

**立法會**  
**Legislative Council**

LC Paper No. CB(1)628/00-01  
(These minutes have been  
seen by the Administration)

Ref: CB1/PL/ES/1

**Legislative Council**  
**Panel on Economic Services**

**Minutes of meeting held on**  
**Tuesday, 16 January 2001, at 2:30 pm**  
**in the Chamber of the Legislative Council Building**

**Members present** : Hon James TIEN Pei-chun, JP (Chairman)  
Dr Hon LUI Ming-wah, JP (Deputy Chairman)  
Hon Kenneth TING Woo-shou, JP  
Hon Eric LI Ka-cheung, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, JP  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching  
Hon CHAN Kam-lam  
Dr Hon Philip WONG Yu-hong  
Hon Howard YOUNG, JP  
Hon LAU Chin-shek, JP  
Hon CHOY So-yuk  
Hon Abraham SHEK Lai-him, JP  
Hon Henry WU King-cheong, BBS  
Hon Audrey EU Yuet-mee, SC, JP

**Non-Panel member attending** : Hon CHAN Yuen-han

**Members absent** : Dr Hon David LI Kwok-po, JP  
Hon Fred LI Wah-ming, JP  
Hon SIN Chung-kai  
Hon Mrs Miriam LAU Kin-ye, JP

Action

**Public officers  
attending**

**: Agenda Item IV**

Economic Services Bureau

Ms Sandra LEE, JP

Secretary for Economic Services

Miss Mary CHOW

Deputy Secretary for Economic Services (2)

Civil Aviation Department

Mr Albert K Y LAM

Director-General of Civil Aviation

Mr W Y LEUNG

Assistant Director-General of Civil Aviation  
(Engineering and Systems)

**Agenda Items V & VI**

Economic Services Bureau

Ms Sandra LEE, JP

Secretary for Economic Services

Ms Maria KWAN, JP

Deputy Secretary for Economic Services (1)

Mr Alex WONG

Principal Assistant Secretary for Economic Services

Electrical and Mechanical Services Department

Mr Roger LAI Sze-hoi

Deputy Director of Electrical and Mechanical Services  
(Regulatory Services)

Mr Stephen CHAN

Chief Engineer of Electrical and Mechanical Services  
(Electricity Legislation)

**Agenda Item VII**

Economic Services Bureau

Ms Sandra LEE

Secretary for Economic Services

Action

Mr Alex FONG  
Deputy Secretary for Economic Services (3)

Marine Department

Mr Raymond TANG  
Assistant Director of Marine (Multi-lateral Policy)

**Clerk in attendance** : Mr Andy LAU  
Chief Assistant Secretary (1)2

**Staff in attendance** : Ms Anita SIT  
Senior Assistant Secretary (1)8

---

**I Confirmation of minutes and matters arising**

(LC Paper No. CB(1)461/00-01 - Minutes of meeting held on  
19 December 2000)

The minutes of the meeting held on 19 December 2000 were confirmed.

2. Regarding the suggestion made by Miss CHOY So-yuk at the last meeting that the Panel should follow up the construction of a convention and exhibition centre at the airport island, the Chairman reported that a related issue, i.e. the provision of additional convention and exhibition facilities in Hong Kong, would be discussed at the Commerce and Industry Panel on 12 February 2001. He suggested that interested members could attend the meeting.

**II Information papers issued since last meeting**

(LC Paper No. CB(1)406/00-01 - Tables and graphs showing the import and retail prices of major oil products from December 1998 to November 2000

LC Paper No. CB(1)460/00-01(01) - Infrastructure for Penny's Bay development, package 1 Yam O Tuk fresh water service reservoir and associated works)

3. Members noted the above information papers issued since the last meeting.

4. Members noted that the Administration intended to submit the public works

Action

proposal set out in paper CB(1)460/00-01(01) to the Public Works Subcommittee (PWSC) on 14 February 2001. The Chairman pointed out that if the Administration wished to solicit the Panel's views on major financial or legislative proposals, it should propose relevant agenda items for discussion at Panel meetings; formal consultation should not be regarded to have taken place by the mere circulation of information papers. As such, the Chairman suggested that the Administration should be asked to consider deferring the aforesaid proposal to a later PWSC meeting so that the Panel could discuss the proposal at the next Panel meeting scheduled for 26 February 2001. If the Administration considered this arrangement not practicable for some reasons, it should be reminded not to include remarks in the relevant PWSC proposal to suggest that the Economic Services Panel had been consulted on the proposal and had expressed support for (or had not expressed objection to) the proposal. Members agreed.

*(Post-meeting note: Subsequent to the meeting, the Administration has requested and the Chairman has agreed to include an agenda item "Infrastructure for Penny's Bay development, package 1 Yam O Tuk fresh water service reservoir and associated works" for discussion at the next Panel meeting to be held on 26 February 2001.)*

**III Items for discussion at the next meeting scheduled for 26 February 2001**

(LC Paper No. CB(1)460/00-01(02) - List of outstanding items for discussion  
LC Paper No. CB(1)460/00-01(03) - List of follow-up actions)

5. Members agreed to discuss the following items at the next meeting scheduled for 26 February 2001 -

- a) Container terminals and port facilities in Hong Kong; and
- b) Maintenance and transfer of title of gas pipes laid along external walls of premises.

**IV Replacement of route surveillance radar and enhancement of the air traffic control systems**

(LC Paper No. CB(1)460/00-01(04) - Information paper provided by the Administration)

6. The Director-General of Civil Aviation (DGCA) briefed members on the proposal to replace the Route Surveillance Radar (RSR) at Mount Parker and enhance six critical Air Traffic Control (ATC) Systems.

7. Noting that the fault rate of the existing RSR had been on average at 29 occurrences per year between 1996 and 2000, Mr HUI Cheung-ching enquired whether

Action

this situation had given rise to any major problem. DGCA replied that no major aviation safety problem had arisen due to the past outages of the RSR. He explained that in the event of an RSR outage, contingency ATC procedures using other radars or shifting the operation to a non-radar mode were in place to ensure safety of air traffic. However, the contingency procedures might result in a reduction in airspace capacity.

8. Regarding the installation and commissioning schedule for the replacement RSR, the Assistant Director-General of Civil Aviation (Engineering and System) (ADGCA/ES) advised that the current plan was to commence installation of the replacement RSR in September 2003 for commissioning by end 2003. DGCA added that there would be a four-month period between the decommissioning of the existing RSR and commissioning of the replacement RSR. The Chairman queried why the replacement RSR was not installed before the decommissioning of the existing RSR. DGCA replied that the Administration had considered the option of locating the replacement RSR at an alternative site so that the replacement RSR could be commissioned before the decommissioning of the existing RSR. It was however concluded that locating the replacement RSR at the existing site at Mount Parker was the preferred option as the site provided the least obstructed radar coverage. Moreover, developing another site for the purpose would require additional cost.

9. Noting from the discussion paper that the RSR was an essential tool for detecting aircraft position, the Chairman, Miss CHOY So-yuk and Mr Henry WU expressed grave concern that aviation safety in Hong Kong's airspace would be put at risk during the four-month time gap. DGCA responded that during the period, air traffic controllers would obtain information on aircraft position from the remaining two primary surveillance radars and the secondary surveillance radars. For aircraft with an unserviceable transponder and thus could not be detected by the secondary surveillance radars, control would be reverted to a non-radar mode with greater aircraft separation to maintain flight safety. In addition, CAD would notify airlines and aircraft operators of the special arrangements.

10. Miss CHOY So-yuk urged the Administration to closely monitor the radar installation works to ensure that the works were completed within the shortest possible period. Mr Henry WU urged the Civil Aviation Department (CAD) to exercise the greatest care in its ATC operation during this period. DGCA assured members that the aforesaid special arrangements for the four-month period when the service of the RSR at Mount Parker would be suspended were in compliance with the safety requirements of the International Civil Aviation Organization.

11. Regarding the disposal arrangement for the existing RSR, DGCA advised that the RSR would be returned to the Government Supplies Department for disposal in accordance with established arrangement. He considered that the RSR and its parts would be of low residual value given its outdated design.

12. Members noted that the costs of the proposed radar replacement and enhancement of ATC systems would be recovered from the Airport Authority through

Action

the ATC Services Charge and the En-route Navigation Services Charge. The former charge would be increased by about 0.3% in 2002-03 and a further 0.6% in 2004-05, while the latter charge would be increased by about 0.8% in 2002-03 and a further 1.7% in 2004-05.

13. Mr Henry WU enquired about the impact of the airport charges increases on the competitiveness of the Hong Kong International Airport (HKIA). In reply, DGCA and ADGCA advised that the amortized project costs, which had taken into account the savings in maintenance and repair as a result of the upgrading, for the radar replacement and enhancement of ATC systems would be recovered over a 20-year period and a 15-year period respectively. For members' reference, he advised that for large aircraft, a 0.3% increase in the ATC Services Charge would represent an additional cost of less than \$100. The Secretary for Economic Services (SES) supplemented that in absolute terms, a 0.3% increase in the ATC Services Charge and a 0.8% increase in the En-route Navigation Services Charge only amount to about \$1.8 million and \$1.35 million each year respectively. This should not have a great impact on the competitiveness of the HKIA.

14. Mr Howard YOUNG remarked that sufficient advance notice of the airport charges increases should be given to airlines and aircraft operators. DGCA advised that the Aviation Advisory Board had expressed support for the proposed radar replacement and ATC systems upgrading, given the knowledge of the resultant increases in airport charges. He also informed members that the Airport Authority discussed with the International Air Transport Association the review on airport charges every year.

15. The Deputy Chairman enquired about the number of qualified suppliers of the proposed replacement RSR in the market and the relevant tendering procedure. DGCA advised that there were a number of radar equipment suppliers worldwide and he envisaged that at least five to six suppliers would be interested to bid for the RSR procurement contract. As in the case of other Government projects, the contract would be awarded through an open tendering exercise. The Administration would notify overseas countries where radar equipment was manufactured through their consulates in Hong Kong of the tendering exercise in due course. Tenders for the RSR procurement contract would be assessed by the ATC experts in CAD based on a set of pre-determined criteria. The assessment results would be submitted to the Central Tender Board for consideration and approval before the award of contract. SES assured members that the tendering exercise would be open and fair. She noted that Hong Kong had to comply with the requirements prescribed in the World Trade Organization Agreement on Government Procurement, the objective of which was to ensure non-discriminatory treatment amongst domestic and foreign suppliers of goods or services and to enhance the transparency of the public procurement system.

16. Noting that the replacement RSR would have the same detection range of 200 nautical miles (NM) as the existing RSR, Mr CHAN Kam-lam enquired whether alternative models of primary surveillance radar capable of a greater detection range

Action

were available in the market and the normal detection range of the primary surveillance radars deployed by other international airports. DGCA and ADGCA advised that an effective detection range of 200 NM was already the design limit for a civilian primary RSR and currently, most international airports deployed primary RSRs with a maximum detection range of 200 NM.

17. The Chairman invited members to indicate whether they supported the proposal under discussion by a show of hands. As a majority of the members present indicated support, the Chairman concluded that the Panel was in support of the proposal.

**V Overseas electricity market restructuring experience**

(LC Paper No. CB(1)460/00-01(05) - Discussion paper provided by the Administration)

18. The Deputy Secretary for Economic Services (1) (DS/ES(1)) said that the Administration would like to brief members on the key findings of the overseas visits undertaken by the Economic Services Bureau (ESB) and the Electrical and Mechanical Services Department (EMSD) on the electricity market restructuring experience in other places and the proposed way forward for the review of the electricity supply sector in Hong Kong. The Principal Assistant Secretary for Economic Services (PAS/ES) gave a Powerpoint presentation on the subject of overseas electricity market restructuring experience. (The presentation notes were tabled at the meeting and circulated to members thereafter vide LC Paper No. CB(1)483/00-01. )

19. The Chairman pointed out that although there were two power companies operating in Hong Kong, the public in fact did not have any choice of electricity suppliers. He asked the Administration to give a clear indication on when the public, irrespective of the location of their residence, could have a choice at least between the two power companies.

20. Mr CHAN Kam-lam sought elaboration on the Administration's position and plan for interconnection between the CLP Power Hong Kong Ltd. (CLP) and the Hong Kong Electric Company Limited (HEC).

21. In response, SES advised that the current plan was to identify options and map out the broad direction for the electricity supply sector before the next interim review of the Scheme of Control Agreements (SCAs) with the power companies in 2003. As the SCAs were due to expire in 2008, the Government would want to give early notice of its intentions to all interested parties including the power companies if any major prospective changes to the existing arrangement were contemplated. Referring to recent electricity supply problems in California, she stressed that in pursuing any changes to the electricity supply sector, adequate and reliable electricity supply must be maintained, as they were vital to Hong Kong's interests.

Action

22. Regarding the implementation of increased interconnection between HEC and CLP, SES advised that a consultancy study on interconnection and competition in the electricity supply sector in Hong Kong had been completed at the end of 1999. As this was only an initial feasibility study, there was a need to conduct further technical studies to examine a number of planning, reliability and logistics issues and the time-frame required for the construction of additional interconnectors between the two power companies. The Administration had already finalized the study brief and would shortly appoint a consultant to conduct the study.

23. The Deputy Director of Electrical and Mechanical Services (Regulatory Services) (DD/EMS(RS)) supplemented that currently, the power systems of HEC and CLP were independent from each other and are not designed for regular and constant electricity flow on a large scale between the two systems. The study would examine various technical issues including the required capacity and routing of interconnection cables, the impact of interconnection on the stability of the transmission networks of the power companies, and measures to address possible technical problems.

24. Mr CHEUNG Man-kwong said that as acknowledged by the Administration at the presentation by PAS/ES, there were concerns by the Hong Kong public that the existing SCAs allowed local power companies to obtain excessive profits but did not provide adequate protection for consumers. It was against this background that the Administration instigated the work in charting the future development of the electricity supply market in Hong Kong for the post-2008 regime. Mr CHEUNG then questioned whether the Administration would seek to implement HEC-CLP interconnection before the expiry of the SCAs in 2008, if after thorough examination and consideration, it was confirmed that regular HEC-CLP interconnection was technically feasible, economically viable and beneficial to the general public in the long term.

25. In response, SES highlighted that currently, the two power companies each operated their own generation, transmission and distribution facilities. Depending on how increased interconnection was to be used, changes to the present regulatory framework might be required. While the Administration was committed to pursuing interconnection, the Administration had not yet formed a view on the way forward. The current plan was to complete relevant technical studies on increased HEC-CLP interconnection by the end of 2001. In parallel, the Administration would examine the economic regulation issues with a view to mapping out viable options for the post-2008 regime. As these tasks involved complicated technical, economic and regulatory issues, she could not guarantee that the various issues pertinent to interconnection would have been fully addressed by 2003. She also stressed that since any major changes to the electricity supply sector would have significant implications for Hong Kong's economy, they should not be pursued in haste. The Administration would seek to identify the optimum option.

26. DS/ES(1) supplemented that as pronounced earlier on, the Administration considered increased interconnection as the logical step forward for the longer term.

Action

The Administration would proceed to ascertain whether and how it could be best be implemented to attain benefits desired. It should however be recognized that apart from the technical issues, the implementation of increased interconnection might require a complementary regulatory framework and might involve changes to the existing regulatory regime.

27. On Mr CHEUNG's suggestion of raising increased interconnection with the two power companies before the expiry of the SCAs in 2008, DS/ES(1) advised that as had been done at the last interim review of the SCAs, the Administration would again examine possible improvement measures with the power companies at the coming interim review in 2003 taking into account the views of the public. She however stressed that any modification to the SCAs would require the consent of the parties to the agreements.

28. The Deputy Chairman pointed out that although increased interconnection involved complicated technical issues, there was a good deal of overseas experience from which Hong Kong could draw useful reference. He considered that the main obstacle for early implementation of increased HEC-CLP interconnection was the reluctance of the two power companies to pursue interconnection. He thus enquired whether the Administration had any plan to overcome this difficulty.

29. SES re-affirmed that the Administration paid heed to the concerns expressed by the community about the lack of consumer choice in the electricity market. Hence over the past year, the Administration had been actively pursuing the issue of increased interconnection and the related issue of market restructuring. She reiterated that the Administration must adopt a very prudent approach on the issue, and the introduction of competition to the electricity market must be considered in conjunction with the important objective of ensuring adequate, reliable and efficient electricity supply.

30. In reply to the Chairman's enquiry about the time required for building the required interconnectors to implement regular and constant power flow between HEC's and CLP's systems, DD/EMS(RS) advised that based on past experience, the required construction works would take about five years.

31. In reply to Mr CHAN Kam-lam's enquiry about the experience of the Mainland in electricity market reform, SES advised that ESB and EMSD had visited Guangdong recently and learned that the Mainland was pushing ahead with market reform of the power industry with a view to privatization and introducing competition. At present, some power plants in Guangdong were privately owned while some were state owned. There was interconnection between Guangdong and other provinces/cities in the Mainland as well as Hong Kong but the situation of the competitive reform of the electricity market in the Mainland was still very fluid.

32. Ms EU Yuet-mee commented that in mapping out the future regime for the electricity supply sector, the Administration should give due regard to environmental factors. She enquired about the policy in this regard and whether alternative power

Action

generation methods which were more environmental-friendly would be explored for the longer term. In reply, SES confirmed that environmental protection was an essential consideration in drawing up all development plans for Hong Kong. As far as electricity supply was concerned, the Administration had all along encouraged the two power companies to implement practicable measures to enhance environmental standards in the delivery process.

**VI Directorate staff for electricity market review**

(LC Paper No. CB(1)460/00-01(06) - Discussion paper provided by the Administration)

33. DS/ES(1) briefed members on the proposal to create a non-civil-service post of Electricity Adviser (EA) at D2/D3 level in ESB for three years and a permanent post of Chief Electrical & Mechanical Engineer in EMSD, both with effect from 1 April 2001. Members noted that the Administration intended to submit the proposal to the Establishment Subcommittee on 21 February 2001.

34. Mrs Selina CHOW expressed support for the creation of the EA post on account of the need to strengthen the in-house capacity and expertise of ESB for undertaking a review on the electricity supply sector. She was however concerned that the proposed three-year duration for the post might not be sufficient having regard to the planning and implementation time frame for the post-2008 regime. Mrs CHOW and Mr Howard YOUNG also enquired why outside consultants would still be engaged to carry out related studies for the said review given the prospective appointment of the EA.

35. SES and DS/ES(1) advised that review of the electricity supply sector would be a mammoth and complex task. The proposed EA would be supported by a multi-disciplinary team within ESB for the review and to work out the direction and options for the future market structure and regulatory regime. Notwithstanding this, the Administration would still need to engage outside consultants to carry out studies on specific issues which the Administration lacked the required expertise or in-house resources. In fact, as mentioned in the paper for the previous agenda item, the Administration was undertaking a tendering exercise for a consultancy study on the technical aspects of increased interconnection.

36. As regards the proposed three-year duration of the EA post, SES explained that as the current plan was to map out the direction for the post-2008 regime by 2003, it would not be practicable at this stage to say whether the EA's service would continue to be required after 2003. The Administration would review the continued need for the EA post/appointment in due course.

37. Members pointed out that the EA should possess rich experience in interconnection and electricity market restructuring and as such, it might be necessary to look for suitable candidates from overseas. SES confirmed that the post would be

Action

open to both local and overseas candidates. As to whether the EA appointment would facilitate the transfer of expertise to in-house staff, DS/ES(1) advised that as set out in item (f) of the job description of the EA post, one of the duties of the EA was to train and transfer market restructuring knowledge and expertise to permanent in-house staff.

38. The Chairman pointed out that the EA should not have any personal interest in any of the local power companies. SES assured members that the Administration would ensure no conflict of interest between the EA and the existing power companies. She also took note of the Chairman's comment that when taking up the appointment, the EA should have an open mind on various options of electricity market structure.

Admin. 39. At the Chairman's request, SES agreed that upon the appointment of the EA, the Administration would provide information on the credentials of the post-holder subject to the latter's consent.

40. The Chairman invited members to indicate whether they support the proposal under discussion by a show of hands. As a majority of the members present indicated support and no member indicated objection or abstention, the Chairman concluded that the Panel unanimously supported the proposal.

**VII Promotion of international maritime safety - amendment of subsidiary legislation**

(LC Paper No. CB(1)460/00-01(07) - Information paper provided by the Administration)

41. The Assistant Director of Marine (Multi-lateral Policy) (AD/M(MP)) briefed members on the legislative proposals relating to marine safety and pollution prevention as set out in the discussion paper.

42. Noting that the relevant international conventions were adopted or amended in the years between 1994 and 1997, Mr CHAN Kam-lam queried why corresponding legislative proposals had not been introduced earlier. The Deputy Secretary for Economic Services (3) (DS/ES(3)) clarified that although the International Marine Organization had adopted in 1994 the amendments to Chapter V of the International Convention for the Safety of Life at Sea concerning navigation safety, it was not until late 1998 that the requisite 50% of member countries had endorsed the amendment proposal to give effect to the amendments. He further explained that international conventions concerning port control and marine safety were introduced or amended from time to time. The Administration usually undertook a major updating of relevant domestic legislation every two to three years, and thereafter introduced relevant legislative proposals to the Legislative Council in batches. The time-gap would not affect marine safety in Hong Kong as merchant ships registered in Hong Kong were provided timely information on international marine conventions and would earnestly comply with these conventions.

Action

43. Pointing out the importance of maintaining Hong Kong as an international shipping hub, Mr CHAN Kam-lam considered it preferable to expedite the updating of domestic legislation to implement international marine conventions. Taking note of Mr CHAN's concern, SES and DS/ES(3) further explained that for this area of work, the Administration had the update of the principal ordinances on merchant shipping and port control first and this had been done in the past one to two years. As this task had been completed, the Administration would start the updating of the relevant subsidiary legislation. SES also informed members that a series of legislative proposals on marine safety and port control were in the pipeline for consultation with this Panel in the coming months.

44. Miss CHAN Yuen-han enquired about the consultation undertaken on the legislative proposals concerning training and qualification requirements for seafarers as set out in paragraphs 5 and 6 of the discussion paper. AD/M(MP) replied that the Shipping Consultative Committee had been consulted on the proposals and the committee comprised representatives of both ship owners and shipping personnel unions.

45. The Chairman concluded that members supported in principle the legislative proposals under discussion.

**VIII Any other business**

46. There being no other business, the meeting ended at 4:35 pm.