

立法會
Legislative Council

LC Paper No. CB(1)946/00-01
(These minutes have been
seen by the Administration)

Ref: CB1/PL/ES/1

Legislative Council
Panel on Economic Services

Minutes of meeting held on
Monday, 26 February 2001, at 10:30 am
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
Dr Hon David LI Kwok-po, JP
Hon Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon CHAN Kam-lam
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon Mrs Miriam LAU Kin-yee, 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 members attending : Hon Albert HO Chun-yan
Hon CHAN Yuen-han

Action

**Public officers
attending**

: Agenda Item IV

Economic Services Bureau

Miss Winnie HO
Assistant Commissioner for Tourism

Water Supplies Department

Mr M C LEUNG
Assistant Director/New Works

Mr S T IP
Senior Engineer/Design(2)

Civil Engineering Department

Mr K K CHAN
Chief Engineer/Special Duties (Co-ordination)

Agenda Item V

Economic Services Bureau

Mrs Rebecca LAI
Commissioner for Tourism

Mrs Erika HUI
Assistant Commissioner for Tourism

Territory Development Department

Mr John BINKS
Chief Engineer/Islands

Mr Talis WONG
Senior Engineer

Agenda Item VI

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Action

Mr Alex FONG
Deputy Secretary for Economic Services (3)

Agenda Item VII

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Ms Maria KWAN, JP
Deputy Secretary for Economic Services (1)

Miss Vega WONG
Principal Assistant Secretary for Economic Services (C)

Home Affairs Bureau

Mr Francis LO
Principal Assistant Secretary for Home Affairs

Electrical and Mechanical Services Department

Mr UY Tat-ping
Assistant Director/Gas & General Legislation

Mr John FLOYD
Chief Engineer/Gas Utilization

**Attendance by
invitation**

: Agenda Item VI

HK Container Terminal Operators Association

Mr Eric IP
Chairman

Hong Kong Liner Shipping Association

Mr Jim POON
Chairman

Mr Roberto GIANNETTA
Secretary

Action

Hong Kong Shippers' Council

Mr Willy LIN
Chairman

Mr Sunny HO
Executive Director

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)628/00-01 - Minutes of meeting held on 16 January 2001)

The minutes of meeting on 16 January 2001 were confirmed.

II Information papers issued since last meeting
(LC Paper No. CB(1)535/00-01 - Tables and graphs showing the import and retail prices of major oil products from January 1999 to December 2000)

2. Members noted the information issued since the last meeting.

III Items for discussion at the next meeting scheduled for 26 March 2001
(LC Paper No. CB(1)646/00-01(01) - List of outstanding items for discussion
LC Paper No. CB(1)646/00-01(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting to be held on 26 March 2001 -

- (a) Maintenance and repair of gas service pipes along external walls of private premises (This item was originally scheduled for discussion at the meeting but due to time constraint, members agreed to defer the discussion of the item to the next meeting.);
- (b) Port development and competition in the container freight industry;
and

Action

(c) Review of the Consumer Council Ordinance.

4. In respect of item (b) above, Mr SIN Chung-kai referred to a letter from the China Hong Kong Transportation Conference dated 22 February 2001 tabled (issued to members after the meeting vide LC Paper No. CB(1)680/00-01) and suggested that the Administration be asked to provide an update on the attempt among the stakeholders in the container freight industry to resolve the dispute over the collection of a \$40 mid-stream service fee. He also suggested that the related issue of competition in the mid-stream sector be discussed at the next meeting. Members agreed. The Chairman said that depending on the development of the mid-stream service fee issue, relevant organizations might be invited to take part in the discussion.

IV Infrastructure for Penny's Bay Development, Package 1 - Yam O Tuk Fresh Water Service Reservoir and Associated Works
(LC Paper No. CB(1)646/00-01(03) - Discussion paper provided by the Administration)

5. The Assistant Director/New Works, Water Supplies Department (AD/WS(NW)) briefed members on the proposal for the construction of a fresh water service reservoir at Yam O Tuk and associated works for Penny's Bay Development, Package 1.

6. Members sought clarification on whether the proposed service reservoir was designed to serve other possible future developments in North Lantau, other than Hong Kong Disneyland (HKD). The Assistant Commissioner for Tourism (AC/T) and AD/WS(NW) confirmed that the proposed reservoir was designed to cater for the fresh water demand of Phase 1 of HKD and the associated government, institution and community facilities (GIC) up to year 2014. However, sufficient land had been provided for future expansion to cater for other possible developments at Penny's Bay. AD/WS(NW) also confirmed that the reservoir would be used for the storage of treated fresh water.

7. Regarding the basis for the design capacity of 13 000 cubic metres (m³) of the proposed service reservoir, AD/WS(NW) advised that based on the information provided by Hongkong International Theme Parks Limited, it was estimated that the annual fresh water demand of HKD and the associated GIC facilities would be about 11 000 m³ in 2004, gradually increasing to 13 000 m³ between 2008 and 2014. The demand projection had taken into account the anticipated annual attendance of about five million in the first year of HKD's operation and the estimated growth of attendance in the following years.

8. Mr CHAN Kam-lam queried whether it would be more cost-effective to construct a service reservoir with a greater capacity in the first place to also cater for the demand generated by HKD Phase 2. In reply, AC/T advised that development of HKD Phase 2 would depend on the operational success of Phase 1. There was no

Action

specific timetable at present for Phase 2 development.

9. Mr Henry WU queried why the proposed service reservoir, which would be close to Yam O, was not designed to also serve the future developments there. AD/WS(NW) explained that the main function of the service reservoir was to stabilize water pressure as the water demand level of HKD would fluctuate at different times of a day. The water mains for distribution of fresh water to HKD had already been laid in the utility service road along the North Lantau Highway. He also advised that there would be separate plans for the provision of water supply systems to serve the future developments in other areas in North Lantau such as Yam O and Tai Ho.

10. Noting from the discussion paper that the project by itself would lead to a slight increase in water charges by a maximum of 0.06% in real terms by 2006, Mr HUI Cheung-ching queried whether the increase in water charges would be offset by savings attained through productivity enhancement. AD/WS(NW) explained that in every waterworks funding proposal, the Administration would provide an estimate on the effect of the project concerned on water charges, based on the estimated additional recurrent expenditure arising from the operation of the relevant facilities, assuming other factors being unchanged. However, it did not mean that the construction of the proposed service reservoir would actually result in an increase in water charges. Indeed, adjustments to water charges would hinge on a number of factors including productivity enhancement and would be a separate issue to consider.

11. In reply to Mr LAU Chin-shek's enquiry, AD/WS(NW) confirmed that there was no intention to fill the new jobs arising from the proposed works by overseas employees.

12. In reply to Mr CHAN Kam-lam's enquiry, AD/WS(NW) advised that usually, service reservoirs were constructed at about 90 to 100 metres above sea level and the site for the proposed reservoir was 90 metres above sea level. Fresh water would be pumped to the service reservoir from the fresh water treatment plant at Siu Ho Wan and then delivered by gravity flow to HKD through the water mains along the North Lantau Highway.

13. In reply to Mr Henry WU's enquiry, AD/WS(NW) advised that a number of shrubs and tree seedlings would be planted to mitigate the visual impact of the proposed facilities including the proposed exposed fresh water mains.

14. The Chairman concluded that the Panel in principle supported the proposal under discussion.

Action

V Tung Chung cable car project
(LC Paper No. CB(1)646/00-01(04) - Discussion paper provided by the Administration)

15. The Commissioner for Tourism (C/T) briefed members on the proposal for the development of a cable car system on Lantau Island.

16. Pointing out that there was only one tourist attraction, namely the Giant Buddha and the Polin Monastery, at Ngong Ping at present, members expressed concern on whether there would be sufficient patronage for the cable car system and enquired whether the Administration had any plan to develop more tourist attractions in conjunction with the cable car project.

17. Mr LAU Chin-shek queried whether the project was compatible with relevant Government's policies as the project would apparently benefit a particular private organization. He also enquired whether the organization managing the Polin Monastery and the Giant Buddha was a commercial entity or a non-profit-making organization.

18. In response, C/T advised that the cable car system would provide an additional transportation facility for access to the Giant Buddha and the system itself would serve as an additional tourist attraction. According to the estimates of the Hong Kong Tourist Association, there were around 800 000 overseas tourists visiting the Giant Buddha each year. While the Administration did not have information on the exact number of local visitors, some 1.7 million passengers made use of the bus service to Giant Buddha each year.

19. Regarding the financial viability of the project, C/T advised that according to the feasibility study undertaken by the Mass Transit Railway Corporation (MTRC), it was estimated that with a base fare of \$55 for a round trip journey, the cable car system could attract some 1.4 million to 2.6 million passengers each year. Both the MTRC study and the one undertaken by the Government's financial consultant had concluded that the project was financially viable, taking into account the capital and operating costs and the need for a reasonable investment return.

20. Regarding the concern on whether the project would be seen as providing special advantage for a private organization, C/T advised that whether the existing tourist attraction at Ngong Ping was a commercial enterprise or otherwise was not the main consideration underlying the decision to pursue the cable car project. The Administration considered the cable car project worth pursuing mainly because the project would bring about socio-economic benefits to the whole community by inducing additional tourist visitation to attractions on Lantau Island. The cable car system on its own might also be regarded as a visitor attraction. Pursuant to the same objective, the Administration would be prepared to consider similar projects to boost tourist visitation to other attractions. C/T also remarked that the Polin Monastery and the Giant Buddha were private properties and the Government had not provided any

Action

subsidy for their development and operation. On the other hand, the proposed cable car system would be constructed and operated by commercial interests and thus the project would not incur any direct cost to the Government.

21. On the provision of complementary tourist facilities, C/T advised that bidders might make suggestions for complementary and supporting facilities such as restaurants and retail outlets. Separately, the Administration would plan for the associated infrastructure facilities such as the required sewage treatment facilities.

22. Mrs Selina CHOW concurred that the cable car project would help promote tourism and thus bring about economic benefits to Hong Kong, though the benefits might not be readily quantifiable. She considered that the Government should adopt a flexible and open-minded approach in pursuing the project. She also suggested that the Administration should liaise with the organization managing the Polin Monastery and the Giant Buddha on measures to improve or upgrade the latter's services and facilities to cater for the increased visitation brought about by the cable car system. C/T assured members that the Administration would seek to co-operate with the organization to improve relevant services and facilities.

23. Members considered that the development of additional tourist attractions accessible by the future cable car system had important implication on the attractiveness of the cable car project for prospective bidders. They suggested that, if practicable, the Administration should draw up relevant plans and release such information to the public before the project was put out to tender.

24. In response, C/T stressed that the project was considered financially viable in the MTRC study and by those corporations which had expressed interest in the project on the basis of the existing development situation at Ngong Ping and the nearby areas. She however agreed that Ngong Ping and the nearby areas had potential for development of additional tourist attractions and undertook to work with relevant bureaux and departments in examining future planning for the area.

25. Mr SIN Chung-kai commented that the decision to proceed with the cable car project was announced by the Financial Secretary as early as 1998. It appeared that over the past few years, the Administration had not undertaken comprehensive planning for the project. Mr Kenneth TING shared the view that the Administration should have drawn up a more detailed development plan in conjunction with the cable car project. The Chairman remarked that if additional tourist attractions were planned only after a commercial entity had been selected to implement the cable car project, the Government might be subject to criticisms that the additional tourist attractions were planned with special regard for the interest of the commercial entity.

26. Mrs Selina CHOW and Miss CHAN Yuen-han shared the view that additional tourist attractions should be developed at Ngong Ping and urged the Administration to capitalize the natural environment in planning for additional facilities/places of interests in the area.

Action

27. In response, C/T explained that it would take a few years' time to complete the required planning for additional tourist attractions and therefore it would not be practicable to await the completion of further planning before putting out the cable car project to tender. She assured members that irrespective of which commercial entity were selected to implement the cable car project, the Administration would plan for additional tourist attractions and other complementary facilities pursuant to the policy objective of promoting tourism while giving due consideration to the environmental factors.

28. Noting that the Government would not require the project developer to pay a land premium but a royalty payment for the franchise instead, Ms EU Yuet-mei said that although the project cost would be undertaken by commercial entities, it would involve an opportunity cost as the site involved could not be put out for sale. She therefore enquired about the estimated cost of the land and the return period set by the Administration to recover the land cost.

29. In reply, C/T advised that it was unlikely that the project would require any land resumption, except that the Airport Authority would need to give up the land on the Airport Island designated for the intermediate station of the cable car system. She further advised that as the land at Ngong Ping was mountainous and included areas which are ecologically sensitive, there was no development plan for the area at present. Although the land required for the Tung Chung town centre terminal might have commercial development value, there was also no plan to dispose of the land by sale. Hence, given the present land-use planning, the land for the cable car project would not involve an opportunity cost to the Government. On the other hand, the operation of the cable car system would generate income for the Government through the royalty payment by the project developer and the support payment for commercial space at full market value.

30. Noting that the project would be implemented on a Build-Operate-Transfer (BOT) model, Mrs Miriam LAU expressed concern that in order to obtain a reasonable return on the investment, the project developer might set the fare at a high level. In response, C/T confirmed that the Government would not seek to regulate the fare nor the profit of the cable car system. Hence, the franchise agreement for the project would not include any provisions in these respects. She explained that the cable car system would not be the only means of transportation for access to Ngong Ping. It would have to compete with franchised bus services. In this connection, the Chairman highlighted the need to give particular attention to the safety aspects of the project proposals of bidders.

31. Mr Henry WU was also concerned about the safety of the cable car system. He enquired whether consideration had been given to the wind factor in fixing the preferred alignment of the system. C/T advised that the total length of the cable car system would be about 5.7 kilometres whereas the cable car system in the Ocean Park was 1.36 kilometres. On account of the wind factor, the preliminary preferred

Action

alignment referred to in the discussion paper had mainly routed along the valleys rather than the mountain ridges.

32. Regarding the construction cost for the cable car system, C/T advised that the cost could vary substantially depending on the type of cable car system to be constructed. While a mono-cable system, such as the one in the Ocean Park, would require a lower construction cost, a bi-cable or a tri-cable system could support larger cable cars and the towers could be constructed at greater intervals. In the MTRC study, the feasibility of both a bi-cable system and a tri-cable system had been examined and the estimated construction cost was around \$700 million. She confirmed that the Administration would not prescribe the type of cable car system to be constructed when the project was put out to tender.

33. As regards the franchise period for the project, C/T advised that the franchise period would range between 30 years to 50 years but a decision had yet to be taken. The period was set at 50 years when the business sector was invited to express an interest on the project earlier on but in the MTRC study, it was assumed to be 40 years. Indeed, the sensitivity analysis undertaken by the Government's financial consultant concluded that variation in the franchise period between 30 years to 50 years would have little effect on the return of the project.

34. Mr CHAN Kam-lam considered that the length of the franchise period would have significant effect on the prospective return for the project developer and would affect the latter's ability to borrow funds for the project. The pressure to increase fare would generally be lower under a longer franchise period.

35. Mr Abraham SHEK pointed out that in determining the franchise period, the Administration should take into consideration the service life span of the cable car system. He was concerned that upon the expiry of the franchise period, the system handed over to the Government would have been depleted or would even be a liability to the Government.

36. In response, C/T and the Chief Engineer/Islands, Territory Development Department (CE/I, TDD) confirmed that the system would require a major renewal after certain years' of operation and indeed, the service life span of the system was a major factor affecting the sensitivity of the project return to the franchise period. CE/I, TDD further advised that the Administration would include relevant requirements in the project agreement to preserve the value of the system, such as compulsory renewal of the system before the expiry of the franchise period. Moreover, there would be strict control over the maintenance of the system. Furthermore, the project agreement might provide the option of extending or renewing the franchise, thus providing incentives for the operator to renew the system.

37. Mr Howard YOUNG expressed doubt on whether it would be economical to provide an intermediate station on the Airport Island, bearing in mind that there were already bus routes running between the Airport Island and the Tung Chung town centre.

Action

He asked whether provision of the intermediate station would be a compulsory requirement in the project agreement. Mr Henry WU shared the concern of Mr YOUNG.

38. In response, C/T advised that the Airport Authority had expressed support for providing an intermediate station on the Airport Island on the consideration that the station would serve to capture the interest of the transit air passengers in taking a short trip to Ngong Ping. She however agreed to critically consider whether the provision of the station should be made compulsory in the project agreement.

39. Noting that a new enabling legislation and a project agreement would be prepared to provide a legal framework for the granting of the franchise and the construction, operation and maintenance of the cable car system, Mrs Miriam LAU enquired whether the enabling legislation would be enacted before the project was put out to tender or otherwise. C/T explained that the new enabling legislation and the project agreement would be drawn up on the basis of the project proposal of the successful bidder. This arrangement would provide greater flexibility for bidders in drawing up their proposals. The Administration planned to invite detailed proposals from bidders in the second quarter of 2001.

40. The Chairman concluded that members were generally in support of the cable car project on consideration that the project would help promote tourism in Hong Kong. However, members had raised some concerns for the Administration's consideration.

VI Container terminals and port facilities in Hong Kong

(LC Paper No. CB(1)646/00-01(05) - Discussion paper provided by the Administration)

41. The Deputy Secretary for Economic Services (DS/ES) took members through the discussion paper.

42. At the invitation of the Chairman, Mr Eric IP, Chairman of the Hong Kong Container Terminal Operators Association (HKCTOA) highlighted that all along, there had been keen competition among the four container terminal operators in Hong Kong. The operators set their tariffs independently having regard to the market situation. The objective of forming the HKCTOA was not to reduce competition among the operators but to co-ordinate their efforts to maintain the competitiveness of the Hong Kong port in face of increasing competition from neighbouring places such as Shenzhen and Taiwan.

43. Mr Jim POON, Chairman of the Hong Kong Liner Shipping Association (HKLSA), said that the HKLSA performed the functions of an agency for cargo shipment. As far as terminal handling charges (THCs) were concerned, the ship owners agreed on the THC for different ports based on relevant cost data. There had

Action

been ongoing consultation and dialogue among the shipping lines, shippers and terminal operators on matters relating to THCs.

44. Mr Willy LIN, Chairman of the Hong Kong Shippers' Council (HKSC), said that although the container terminals were providing quality services, the THC in Hong Kong were the highest in the world. As most Hong Kong's exports were shipped on free on board terms, the right to choose a shipping line lied with the overseas buyer. In the case of Hong Kong importers who normally purchased a relatively small quantity of goods, the right to choose a shipping line lied with the overseas exporter. Hence, shippers in Hong Kong had virtually no choice of container terminals and shipping lines, nor any say on the THC. Over the past years, HKSC had called for greater transparency of the pricing mechanism for THC and had sought to establish a formal mechanism for regular discussion with shipping lines and terminal operators on THC matters. He remarked that if the THC in Hong Kong remained high and the lack of transparency persisted, more shippers would divert their shipments to other ports.

45. Mr HUI Cheung-ching expressed concern that the continued lack of transparency of the pricing mechanisms of the container freight industry would lead to frequent disputes as manifested in the recent incident relating to the service fee imposed by mid-stream operators. DS/ES responded that a consultation process was on-going among the shipping lines and shippers for discussion on THC matters. The Administration played a facilitator role to ensure open and positive communication among the parties. The Administration held the view that matters on THC and other freight charges should be negotiated among the parties concerned.

46. Mr SIN Chung-kai said that according to a press report, the THC in Hong Kong were the highest in the world, costing more than HK\$2,000 per container on the transpacific trades, whereas the THC in Taiwan, Japan and Shenzhen were in the order of HK\$1,000 per container only. He queried the reasons for the substantially higher THC in Hong Kong.

47. Mr Eric IP clarified that THC were not collected by container terminal operators but by shipping lines. He remarked that in Taiwan and Japan, the container terminals were built by the government and then let to shipping lines for operation. In Hong Kong, the seabed area for the construction of the terminals was allocated through competitive bidding and the terminals were developed and operated by container terminal operators without any Government subsidy. Hence, the capital investment made by the container terminal operators in Hong Kong was much higher compared with the container terminal operators in other places.

48. Mr SIN Chung-kai requested information on the components of THC with a breakdown on the respective charges imposed by shipping lines and container terminals. Mr Eric IP responded that container terminal tariffs were negotiated between individual terminal operators and shipping lines, and he did not have on-hand information on the tariffs charged by individual terminal operators. He stressed that

Action

container terminal operators could not determine tariffs at will, as shipping lines, through their liner conferences, possessed very strong bargaining power.

49. Mr Kenneth TING expressed grave concern about the high THC in Hong Kong which, he considered, was eroding Hong Kong's competitiveness. He cautioned that due to the high THC, some major enterprises had already diverted their shipments to Shenzhen. He commented that if there was genuine competition among the container terminal operators in Hong Kong, the THC in Hong Kong should not be so high as at the present.

50. Mr Jim POON said to the best of his knowledge, there was no significant variation among the tariffs charged by the four container terminal operators in Hong Kong. He remarked that THC were charges collected by shipping lines to recover from the shippers the cost of paying the container terminals for the loading or unloading of the containers, and other costs borne by the shipping lines at the port of shipment or destination. The majority portion of THC was related to container terminal tariffs. If container terminal operators charged higher tariffs, THC would be correspondingly higher. On the other hand, shipping lines which had joined liner conferences were bound to charge a uniform freight rate.

51. In this regard, DS/ES supplemented that whilst the rates and THC set by the liner conferences provided guidance to the trade, due to intense competition in the international shipping market, the actual rates paid by the shippers could vary and were often negotiated between the shippers and the shipping lines and reflected the demand and supply situation and the bargaining powers of the parties concerned.

52. DS/ES further said that in comparing the cost of using different ports for shipments, the total door to door transportation costs to the port of shipment including handling costs should be taken into account. In this connection, he informed members that such cost difference between the Hong Kong port and the Shenzhen ports was around US\$200 for the shipment of a 40-foot equivalent unit container from Dongguan to the United States in 1998, US\$40 in 1999 and US\$150 in 2000. These figures revealed that the cost difference could fluctuate significantly at different points in time.

53. Mr CHAN Kam-lam concurred that THC should be viewed as part of the total cargo transportation and handling cost. He commented that the present operation of the container terminals in Hong Kong was already very mature, and thus there was limited room to sustain productivity enhancement. As such, he considered that the Administration should assist the industry to improve the efficiency of the various cargo transportation and handling processes in order to lower the relevant costs. He also requested information on the land premium and the container terminal development cost vis-a-vis the tariffs charged by container terminal operators.

54. In response, Mr Eric IP said that the container terminal operators might not be willing to provide the information as requested by Mr CHAN. It was also not

Action

feasible to generalize the situation of the container terminals in Hong Kong as each terminal's situation was unique in terms of the land premium, development cost and the mode of operation etc. He also remarked that over the years, container terminal operators had spent a lot of efforts and resources to raise the productivity of their terminals, thus maintaining the Hong Kong port as the busiest container port in the world.

55. Miss CHOY So-yuk said that the THC remained the most important factor in determining the competitiveness of the Hong Kong port. She pointed out that while the Shenzhen ports were experiencing very rapid growth, the Hong Kong port could only make incremental improvements. She also observed that while the Shenzhen ports had simplified their charging systems, the Hong Kong port regressed in this regard with occasional introduction of new charges. She also considered that the lack of transparency of the pricing mechanisms of the industry should be seriously addressed.

56. SES responded that the Administration was not complacent with the present achievement of the Hong Kong port. Instead, the Administration had been closely monitoring the situation and seeking improvements in various aspects such as simplifying customs clearance procedures, developing the necessary infrastructure and strengthening the inter-modal links to the port. The Administration would also carry out marketing campaign in overseas shipping markets. DS/ES supplemented that the Port and Maritime Board had been monitoring the competitiveness of the Hong Kong port. For this purpose, it had set up a Subcommittee on Container Port Competitiveness to develop competitive measures and a Committee on Logistics Service Development to look into the port's integration with other elements in the logistics supply chain.

57. Mrs Miriam LAU declared interest that she was a member of the Hong Kong Port and Maritime Board. She pointed out that while the port throughput of Hong Kong had experienced significant growth over the past two years, there had also been mounting grievances among some sectors of the container freight industry, notably the mid-stream operators and the operators of public cargo working areas, against the difficult business operating environment. She enquired whether the Administration had devised any measures to assist the sectors to overcome their difficulties.

58. DS/ES said that there was intense intra-sector and inter-sector competition as well as co-operation in the container freight industry. Of the port throughput of 18.1 million 20-foot equivalent units (TEUs) (for 2000) of Hong Kong, two-third were handled at container terminals (with four operators), one-sixth at mid-stream sites (with 11 operators being members of the Hong Kong Mid-stream Operators Association and some other operators of a smaller scale), and the remaining one-sixth at river-trade terminals and public cargo working areas (with about 200 operators). As for the land and sea cargo transportation sectors, there were hundreds of container truck and barge companies in Hong Kong and in the Mainland.

Action

59. Noting that one-sixth of the port throughput of Hong Kong was handled by mid-stream operators, Mr Fred LI sought information on the trends of mid-stream activities and the future demand for mid-stream services in Hong Kong. DS/ES informed members that the volume of cargoes handled by the mid-stream sector was 3.2 million TEUs in 1997, 2.6 million TEUs in 1998, 2.8 million TEUs in 1999 and 3.0 million TEUs in 2000. According to feedback from mid-stream operators, many indicated that mid-stream operators were operating at a loss, and they also expected that the demand for mid-stream services would reduce gradually with progressive productivity enhancement of existing container terminals and the commissioning of Container Terminal 9. In view of this trend, it was unlikely that there would be any recommendation in the Port Development Strategy Review to expand or develop new mid-stream facilities.

60. Miss CHAN Yuen-han commented that she observed that there had been frequent disputes on charges within the industry over the past few years and on most occasions, these disputes had not been resolved satisfactorily. She opined that the problems underlying these disputes should be thoroughly addressed lest disruptive incidents would recur and the normal operation and reputation of the Hong Kong port would be jeopardized.

Admin. 61. Members requested and the Administration agreed to provide the following information on the container freight industry for the Panel's further consideration -

- (a) The pricing mechanism for the container freight industry, including freight rates, THCs and other relevant cost items;
- (b) The overall handling cost in Hong Kong as compared to that of the major ports in Shenzhen, for example, Yantian;
- (c) The circumstances leading to the frequent disputes over the adjustment of THCs among different stakeholders in the container freight industry, and measures taken/to be taken by the Administration to avoid the recurrence of disruptive incidents;
- (d) The degree of competition among different operators in the respective sectors of the container freight industry, including container terminal, mid-stream, river trade, shipping line, and the trucking industry;
- (e) A comprehensive assessment of the cargo demand for the Hong Kong container terminals, mid-stream sites and river trade terminals and the need for additional infrastructure, taking into account the competition from neighbouring places such as Shenzhen and Taiwan; and

Action

- (f) Charts showing the THCs, the freight rates, and the throughput of major container ports in the world, including the Hong Kong and Shenzhen ports.

VII Maintenance and transfer of title of gas pipes laid along external walls of premises

(LC Paper No. CB(1)646/00-01(06) - Discussion paper provided by the Administration)

62. In view of time constraint, the Chairman suggested and members agreed to defer the discussion of the item to the next meeting.

VIII Any other business

63. There being no other business, the meeting ended at 1:10 pm.

Legislative Council Secretariat
30 March 2001