

Chapter V : Economic Services

5.1 At the Chairman's invitation, the Secretary for Economic Services (SES), Ms Sandra LEE, briefed members on the main initiatives of the programmes under her policy area (Appendix V-4).

Competition policy

5.2 Mr Fred LI referred to the allocation of \$2.26 million (including personal emoluments, departmental expenses and non-recurrent expenditure), representing 2% of the block allocation for the Economic Services Bureau (ESB), for implementing the competition policy in 2001-02 and noted that only five posts in ESB (including 2 directorate posts and 3 non-directorate posts) were tasked to undertake the work of competition policy and other policies. He questioned the commitment of the Government to the promotion of competition given such low financial and staffing provisions.

5.3 In response, the Deputy Secretary for Economic Services (DS(ES)1) said that whilst ESB played a co-ordinating role on competition policy matters and provided secretariat support for the Competition Policy Advisory Group (COMPAG), all policy bureaux and departments were also involved in promoting competition in their respective policy purview and had to give due regard to the competition angle in formulating and implementing policies. Hence, the resource provision for ESB for competition-related work did not represent the overall resource commitment of the Government in this area.

5.4 On the follow-up actions taken by the COMPAG on the eight competition-related complaints received in 2000-01, DS(ES)1 advised that COMPAG had examined all these complaints, and where appropriate, had referred individual cases to relevant bureaux and departments for follow-up actions, and had requested them to report progress to COMPAG in due course. The Consumer Council was also represented on COMPAG. On the outcome of the eight complaint cases, DS(ES)1 advised that some were found not substantiated and some required further study. She added that COMPAG would report on the position of the complaints received in its annual report.

5.5 Referring to the simultaneous imposition of a service fee by mid-stream operators in February 2001, Mr CHEUNG Man-kwong enquired whether this constituted an anti-competitive practice, and, if so, what action would be taken by the Administration. The Deputy Secretary for Economic Services (3) advised that the issue of competition in the container freight industry would be

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discussed in detail at the meeting of the Economic Services Panel to be held on 26 March 2001. ESB, being the bureau responsible for the relevant policy area, would examine the issue and report to COMPAG, where appropriate.

5.6 Mr CHEUNG Man-kwong pointed out that some anti-competitive practices might have significant impact on consumers and the overall economy. However, under the existing mechanism, neither COMPAG nor ESB had any statutory power to investigate into or take actions against alleged anti-competitive practices. He queried whether the current approach for handling competition-related complaints could effectively tackle anti-competitive practices.

5.7 Mr SIN Chung-kai said that while the Administration had indicated its stance against the enactment of a general competition law, it had undertaken to take sector-specific measures to safeguard competition. In this regard, he enquired whether ESB had any plan to enact legislation to rectify anti-competitive behaviour and promote competition in specific sectors as was the case in the telecommunications sector. In reply, SES said that for 2001-02, ESB had not earmarked any new provision for the purposes.

5.8 Mr James TIEN said that Members of the Liberal Party did not support the enactment of a general competition law to deal with the problems. He however expressed concern about the difficult business environment faced by the business sector, in particular the small and medium enterprises. He pointed out that electricity tariffs, fuel prices, and container freight tariffs had been maintaining at high levels despite the downturn in the economy. He urged the Government to deploy sufficient resources to examine ways to introduce more competition in the markets.

5.9 Mr Kenneth TING shared Mr James TIEN's view. He highlighted his concern about the high level of terminal handling charges (THC) and the lack of transparency of the pricing mechanism for THC. He urged the Administration to carry out in-depth studies into relevant issues with a view to enhancing the competitiveness of the Hong Kong port.

5.10 In response, SES said that although no specific provision had been earmarked in the 2001-02 estimates for undertaking consultancy studies on competition in specific sectors under ESB's purview, in view of members' concerns, ESB would review the need for additional resources to strengthen the policy support, including undertaking consultancy studies in future.

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5.11 Ms Audrey EU enquired about the details of the non-recurrent provision of \$1.2 million for engaging a consultant to advise the Administration on competition issues in other economies. DS(ES)1 advised that in handling some competition issues, the Administration might want to draw reference from the experience of overseas economies. Whilst the consultants would not be required to conduct study of overseas experience in enacting all-embracing fair competition laws and in the operation of competition authorities, they could be asked to provide information and views for reference, when the Administration needed to understand certain competition issues in overseas economies. The areas of work and the duration of study would vary from case to case, depending on actual requirements. DS(ES)1 also clarified that the consultant's services would not include conducting inquiries.

Development of logistics services

5.12 Mrs Miriam LAU declared interest that she was a member of the Hong Kong Port and Maritime Board. She pointed out that for Hong Kong to develop into a logistics centre, it was necessary to co-ordinate various public and private organizations to develop an integrated air-sea-land transport network in the region. In view of the importance of the policy initiative and the amount of work involved, she queried the reasons for the Administration to reduce the financial provision for the relevant programme area "Air and sea communications" of ESB by 10.1% in 2001-02.

5.13 SES agreed with Mrs LAU that logistics service development involved a wide scope of facilities and services and thus required substantial co-ordination among public and private organizations. Presently, the two Deputy Secretaries responsible for air and sea transport respectively were working together on logistics service development in Hong Kong. They were tasked to co-ordinate relevant policy bureaux and departments in formulating a longer term logistics development strategy and to undertake consultations with stakeholders where appropriate. They also provided policy input for the work of the Committee on Logistics Service Development formed under the Hong Kong Port and Maritime Board, which would publish the results of their study on logistics service development in Hong Kong later this year.

5.14 SES further said that as highlighted in her introductory speech at this meeting, formulation of a longer term logistics development strategy and strengthening the infrastructural link between Hong Kong and the Pearl River

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Delta Region were important targets for the year ahead. She assured members that ESB would review resources for this area of work. She thanked members for their concern regarding resources for different policy areas under ESB and agreed to review the resource provision in the light of the bureau's policy portfolio. She hoped members would support resource bids put forward before them in future.

5.15 Mr HUI Cheung-ching enquired whether the Administration had any plan to assist the business sector to grasp the business opportunities arising from the development of Western China, with particular regard to further development of the port and logistics services. SES replied that the Administration kept abreast of the development of Western China in its planning for long term infrastructural development.

Control measures for emission of black smoke from vessels

5.16 Noting that emission of black smoke from vessels was subject to regulation under the Shipping and Port Control Ordinance (Cap 313), Miss Emily LAU enquired about the relevant enforcement work in 2000-01 and the control measures to be implemented in 2001-02.

5.17 In reply, the Director of Marine (D of M) confirmed that very few prosecutions had been filed so far, as there were inadequacies in existing legislation. He explained that under Cap. 313, a vessel emitting black smoke in such quantity as to be a nuisance was an offence but enforcement actions could only be taken in response to complaints. In this regard, an objective standard for defining "excessive emission" was not provided for in the legislation. In view of the difficulties, the Administration planned to introduce legislative proposals to define excessive emission with reference to the standards adopted in the Air Pollution Control Ordinance (Cap. 311). It would also require all local vessels to undergo smoke tests during regular inspection. The objective of the legislative proposals was to enable the Marine Department (MD) to take speedy enforcement actions in respect of vessels emitting excessive smoke.

Hiring of commercial vessels as patrol launches

5.18 Noting that MD planned to hire two commercial vessels in 2001-02 to replace two existing patrol launches on a pilot basis, Mr CHAN Kam-lam enquired how the outsourcing arrangement could reduce costs. D of M advised that the outsourcing arrangement was recommended in a management study on

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the operation of the government fleet conducted by the Management Services Agency. As two existing patrol launches were approaching the end of their serviceable life, MD took the opportunity to try out the outsourcing arrangement, under which the hired vessels would be manned by the contractor under the command of the MD officers. He confirmed that the outsourcing arrangement would not require additional resources as the savings in staff costs and maintenance costs would be sufficient to recover the hiring costs.

5.19 Mr CHAN Kam-lam considered that the cost of operating government vessels should not be significantly higher than that of hiring commercial vessels, unless there were problems with MD's existing staff deployment and vessel maintenance arrangements. D of M responded that MD did not envisage any major problems in existing operation. However, for general conveyance purposes, the cost of hiring commercial vessels was found to be lower than that of operating government vessels. To optimize resource allocation, outsourcing arrangement had already been practiced by some other government departments.

Licensing of inbound travel agents

5.20 Mr Howard YOUNG enquired about the resource requirement of the Travel Agents Registry (TAR) for undertaking the future task relating to the licensing of inbound travel agents. In reply, the Commissioner for Tourism (CT) advised that currently, TAR was responsible for the licensing of some 1 100 outbound travel agents. It had an establishment of 14 and would be reduced to 13 under the Enhanced Productivity Programme. The annual operating expenses of the office amounted to some \$11 million. The current plan was for the TAR to absorb the new work on licensing of inbound travel agents with existing resources.

Detention of seizures for investigation by Customs and Excise Department

5.21 Mrs Selina CHOW expressed concern that prolonged detention of seizures by the Customs and Excise Department (C&ED) for investigation might be unreasonable and might cause substantial economic loss to the parties concerned. She thus enquired whether the Administration would take measures to avoid prolonged detention and draw up performance pledge in this regard. In response, CT explained that some cases of seizures might involve complicated issues such as the infringement of copyright, and thus might require further testing

and investigation. As the situation varied from case to case, it was not practicable to set a general guideline on the duration of detaining seizures by C&ED. She however agreed to examine with C&ED to see how disturbance to the normal operation of the business sector could be minimized.

Air traffic control

5.22 Miss CHOY So-yuk enquired about the plan to expand the runway capacity of the Hong Kong International Airport (HKIA) and the corresponding air traffic control measures to ensure aviation safety. In reply, the Director-General of Civil Aviation advised that the declared runway capacity of HKIA had progressively increased from 37 to 45 movements per hour since the commissioning of the second runway in August 1999 and the runway capacity would be further increased to 47 movements per hour with effect from 25 March 2001. To meet the increasing aircraft movements, the Civil Aviation Department (CAD) made ongoing improvements/refinements to its air traffic control (ATC) systems and procedures and provide quality training for ATC personnel. He also informed members that CAD had commissioned the United Kingdom Civil Aviation Authority to conduct a comprehensive review of the ATC operation at HKIA to ensure that Hong Kong was well prepared for the increasing air traffic in future.

Introduction of a natural gas based common carrier system

5.23 Recalling that the Administration had published a "Report on the feasibility study of introducing common carrier system for gas supply in Hong Kong" in 1997, Mr LAU Chin-shek queried why ESB planned to commission another consultancy study on the same subject and enquired about the timetable for the latter consultancy study and the work plan thereafter.

5.24 DS(ES)1 advised that after the publication of the 1997 consultancy report, ESB has discussed with the Hong Kong and China Gas Company Limited regarding the separation of the accounts for gas transportation from other activities with a view to laying the groundwork for third party access and possible introduction of natural gas as a fuel for Hong Kong. The Electrical and Mechanical Services Department had also conducted some researches on the related safety issues. She remarked that as highlighted in the 1997 consultancy report, issues relating to the reliability and adequacy of natural gas supply and the cost-effectiveness of providing a common carrier system for gas supply in Hong

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Kong required further examination. To take the matter forward, in 2001-02, ESB would commission a gas consultant to examine relevant overseas experience and to ascertain the issues that needed to be addressed, taking into account recent developments such as the proposed development of a liquefied natural gas terminal in Shenzhen. As the detailed scope of the consultancy study had yet to be worked out, a specific timetable for the study was not available at this stage.

Hong Kong Observatory

5.25 On the use of the non-recurrent provision of \$1.2 million for the Hong Kong Observatory (HKO) to promote public awareness and preparedness regarding natural disasters, the Director of the Hong Kong Observatory (DHKO) advised that the HKO planned to produce a six-part TV documentary with themes on torrential rain, thunder storms, tropical cyclones, extremely hot and cold weather and extremely humid and dry weather.

5.26 In reply to Mr Henry WU's enquiry about the work to promote public awareness of and preparedness for radiation problems, DHKO advised that this subject fell under the purview of the Security Bureau (SB). According to his understanding, SB had published pamphlets on radiation-related matters including the contingency plan in the event of nuclear emergencies.