Hong Kong's professional services sector. PASS' high funding ratio of 90% (government): 10% (grantees) was welcomed by non-profit-distributing organizations. Such ratio was on par with the Trade and Industrial Organisation Support Fund, which also aimed at providing financial support for non-profit-distributing organizations. The Administration would keep in view the effectiveness of the enhancement measures for PASS, and continue to take into account workable suggestions from grantees to fine-tune PASS' modus operandi and internal working arrangements with a view to enhancing PASS' operation and user-friendliness. The Administration would also continue to promote PASS and encourage applications from interested organizations through various channels.

29. Noting that over 90% of the respondents to the questionnaire survey conducted by the Administration in September and October 2019 agreed that PASS was effective in contributing to the advancement of the professional services sector, Mr CHAN Chun-ying suggested that the Administration should evaluate the effectiveness and outcome of projects funded by PASS by a set of quantitative indicators. Regarding the remaining 10% respondents who might have different views on PASS' effectiveness, Mr CHAN asked whether the Administration had further studied their concerns and whether they would be fully addressed by the proposed enhancement measures.

30. USCED noted Mr CHAN Chun-ying's suggestions and said that it might not be appropriate to assess PASS projects' effectiveness by a rigid set of quantitative indicators, in light of the wide range of sectors covered by these projects and the diverse nature of deliverables involved. VC had in place a mechanism to monitor

the effectiveness of all approved projects upon their completion.

Unsuccessful and ineligible applications

31. Noting that there were 58 applications not funded in the past two years, Mr Martin LIAO and Dr CHIANG Lai-wan enquired about the reasons for rejecting such applications. Mr LIAO further enquired whether the Administration had informed the applicants of the reasons for rejection of their applications so that the applicants could, having regard to VC's comments, submit their revised applications.

32. USCED advised that VC's assessment on applications was based on a set of pre-determined criteria, including value, benefits and cost effectiveness of the projects as well as project management capability of the applicants. DS(C&I)2 supplemented that a breakdown of the 58 applications which were not funded after VC's consideration was provided in footnote 5 of the Administration's paper, including 34 unsuccessful applications. These 34 applications were not approved mainly because the proposed projects could not directly meet PASS' objectives. In this regard, the PASS Secretariat had, in response to VC's suggestions, put extra emphasis on PASS' objectives when promoting the scheme. The Administration had also uploaded onto the PASS website a full list of the funded projects for reference by interested organizations to facilitate their preparation for the submission of applications. Unsuccessful applicants were advised of VC's considerations and concerns, and were welcome to resubmit applications after making suitable revisions to address the issues identified.

33. Regarding the six approved applications declined by the applicants, Mr YIU Si-wing was keen to ensure that it was not because of miscommunication between the applicants and the PASS Secretariat. DS(C&I)2 said that the PASS Secretariat maintained communication with applicants and it was understood that the offers were declined mainly because the applicants had decided not to take forward the projects after reviewing the budgets. The number of offers declined was only minimal.

34. In response to Dr CHIANG Lai-wan's enquiries about the assessment mechanism of applications and background of the VC members, DS(C&I)2 advised that the Administration had set up a VC to consider the applications, recommend on the level of funding support, and monitor approved projects. VC was chaired by a renowned member of the business community and comprised members drawn from or were knowledgeable about the professional services sector, such as professionals, businessmen and academics. VC, with its wealth of knowledge and experience with Hong Kong's professional services, had played an important role in scrutinizing applications and examining whether the proposed

projects could meet PASS' objectives.

35. Noting that ineligible applications (such as those submitted by organizations without sufficient proof of non-profit-distributing status; and those with target beneficiaries outside the scope of eligible professional services sectors) were not counted towards the total number of 114 applications considered by VC in the past two years, Dr CHIANG Lai-wan enquired about the exact number of those ineligible applications and whether the Administration would relax the eligibility criteria to cater for such applications. She also sought clarifications on whether charitable institutions or trusts of a public character which were tax exempted under section 88 of the Inland Revenue Ordinance (Cap. 112) would also be eligible to apply for PASS.

36. USCED advised that PASS was open to applications by non-profit-distributing organizations, i.e. organizations which did not distribute profits to their directors, members, shareholders, employees or any other persons. An applicant-organization was required to provide supporting documents such as its Memorandum and Articles of Association to prove that it was non-profit-distributing in nature. DS(C&I)2 supplemented that the Administration had so far received around 70 ineligible applications.

List of eligible professional services sectors

37. Dr Priscilla LEUNG referred to Annex A to the Administration's paper and enquired whether it was an exhaustive list of eligible professional services sectors as stated therein. Mr YIU Si-wing asked whether the Administration would consider including other services sectors as eligible for funding under PASS. On this, Dr LEUNG further asked whether the Administration would consider incorporating other relatively new services industries which required specific technical knowledge, such as the beauty services, into the list.

38. DS(C&I)2 advised that the list of eligible professional services sectors (as set out in Annex A to the Administration's paper) was an exhaustive list, drawn up with reference to the classification of the World Trade Organization ("WTO") and supplemented by the classification of the Hong Kong Trade Development Council ("HKTDC") to take into account local circumstances. The list could capture those sectors which were generally regarded as "professional services" in the community. It covered a wide range of both traditional sectors (e.g. accounting, legal, building and construction and health) and relatively new sectors (e.g. arbitration and mediation, information and communications technology ("ICT") and technical testing and analysis). The Administration would monitor the developments of WTO's classification and reflect new developments, if any, in the list of eligible professional services sectors under PASS where necessary.

39. Dr Priscilla LEUNG further said that there might be uncertainties on WTO's development as the WTO Appellate Body had paralyzed due to the lack of Appellate Body members, and asked whether it would still be appropriate to make reference to WTO's classifications for the PASS list of eligible professional services sectors. DS(C&I)2 replied that the Administration was not aware of any disputes on WTO's classification for professional services, and the classification still provided an important benchmark to define the scope of "professional services" for the operation of PASS.

40. Mr CHAN Chun-ying was concerned that among the 56 funded projects, only a few were relevant to financial services and ICT services. Given that financial services was one of the pillar industries in Hong Kong, he asked whether the Administration would step up efforts to encourage organizations of the financial technology ("fintech")-related professional services sector to apply for PASS, say for instance, by classifying fintech as a standalone sector under the list of eligible professional services, instead of including it under ICT services so that the interested organizations of the relevant sector could easily be aware of their eligibility for PASS applications.

41. DS(C&I)2 said that a total of 56 projects had been funded under PASS in the past two years and they covered a wide range of sectors. The full list of funded projects (and information on the sectors involved) was available on the PASS website, which hopefully would provide useful reference for other organizations interested in applying for PASS in respect of projects for the respective sectors in the future. USCED added that in response to members' enquiries at the Panel meeting on 21 June 2016, the Administration had assured members that fintech and information security services sectors were included in ICT services and were supported by PASS.

Promotion of the Professional Services Advancement Support Scheme

42. Mr Martin LIAO asked how did the Administration promote PASS to Hong Kong's professional services sectors in the past and how would the Administration step up its promotion efforts in the future, so as to assist Hong Kong's professional services sectors in tapping business opportunities under the Belt & Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area. Dr CHIANG Lai-wan called on the Administration to step up its promotion efforts and assist the non-profit-distributing organizations to apply for PASS.

43. USCED replied that the Administration had been promoting PASS through various channels, including events such as the SME One Fund Fair organized by the Hong Kong Productivity Council and the Administration's SME Symposium in

September 2019, and would continue to promote PASS through multiple means. The Administration would also continue to assist Hong Kong's professional services sectors to capitalize on the opportunities brought by the Belt & Road Initiative by organizing overseas business and professional missions in conjunction with relevant organizations, such as HKTDC, for exploring potential investment or development projects.

44. DS(C&I)2 supplemented that, according to the questionnaire survey, the three channels which were considered by PASS grantees as the most effective in promoting PASS included the PASS website, outreach meetings conducted by the PASS Secretariat and regular PASS briefing sessions tied in with each round of applications. The PASS Secretariat would continue to maintain communication with potential organizations from time to time to encourage interested organizations to make good use of PASS for taking forward their projects.

Vetting of applications and release of funding

45. In response to Mr YIU Si-wing's enquiry, DS(C&I)2 advised that there was no geographical restrictions for PASS projects. Non-profit-distributing organizations might apply for funding to carry out non-profit-making projects within or outside Hong Kong which were aimed at (a) increasing exchanges and cooperation between Hong Kong professionals and their counterparts in external markets; (b) promoting relevant publicity activities; and/or (c) enhancing the standards and external competitiveness of Hong Kong's professional services.

46. Noting that the PASS grant had covered travel and accommodation cost for project team members and certain participants attending PASS events outside Hong Kong, Mr WONG Ting-kwong enquired whether there were any limits on such expenditure items and, if so, whether the applicants would be notified of the limits in advance. Besides, as PASS applicants might for better preparation start the relevant travel and accommodation arrangement prior to getting formal approval of their PASS applications, Mr WONG asked in the case that the approved grant was less than the proposed amount, whether the applicants were allowed to shoulder the shortfalls on their own and go ahead with their proposed project according to the original plan.

47. DS(C&I)2 advised that the coverage of PASS grant on travel and accommodation expenses was now confined to project team members. Having taken into account the feedback received from grantees, the Administration would extend funding support for travel and accommodation expenses to (a) participants with active roles in PASS events outside Hong Kong (e.g. speakers and panellists) and (b) participants taking part in relatively longer professional internship/attachment programmes. VC would assess the merits of each

application on a case by case basis. The PASS grant would cover only the cost of economy class airfare and basic accommodation. To ensure proper use of public funds, PASS grantees would be required to comply with relevant procurement procedures for their projects.

48. DS(C&I)2 added that the PASS grantee had to submit the proposed budget and cashflow projection of the project for approval before signing the Project Agreement. Recognizing the possibilities that the actual project expenditure might exceed the approved project cost, the Administration would allow for certain flexibility and autonomy for grantees in redistributing grant among approved budget items, subject to the overall cap of the PASS grant. If the total actual project cost had exceeded the approved project cost, the grantee was required to shoulder the difference.

49. Dr CHIANG Lai-wan asked about the normal processing time from the receipt of a PASS application to its approval and the release of the approved grant to the grantee. While expressing concern about the liquidity burden on the non-profit-distributing organizations for the launch of their projects, Dr CHIANG asked whether the PASS grant was disbursed upfront or on a reimbursement basis.

50. Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry)4 ("PAS(C&I)4") replied that VC normally met in about six to eight weeks after the deadline of each round of applications to consider funding applications. The applicants would be informed of the results in about two to three weeks after VC's recommendations. The successful applicants would then need to prepare the cashflow projection of the projects for approval and sign the Project Agreements with the Administration in about one month's time. The successful applicants might commence their projects after signing the Project Agreements.

51. DS(C&I)2 added that where justified, urgent applications could be considered by circulation outside the normal quarterly cycle and so far there were two applications considered by circulation. To enhance PASS' operation and user-friendliness, the Administration would expedite the processing time by seeking VC's consideration of applications for smaller-scale projects of shorter duration (i.e. those with PASS funding not exceeding HK\$300,000 and project period not exceeding 18 months) and other straight-forward projects by way of circulation outside the normal assessment cycle.

52. Whilst supporting the Administration's proposal to disburse PASS grant upfront on a lump sum basis to all smaller-scale projects of shorter duration, Dr CHIANG Lai-wan sought elaborations on how would the Administration release the PASS funding to grantees implementing projects with PASS funding

exceeding HK\$300,000.

53. DS(C&I)2 responded that for approved projects with PASS funding exceeding HK\$300,000 or project period exceeding 18 months, the PASS grant would continue to be disbursed to the grantees by instalment with reference to the approved cashflow projection of the projects and subject to the fulfillment of project milestones. As PASS grant was disbursed upfront (in one go or by instalment, as the case might require), PASS grantees would not be required to pay relevant expenses in advance out of their pockets. In response to Dr CHIANG Lai-wan's enquiry as to whether one-off events were acceptable by VC, DS(C&I)2 advised that there were no particular restrictions on the types of non-profit-making projects eligible under PASS and one-off events were not uncommon among the funded projects.

Procurement requirements

54. Given the limited supply of large-scale venues comparable to the Hong Kong Convention and Exhibition Centre ("HKCEC"), making it difficult for the applicants to fulfill the procurement requirements for venue hire, Dr CHIANG Lai-wan suggested that the Administration should consider waiving the requirements on the minimum number of quotations for venue hire should the funded projects be held in HKCEC. Sharing Dr CHIANG's view, Mr WONG Ting-kwong called on the Administration to address this practical difficulty faced by applicants.

55. DS(C&I)2 replied that the Administration was aware of the difficulties faced by the funded organizations in seeking quotations for procuring each and every cost items. To strike a balance between enhancing PASS' operation and user-friendliness and ensuring prudent use of public money, the Administration would relax the requirements for the number of quotations for the procurement of lower cost items under PASS, by making reference to the practice of other similar funding schemes. PAS(C&I)4 supplemented that the grantees should accept the lowest conforming bid unless with justifications and with the Administration's prior written consent.

56. Regarding Dr CHIANG Lai-wan's concern over the procurement requirements for venue hire under paragraph 54, the Chairman suggested that an applicant might consider appointing an implementation agent to carry out the funded project, so that the PASS grantee could do away with making separate procurements for individual cost items, including venue hire. DS(C&I)2 replied that in any event, when seeking services of implementation agents for projects implementation, PASS grantees should adhere to the prescribed procurement procedures for appointing implementation agents in a fair and open manner.

VI. Any other business

57. There being no other business, the meeting ended at 4:25 pm.

Council Business Division 1
Legislative Council Secretariat
11 February 2020