

立法會
Legislative Council

LC Paper No. CB(1)322/00-01
(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, 27 November 2000, at 10:45 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 Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
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-ye, JP
Hon CHOY So-yuk
Hon Abraham SHEK Lai-him, JP
Hon Henry WU King-cheong, BBS

Members absent : Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, JP
Hon CHEUNG Man-kwong

Public officers : **For Agenda Item IV**
Attending

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

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

Mr James WONG
Principal Assistant Secretary for Economic Services (FM)

Agenda Item V

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Mrs Erika HUI
Acting Commissioner for Tourism

Mr WU Kam-yin
Assistant Commissioner for Tourism

Agenda Item VI

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 NG Hon-wah
Principal Assistant Secretary for Home Affairs (2)

**Attendance by
invitation**

: Agenda Item V

Hong Kong Tourist Association

Mrs Grace LEE
Acting Executive Director

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Mr Tony TSE
Acting Deputy 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

Election of Deputy Chairman

Members noted that the by-election of the Deputy Chairman of the Panel was deferred from the last meeting on 24 October 2000. The Chairman invited nominations for the deputy chairmanship. Dr LUI Ming-wah was nominated by Mr Fred LI Wah-ming and seconded by Mr CHAN Kam-lam. Dr LUI accepted the nomination. There being no other nomination, Dr LUI Ming-wah was declared elected Deputy Chairman of the Panel.

Confirmation of minutes

(LC Papers No. CB(1)184 and 199/00-01 - Minutes of meetings held on 16 and 24 October 2000)

2. The minutes of the meetings held on 16 and 24 October 2000 were confirmed.

II Information papers issued since last meeting

(LC Papers No. CB(1)149/00-01 - Tables and graphs showing the import and retail prices of major oil products from October 1998 to September 2000; and
LC Papers No. CB(1)221/00-01 - Price increase of newspapers)

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

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III Items for discussion at the next meeting scheduled for 19 December 2000

(LC Papers No. CB(1)206/00-01(01) - List of outstanding items for discussion;
and
LC Papers No. CB(1)206/00-01(02) - List of follow-up actions)

4. Members agreed to discuss the following issues at the next meeting scheduled for 19 December 2000 -

- (a) Hong Kong Electric Co. Ltd.'s proposed tariff revision;
- (b) Travel Agents (Amendment) Bill; and
- (c) Merchant Shipping (Registration) (Amendment) Bill and Freight Containers (Safety) Ordinance - Regulations and Orders.

5. Mr Fred LI enquired about the present position regarding the provision of a regulatory mechanism to prevent oil companies from reaping profits through the concessionary duty rate for ultra low sulphur diesel. The Secretary for Economic Services (SES) replied that the Administration was discussing the issue with oil companies, and would revert to the Panel in due course.

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IV Hong Kong Electric Co. Ltd.'s proposed tariff revision

Tariff review for year 2001

6. The Chairman said that subsequent to the last meeting, it was reported by the media that the Hong Kong Electric Co. Ltd. (HEC) had proposed to raise its tariffs. In view of the wide public concern, he had decided to put this item on the agenda for the meeting. As a result of the change, the item on "Promoting competitiveness of Hong Kong as a logistics centre in the region" had been deferred.

7. At the invitation of the Chairman, SES briefed members that the Administration was still working with HEC on its annual tariff review and had not arrived at a decision at this stage. Hopefully, the Administration would be ready to report on the outcome at the next Panel meeting scheduled for 19 December 2000.

8. Mr CHAN Kam-lam expressed dissatisfaction with the lack of information on HEC's tariff review for members' perusal at this meeting. He also enquired about the timing of HEC's submission of the tariff revision proposal to the Administration which was reported to be later than the company's announcement of the same to the media.

9. SES replied that as far as she understood, HEC had mentioned about its annual tariff review for 2001 at a meeting with financial analysts. Within a few hours after the meeting, HEC had provided the Administration with a set of information on tariff review. After a preliminary study, the Administration found that further information from HEC was required to enable the Administration to assess HEC's financial position and the resulting need for tariff revision. As at present, the Administration

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had not yet obtained all required information. She assured members that the Administration would endeavour to complete the tariff review as soon as possible.

10. Mr Fred LI sought confirmation on whether HEC had proposed a 5% increase in its tariffs as reported by the media. SES replied that HEC had indicated that it was under financial pressure to raise tariffs. As the Administration was still examining the relevant information, it would not be appropriate for the Administration to comment on HEC's tariff revision proposal at this stage.

11. Members noted that the Administration had advised in its letter to the Clerk to the Panel dated 24 November 2000 that it would not issue any paper in relation to HEC's proposed tariff revision but HEC would give a presentation at the forthcoming meeting to be held on 19 December 2000. The Chairman sought clarification on the arrangement.

12. The Deputy Secretary for Economic Services(1) (DS/ES(1)) said that it had been the practice in the past that HEC would give a presentation on the company's tariff revision proposals at Panel meetings while the Administration would brief the Panel on the Administration's position on such proposals. She explained that HEC's tariff revision proposals usually involved commercially sensitive information which the company might not be prepared to release to the public at the time of the tariff review. The Administration therefore considered it more appropriate for the company to present its proposals before the Panel instead of the Administration providing a separate paper.

13. The Deputy Chairman opined that the Administration should provide the Panel with a paper on the issue early before the next Panel meeting so that members could peruse relevant information before the issue was discussed at the meeting. Mr CHAN Kam-lam concurred with the Deputy Chairman. Taking note of members' views, the Chairman requested and the Administration agreed to consult HEC on the Panel's request and provide the Panel with a paper before the next Panel meeting.

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Tariff adjustments for year 2000

14. Mr SIN Chung-kai referred to a newspaper advertisement posted by HEC on 16 September 2000 regarding the company's tariff adjustments for year 2000. (The newspaper advertisement was tabled at the meeting and was issued vide LC Paper No. CB(1)229/00-01 after the meeting.) He highlighted that according to the advertisement, the company had raised the basic tariff per unit by 6.3 cents and had reduced the rate reduction rebate by 0.4 cents per unit. These two adjustments had, however, been totally offset by an increase in the fuel clause rebate of 6.7 cents per unit. As a result, the net tariff per unit for all categories of customers at all levels of consumption remained unchanged. He questioned the justifications for and implications of the aforesaid tariff adjustments.

15. Mr Fred LI said that as far as he understood, HEC was required to seek the

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Government's agreement to any proposed increase in the basic tariff while the company had a certain extent of discretion to revise the various rebates from time to time. He therefore remarked that this kind of revision to the components of the tariff was indeed a kind of tariff increase. Mr LAU Chin-shek questioned whether the aforesaid tariff adjustments had enabled HEC to make an extra profit.

16. Members also questioned why the Administration had not duly consulted the Legislative Council (LegCo) on HEC's revision to the components of the tariff which might constitute a case of tariff adjustments.

17. In response, DS/ES(1) stressed that the main concern of HEC's customers was the actual amount of electricity charges payable by them. The Administration agreed to the revision to the components of the HEC's tariff because it would enable tariff payable to HEC customers to remain the same i.e. at the 1998 level. As in the past, future tariff would only be determined by HEC in consultation with the Government following its annual tariff review which would take into account the latest situation in respect of a number of things including fuel prices, interest rate trends, the company's financial position and operation details and the then economic circumstances.

18. As to whether the revision to the components of the tariff had enabled HEC to make any extra profit, DS/ES(1) suggested that members might seek further information in this respect from HEC at the next Panel meeting. She assured members that the company would not earn more than the permitted return under the Scheme of Control Agreement (SCA) signed between the Government and HEC. The Chairman opined that the Administration should provide the Panel with relevant information to address the aforesaid concern.

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19. Regarding consultation with LegCo on HEC's revision to the components of the tariff, DS/ES(1) explained that there was no change in the tariff payable by consumers. HEC's revised tariff components were set out in the bills issued by the company to its customers, and publicized by notice in some newspapers. The meeting also noted that LegCo was not in session when the announcement was made by HEC.

20. Members commented that it was unreasonable for the Administration to expect LegCo Members to obtain information on a local power company's tariff revisions through advertisements or through the bills issued by the company. Instead, the Administration being responsible for monitoring public utilities should have taken the initiative to consult Members on any tariff revision proposal of power companies. DS/ES(1) said that the Administration would review the relevant procedures taking into account members' comments.

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21. At the Chairman's request, the Administration agreed to provide further information to address members' concerns about the justifications for and implications of the adjustments to HEC's tariff components in September 2000.

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22. Mr SIN Chung-kai expressed grave concern that the Government's approval for

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HEC's proposals for additional generation facilities in May 2000 had increased the pressure for HEC to increase its tariff, and, in turn, the consuming public would have to bear a higher tariff. Mr LAU Chin-shek echoed Mr SIN's concern and sought clarification on the extent to which the consuming public would have to bear the burden of providing a permitted return for HEC's shareholders on the investment.

23. In response, DS/ES(1) stressed that adequate and reliable supply of electricity was vital. It would not be appropriate nor in the interest of the public to object to additional investments by the power companies across the board. The key concern should be whether the investment was timely and required to provide sufficient facilities to meet present and future demand. She advised that the Administration had reached agreement with the power companies on certain arrangements to provide better safeguards for consumers. Under the agreement, a proportion of the costs of a new generating unit installed, if it gave rise to excess capacity, would be excluded from the fixed assets for calculating the return to shareholders. Also, new generating units would generally be approved in principle in future by the Government individually, rather than as a series of units, and the company would review the latest position with the Government before entering into a procurement contract for them.

24. Mr LAU Chin-shek stated his view that the burden of providing a permitted return on the capital investment of power companies should not be fully borne by the consuming public, and that the return period should stretch over a reasonable duration to avoid causing undue impact on the public.

V Hong Kong Tourist Association (Amendment) Bill 2000

(LC Papers No. CB(1)206/00-01(03) - Information paper provided by the Administration)

25. Mrs Selina CHOW declared interest that she was the Chairman of the Board of Management of the Hong Kong Tourist Association (HKTA). She further advised members that she would address the Panel in her capacity as the Chairman of the HKTA Board.

26. At the invitation of the Chairman, the Acting Commissioner for Tourism (C/T(Atg)) briefed members on the background of and the major proposals covered by the Hong Kong Tourist Association (Amendment) Bill 2000 (the Bill).

27. Members noted that at present, the Board of Management of HKTA had 11 members. It was proposed under the Bill that the size of the Board of Management should be expanded to 20 members, of which, eight members should come from tourism related sectors and two from each of the following categories:

- (a) international passenger carrier;
- (b) hotel;
- (c) travel agent and tour operator; and

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(d) retail and restaurant business.

28. Members also noted that the remaining 12 members of the Board of Management would be directly appointed by the Chief Executive and that SES or the Commissioner for Tourism (C/T) would be an ex-officio member of the Board. Members also noted that the name of HKTA would be changed to "Hong Kong Tourism Board" (HKTB).

29. Mr SIN Chung-kai expressed support for setting up the HKTB to replace the existing HKTA's membership system and the proposed expansion of the size of the Board of Management as these changes would enhance the openness and representativeness of the future HKTB. He enquired about the nomination mechanism for representatives of the tourism related sector to the future HKTB Board.

30. SES advised that except for the category of retail and restaurant business, the other three categories of tourism related sectors proposed under the Bill largely resembled the current categories of travel industry members represented on the HKTA Board. The election procedures for the tourism related sector in the future HKTB Board would model on the existing one whereby members would be nominated by the respective industry associations.

31. The Chairman enquired about the rationale for allocating only eight seats of the HKTB Board for the aforesaid four categories of tourism related sectors while reserving 12 seats for direct appointment by the Chief Executive.

32. Mrs Selina CHOW explained that the allocation of eight seats of the HKTB Board to the aforesaid tourism related sectors was a recommendation made in the Strategic Organization Review (SOR) commissioned by the HKTA Board. This was to recognize the significance of these sectors to the development of tourism in Hong Kong and to ensure that with the abolition of HKTA's membership system, there should still be adequate representation of these sectors in the future HKTB Board. On the other hand, it was recognized that tourism cut across a wide spectrum of businesses and agencies and thus the aforesaid four categories would not be inclusive of all existing and future tourism-related businesses/agencies. The HKTA Board and the Administration therefore considered that flexibility should be provided in the composition of the future HKTB Board to cater for representation of various other tourism related businesses and agencies.

33. The Administration took note of the following suggestions from members regarding the composition of the future HKTB Board -

- (a) Mr Howard YOUNG opined that representative of local cruise operators and tourist attractions should be represented on the future Board;
- (b) Miss CHOI So-yuk opined that the sports and the arts sectors should be represented on the future Board;

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- (c) Mr SIN Chung-kai opined that environmental concern groups should be represented on the future Board; and
- (d) Mr Abraham SHEK opined that the film and the broadcasting sectors should be represented on the future Board.

SES replied that in considering the remaining 12 seats to be appointed by the Chief Executive, the Administration would consider members' suggestions.

34. Mrs Miriam LAU enquired whether the category of "international passenger carrier" would cover cross-border passenger carriers. In reply, C/T(Atg) advised that at present, this category of industry members covered only the members of the Board of Airline Representatives in Hong Kong. However, in the light of the present-day circumstances, it might be desirable to expand this category to include various types of carriers for international and cross-border passenger traffic. Mrs Miriam LAU suggested that the title of the class "international passenger carrier" should be renamed to reflect the expanded coverage for cross-border passenger carriers.

35. Mr CHAN Kam-lam enquired about the division of responsibilities between the Tourism Commission in the Economic Services Bureau (ESB) and the proposed HKTB. He was concerned about possible duplication of functions between the two bodies and how they would work jointly to take forward initiatives on tourism. The Deputy Chairman echoed Mr CHAN's concern. He commented that the proposed mission of HKTB were similar to the policy objectives of ESB in respect of tourism. He opined that it might be more effective to designate a single body, say the proposed HKTB, to oversee all matters pursuant to the development of inbound tourism in Hong Kong, including the formulation of strategies, implementation of new initiatives, supervision of tourism services providers as well as undertaking marketing functions.

36. In response, SES affirmed that there was a very clear delineation of responsibilities between the Tourism Commission in ESB and HKTA/HKTB and both sides were fully aware of their respective roles and working relationship. In brief, the Tourism Commission was responsible for formulating policies and overall strategies on tourism, planning and overseeing of the implementation of tourism-related infrastructure; co-ordinating among policy bureaux and departments to take tourism initiatives forward and handling regulatory and legislation-related matters, etc. On the other hand, HKTA/HKTB was responsible for tourism promotion activities both in Hong Kong and overseas.

37. SES further said that the Tourism Commission would not be directly involved in HKTA/HKTB's promotion activities but it would provide views and other necessary support as and when required. The Tourism Commission and HKTA also maintained very close liaison. As C/T was/would be a member of the HKTA/HKTB Board, there had been and would be effective communication between the two bodies. C/T(Atg) supplemented that in respect of the development of tourism infrastructure and

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formulation of policies, the Tourism Commission would take into account input from HKTA. HKTA had also played an important co-ordinating role among the various tourism related sectors pursuant to enhancement of tourism products and services.

38. Mrs Selina CHOW confirmed that HKTA fully understood its main role as a marketing agency for inbound tourism in Hong Kong. For this purpose, HKTA operated offices in seven regions of the world. Mrs CHOW further said that the idea of designating a single body to take up all the matters relating to tourism was not practicable, as it would not be appropriate for the Government to undertake tourism marketing activities which were commercially oriented and required a good grasp of tourist preferences and needs through frontline contacts and marketing research. On the other hand, HKTA, being an independent public body and having cultivated a strong network of tourism related trades, was in the best position to undertake the marketing functions in collaboration with the trades.

39. The Chairman expressed concern that some important areas relating to tourism might have been overlooked by both the Tourism Commission and the HKTA, for example, improving taxi services to afford greater protection for tourists.

40. In response, SES acknowledged that taking new initiatives on board and seeing through their implementation required much co-ordination among relevant parties. Referring to the case of taxi services cited by the Chairman, she advised that the Tourism Commission would consider the need to improve taxi services from the standpoint of affording better protection for tourists and consumers in general. If improvement was found warranted, the Tourism Commission would liaise with relevant Government bureaux and departments and would consult the taxi trade to work out improvement options. HKTA/HKTB on another front would communicate to tourists the protection available to them in respect of taxi services.

41. Mr Fred LI enquired which body was responsible for supervising the services of travel agents operating inbound tours and for ensuring that adequate protection was afforded to tourists in respect of their consumption of goods and services in Hong Kong. SES replied that the Travel Agents (Amendment) Bill, which would be a subject for discussion at the next Panel meeting, sought to introduce a system for the licensing of inbound travel agents through a system of self-regulation to address concerns about the quality of services of travel agents operating inbound tours. Through the proposed system, the Administration aimed to establish with the industry service standards and address questions concerning the provision of training for frontline service providers. The Tourism Commission was responsible for taking up these issues as they were regulatory matters and involved legislation.

42. In view of members' concerns about the division of responsibilities between the Tourism Commission and HKTA/HKTB, the Chairman requested and the Administration agreed to provide a paper explaining the delineation of roles and responsibilities of the two bodies.

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43. Mr LAU Chin-shek highlighted the importance of preserving the heritage and cultural elements that were peculiar to Hong Kong in parallel with the efforts on developing new tourism attractions. He considered that both the Government and HKTA/HKTB should work for this cause. Mrs Selina CHOW expressed appreciation of Mr LAU's concern and agreed that HKTA would further explore these cultural elements and promote them with appropriate packaging among overseas communities. As regards heritage, she understood that a committee had been set up to address issues concerning promotion of the unique heritage assets of Hong Kong. C/T(Atg) said that the Administration had also undertaken projects to enhance sites of historical and archeological interests, and HKTA had also placed considerable emphasis on packaging sites with heritage value and unique cultural events in their tourism promotion work.

44. Mr Henry WU enquired about the working relationship between HKTA's overseas offices and the Overseas Hong Kong Economic and Trade Offices (HKETO). He was of the view that these two types of offices might be combined to form one single entity so as to optimize the use of resources.

45. SES clarified that although HKTA's overseas offices and HKETO were often located in close proximity and jointly organized events on some occasions, they had different scope of functions and operated independently from each other. She underscored that HKETOs were government offices representing the Government of the Hong Kong Special Administrative Region overseas. HKTA's overseas offices reported to HKTA while HKETO reported to the Commerce and Industry Bureau. SES re-affirmed that HKTA and the future HKTB was/would be an independent public body as distinct from a Government department. Mrs Selina CHOW supplemented that the HKTA's overseas offices and HKETO had different missions. HKTA's mission was to promote Hong Kong as a tourist destination among overseas communities, while HKETOs were responsible for Hong Kong's economic and trade relations in the countries concerned.

46. On Mr HUI Cheung-ching's concern about the accountability of the future HKTB to the public, Mrs Selina CHOW confirmed that as in the case of other non-departmental public bodies, the future HKTB would be accountable to LegCo through ESB. She assured members that HKTB would maintain a high level of accountability and transparency.

47. Mr SIN Chung-kai opined that the future HKTB, being a public-funded body, should come under the purview of the Director of Audit. SES undertook to check the status and provide a written confirmation after the meeting.

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48. Regarding the Panel's position on the proposals covered by the Bill, the Chairman said that as many details of the proposals had yet to be scrutinized and members had expressed diverse concerns at this meeting, it would not be appropriate for the Panel to take a position on the proposal at this meeting. However, based on the discussion so far, he was of the view that members were in support of the overall

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direction of the Bill and had no objection to the Administration introducing the Bill as scheduled.

49. Mr Howard YOUNG enquired whether there would be a transfer of staffing resources from the future HKTB to the Tourism Commission as he understood that HKTB would focus on promotion and marketing functions. In reply, SES clarified that the employees of HKTA and the future HKTB were not/would not be civil servants. Hence, there was no question of transfer of staff between the Tourism Commission and HKTA/HKTB. She remarked that in order to revive and strengthen inbound tourism in Hong Kong, both the Administration and HKTA had devoted greater efforts on developing tourism in recent years. Mrs Selina CHOW informed members that in the light of the findings of the SOR, HKTA had relinquished certain functions, such as the organization of certain events, and the number of staff of HKTA had been reduced accordingly.

VI Report on the work of the Competition Policy Advisory Group

(LC Papers No. CB(1)206/00-01(04) - Information paper provided by the Administration)

50. At the invitation of the Chairman, DS/ES(1) reported that the Secretariat of the Competition Policy Advisory Group (COMPAG) had been transferred from the previous Trade and Industry Bureau to ESB since 1 July 2000. Since the Administration's last report on the work of COMPAG to the Trade and Industry Panel in May 2000, COMPAG had requested all policy bureaux and departments to propose new initiatives to promote competition and to review existing practices from the competition policy standpoint. On the financial services side, the new initiatives being pursued included the phased deregulation of the remaining interest rate rules and a review on various payment methods at the retail level. On broadcasting, a study had been undertaken on digital terrestrial broadcasting in Hong Kong and the main concern was more effective use of frequency bands to enhance competition in broadcasting. Upon completion of the relevant studies/reviews, the responsible policy bureaux would announce the outcomes through appropriate forum and channels. She also advised that in the coming year, ESB planned to organize more seminars and training courses on competition matters for bureaux and departments to raise their awareness on competition related issues.

51. Mr Fred LI referred to the paper on "Price increase of newspapers" (LC Paper No. CB(1)221/00-01) and noted that the existence of keen competition in the newspaper industry was quoted as the main reason for Government non-intervention in the recent incident of pricing-fixing among newspaper trade. He pointed out that there was also keen competition among telecommunications services providers, but the Administration had enacted legislation to regulate anti-competitive practices in the telecommunication sector. He therefore questioned that the Administration was inconsistent in its application of the policy on competition. He also stressed that operators in the same trade making agreements to fix prices was essentially an anti-

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competitive practice as it would distort the market and jeopardize consumer interests.

52. In reply, the Principal Assistant Secretary for Home Affairs said that Government intervention should hinge on whether consumers had been adversely affected. The Administration considered that the recent incident of price increase of some newspapers still offered choices in terms of price and contents for consumers. He further said that newspapers competed mainly on content rather than on price. Besides, consumers had the option of obtaining news information through various media other than newspapers. Hence, there was no strong ground for Government to intervene in newspaper pricing, and any such intervention might spark off worry about infringement of press freedom.

53. On the concern that the Administration was inconsistent in its approach to competition matters, DS/ES(1) advised that as set out in the Statement on Competition Policy (issued in May 1998), the Administration recognized that competition was not an end in itself, but a means to achieving economic efficiency and free trade, thereby also benefiting consumer welfare. The Administration did not consider it necessary to enact an all-embracing competition law as every sector had its own particularities in terms of development, market conditions etc. Hence, the question of whether a practice was detrimental to economic efficiency and against the overall interest of Hong Kong should be considered in the light of the specific circumstances of the case in question.

54. Mr Fred LI said that he had received some complaints from members of the public against the recent incident of price-fixing of the newspaper trade. He was not convinced that competition matters should only be dealt with from a sector-specific approach as suggested by the Administration, but considered that there were some over-arching principles that should be adhered to in dealing with anti-competitive practices. The Chairman also queried the need for such a high level body as COMPAG to oversee competition issues if competition matters should only be dealt with from a sector-specific approach.

55. In response, SES confirmed that the Administration did adopt a comprehensive and over-arching policy framework on competition as provided in the aforesaid policy statement, and COMPAG's main role was to examine competition issues based on this policy framework and advise individual bureaux on the appropriate sector-specific measures to be taken. She further advised that all policy bureaux were required to submit regular reports to COMPAG on competition issues within their portfolio. Where appropriate, the responsible bureaux would be invited to attend the meetings of COMPAG to discuss competition issues. She added that the Consumer Council was a member of COMPAG and ESB played an overall co-ordinating role and maintained close working relationship with the Consumer Council in this regard.

56. Mr Henry WU enquired whether COMPAG had looked into practices that had the effect of driving out competition from the market, thereby creating a monopoly situation. SES confirmed that COMPAG would examine any practice that might

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have the effect of limiting market accessibility and contestability. Mr Henry WU remarked that in some market situations, an anti-competitive practice could seriously impact on the market within a very short period and to address the situation, preventive actions had to be taken by the relevant authority. He also pointed out that some competition issues involved two or more sectors, such as the competition between stock brokers and banks on the provision of securities brokerage services. SES agreed to convey Mr WU's concerns to COMPAG and the Secretary for Financial Services.

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57. On the work of COMPAG on tracking competition-related complaints, Mr Fred LI pointed out that as neither the Administration nor the Consumer Council was empowered to obtain information from relevant operators for investigation into alleged anti-competitive practices, it was questionable whether COMPAG or the Consumer Council could effectively tackle the problems revealed by competition-related complaints.

58. SES responded that she gathered from the Consumer Council that the various trades were usually co-operative in providing information for the Council to investigate into competition-related complaints. Mr Fred LI said that what he had learned from the Consumer Council was contrary to SES's understanding and indeed, the Council had indicated difficulty in obtaining required information for its investigation given the absence of any statutory provision to empower the Council to do so. The Chairman suggested that when relevant issues were discussed in future, the Consumer Council could be invited to exchange views with members.

59. Mrs Miriam LAU noted that according to COMPAG's report, ESB had set up a Competition Sub-committee in January 2000 under the Energy Advisory Committee to examine competition-related issues in the energy sector. She enquired about the progress of the work and asked whether there was a target time frame for bringing new operators into the energy sector. In reply, DS/ES(1) advised that the Sub-committee had recommended a number of measures pursuant to promoting competition in the energy sector. These included the relaxation of certain restrictions previously applicable to bidders for petrol filling stations (PFS) and putting out all existing PFS sites for open tender upon expiry of their current leases. The Principal Assistant Secretary for Economic Services (C) added that the Administration had also enhanced its efforts on the search for suitable sites for PFS and had urged oil companies to increase the transparency in price adjustments.

60. Mrs Miriam LAU reiterated her concern about the time frame for bringing in new entrants into the energy sector. The Chairman commented that the Administration should be more proactive in facilitating new operators to enter the market. He also expressed concern that the current fire safety regulations applicable to PFS might be too restrictive.

61. SES responded that certain important issues pertinent to the operation of the energy sector had yet to be fully addressed to achieve more competition in the sector.

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For example, apart from PFS, there was also a need to identify suitable sites for fuel storage, and this involved fire safety and land use issues etc. She assured members that ESB would strive to speed up the examination of relevant issues in collaboration with relevant Government bureaux and departments, but at this stage, the Administration could not commit to a precise time frame in this regard. DS/ES(1) remarked that the Government's role was to help create the market conditions to facilitate entrance to the market and to remove barriers that were unduly restrictive. The Government was however not in a position to determine the exact number of operators in the market and the timing of the entrance of new operators.

- Admin. 62. At the Chairman's request, the Administration agreed to provide a paper to set out the issues that needed to be addressed and the work being carried out pursuant to promoting competition in the energy sector. Mrs Miriam LAU also requested the Administration to set out the target time frame for removing barriers to competition in the sector.

VII Any other business

63. There being no other business, the meeting ended at 1:00 pm.

Legislative Council Secretariat
15 December 2000