

立法會

Legislative Council

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Report of the Panel on Economic Services for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Economic Services during the 2000-2001 legislative session. It will be tabled at the meeting of the Legislative Council on 11 July 2001 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 19 members, with Hon James TIEN and Hon LUI Ming-wah elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is at **Appendix II**.

Major Work

4. During the session, the Panel had expanded its scope of work in meeting the changes in the responsibilities of the Economic Services Bureau. Apart from overseeing the policy matters relating to the development of our economic infrastructure and services to support the overall development of Hong Kong, the Panel also took up the responsibility for monitoring Government's policy in respect of consumer protection and competition policy.

Consumer protection

5. The Panel recognized the need and importance of safeguarding the legitimate interests of consumers while preserving the freedom of business transactions. Apart from reviewing the consumer protection legislation, the Panel also took every opportunity to remind Government entities, and public- and private-sector bodies to adhere to the pro-competition principles for the purpose of enhancing economic efficiency and free trade, thereby benefiting consumer welfare in the end.

6. During the session, the Panel had reviewed with the Administration and the Consumer Council the legislation to enhance consumer protection and access to conciliation or appropriate legal remedies by aggrieved consumers. In keeping with changing environment and new demands, the Panel also identified areas where improvement was needed to further the interests of consumers, including the dissemination of information to promote consumer awareness.

7. The Panel noted that the Administration would discuss further with the Consumer Council regarding the latter's proposals for enacting legislation to curb deceptive and misleading trade practices and to empower the Consumer Council to sue on behalf of aggrieved consumers in cases of crucial consumer interest. It would also examine the effectiveness of the proposals in enhancing consumer protection, the potential impact on the business environment, the resource implications and the respective role and functions of the Government and the Consumer Council before deciding on the way forward.

Work of the Competition Policy Advisory Group

8. The Panel had reviewed the work of the Competition Policy Advisory Group which was set up under the chairmanship of the Financial Secretary to review competition issues that had substantial policy or systemic implications. The Panel also examined various initiatives to promote competition and a number of competition-related complaints. Members called on the Administration to follow up on practices that might have the effect of price fixing, limiting market accessibility and contestability and to formulate measures to promote competition in the respective markets.

Fuel supply market

9. The Panel noted that the oil product industry was highly concentrated and largely vertically integrated. In order to lower fuel prices in Hong Kong and to better protect the interest of consumers, the Panel suggested ways to promote competition in the fuel market, facilitate market entry of new operators and increase the transparency of the market. The Panel also held a close meeting with major oil companies in Hong Kong to examine the cost

components and pricing mechanism of oil products.

10. Following the introduction of a concessionary duty rate for ultra low sulphur diesel (ULSD) as a fiscal incentive to encourage the use of this environmentally cleaner fuel, the Panel had reviewed with the Administration and major oil companies the pricing of ULSD and whether the full benefits of the concessionary duty on ULSD were passed on to consumers. The Panel understood that oil companies had incurred associated cost in the initial months in bringing ULSD for retail in Hong Kong but considered that these costs should have been amortized shortly after the product was launched in the market. Members urged the Administration to formulate a regulatory mechanism to ensure the full benefits of the duty concession were passed on to consumers as agreed by oil companies. With efforts from parties concerned, the four major oil companies reduced their pump price for ULSD, since its introduction in July 2000, by about \$0.6 per litre up to mid January 2001.

11. The Panel was also concerned about the difficulty experienced by local consumers in purchasing low priced low octane rated fuel in Hong Kong. Members called on the Administration to take up the matter with oil companies with a view to introducing alternative oil products at lower prices to safeguard the interest of consumers.

12. In reviewing the retail price of oil products, members took the opportunity to request the Administration to extend the effective period of the concessionary duty rate of \$1.11 per litre for ULSD, and to conduct a review before deciding on an appropriate duty level for ULSD for the year 2002.

Electricity supply market

13. The Panel had reviewed with the Administration the electricity market restructuring experience in other places and the proposed way forward for the review of the electricity supply sector in Hong Kong. In examining the subject matter, members were concerned about the lack of consumer choice in the electricity market and urged the Administration to press for early implementation of increased interconnection between the two power companies before the expiry of the Scheme of Control Agreements (SCA) in 2008. In mapping out the future regime for the electricity supply sector, members urged the Administration to bring in more competition in the market so as to provide adequate protection for consumers. Views had also been expressed about the need to ensure adequate and reliable electricity supply to meet existing and future demand, and to explore alternative power generation methods which were more environmentally friendly.

14. The Panel continued to monitor public utility companies and scrutinize their proposals for tariff increases. When examining the Hong Kong Electric Company Limited (HEC) tariff adjustment for year 2001, views had been

expressed that HEC's overall tariff increase of 4.87% for year 2001 was too high, given the prevailing economic conditions, the deflation of consumer prices, the company's healthy financial position and the enhanced productivity of HEC's operations. Members also took the opportunity to review the effect of HEC's tariff components adjustment in September 2000 on the medium and long-term profit of the company and on the consuming public. Members were assured that the Administration had exercised due diligence in performing its monitoring role and had taken positive actions to improve the monitoring mechanism. Also, the company would not earn more than the permitted return under the SCA. To promote consumer awareness, members also urged the Administration to seriously consider ways to improve the transparency when reviewing the annual tariff of the power companies.

Container freight industry

15. The Panel had reviewed the state of competition in the container freight industry. Members noted that users of the port of Hong Kong had a choice of three different types of port operations: container terminal, mid-stream operation and river trade; and four main types of port service providers: ocean carriers, river barge operators, trucking companies, and freight forwarding companies.

16. The high terminal handling charges (THCs) in Hong Kong remained a concern of the Panel. Despite the fact that the liner conferences had undertaken not to increase their THCs provided there was no major change in the market conditions (i.e. no further increase of terminal handling tariffs by the container operators), members generally considered that the present level of THC was not conducive to enhancing the competitiveness of our port operation. Whilst the development of Container Terminal 9 would widen the choice of facilities for shippers and shipping lines, the Panel urged the Administration to continue to explore measures to assist the industry to improve the efficiency of various cargo transportation and handling processes with a view to lowering the relevant costs. On measures to enhance the transparency of the pricing mechanism, the Panel noted that the notification period for any rate changes was also increased from 30 days to 45-60 days. Shipping lines had also provided a table of the cost components of THC to the shippers.

17. The contention between major stakeholders in the container freight industry over the imposition of a mid-stream fee by mid-stream operators and the resulting industrial actions taken by truck drivers were of great concern to the Panel. Given the disruptions caused to port operation and the general public, members held a series of meetings with representatives in the industry and the Administration with a view to resolving the matter. Members also took the opportunity to review the way in preventing the recurrence of similar incident in future, the state of competition in the mid-stream sector and the alleged price-fixing by mid-stream operators in the incident.

Sea transport facilities and services

18. The Panel had reviewed with the Administration the latest cargo demand for Hong Kong's container terminals, mid-stream sites and river trade terminals, and the need for additional infrastructure. Members also examined the overall competitiveness of the Hong Kong port vis-à-vis other major ports in Shenzhen. They urged the Administration to formulate strategies to maintain the competitive edge of Hong Kong, lower the THC's, improve the business operating environment of the industries and gear towards the provision of a "total logistics solution" to users.

19. In shipping, the Panel noted that a number of improvement measures had been introduced to enhance the attractiveness of the Hong Kong Shipping Register (HKSR). These measures included simplifying the fee structure and reducing fees for ship registration and other related services, streamlining registration procedures to make the HKSR more attractive and user-friendly, and implementing the Flag State Quality Control system to replace the previous mandatory flag state survey. Along with the introduction of these improvement measures, a promotional programme, including promotional visits to leading shipping companies in Hong Kong, Mainland China and other countries, was launched to market the HKSR to the industry simultaneously. These efforts had collectively resulted in rapid growth of the fleet registered in the HKSR, reaching 10 million gross registered tonnage on 18 October 2000.

Air transport facilities and services

20. On air transport, the Panel met with a team of experts from the United Kingdom Civil Aviation Authority (UKCAA) commissioned by the Administration to review the air traffic control (ATC) system in Hong Kong. Members sought the UKCAA Review Team's opinion on the adequacy and effectiveness of the existing ATC system in ensuring the safety of the Hong Kong International Airport and how the ATC operation in Hong Kong could be further enhanced. The Panel noted that the UKCAA Review Team was of the view that the current ATC operation in Hong Kong was safe and of a high standard. However, to ensure that the same level of standards was maintained for the rapidly increasing traffic, the Review Team made a total of 34 specific recommendations to enhance the management and administration, controller standards, competence and training for ATC. The Panel had examined in detail with the Administration on how individual recommendations could be taken forward to enhance aviation safety.

21. The Panel was consulted on the proposal to replace the Route Surveillance Radar at Mount Parker and enhance six critical ATC systems. It called on the Administration to closely monitor the radar installation works to ensure that the works were completed within the shortest possible period and to

exercise the greatest care in its ATC operation during that period to ensure safety.

Tourism

22. The Panel continued to monitor the development of tourism infrastructure, facilities and products in Hong Kong. In order to achieve the target opening date of the Hong Kong Disneyland (HKD) theme park in 2005, the Panel regularly reviewed the progress of the development of the project, including the necessary infrastructure and government, institution and community facilities to support the development of the project. The Panel noted that the HKD project was progressing on schedule. It however expressed concern about the dredging works of the proposed project and urged the Administration to put in place adequate measures to preserve the marine environment and to prevent fish loss arising from the reclamation works. Concern had also been raised about the need for reviewing the ex-gratia allowances for fishermen and mariculturists affected by the project.

23. The Panel was invited to give views on the proposed construction of a cable car system linking Tung Chung and Ngong Ping on Lantau Island both as a tourism attraction and infrastructure. In bringing forward the project, members urged the Administration to draw up a comprehensive programme for the development of complementary tourist attractions at Ngong Ping other than the Giant Buddha there. They also suggested the Administration to capitalize on the natural environment in planning for additional facilities/places of interests in the area. Members also reviewed the design and safety aspects of the proposed system, its projected patronage, fares and financial viability, as well as the cost-effectiveness of the proposed arrangements for awarding a franchise to a private entity for undertaking the project.

Postal services

24. The Panel was consulted on the plan of the Post Office, a trading fund, to revise some postage rates as from October 2001 onwards. In light of the prevailing economic condition, members generally had reservation on the Administration's plan to effect the postage revision plan from October 2001. They urged the Administration to defer the plan to increase postage rates and to explore other new initiatives to cut costs, raise income, and enhance productivity and competitiveness of our postal services.

25. During the session, the Panel was briefed on a number of legislative proposals prior to their introduction into the Council. These included the Hong Kong Tourist Association (Amendment) Bill 2000, Travel Agents (Amendment) Bill 2001, and a number of marine-related legislation. The Panel had also reviewed with the Administration and the Hong Kong and China Gas Company Limited the responsibility for maintenance and repair of gas service

pipes laid along the external walls of private premises to ensure safety.

26. During the period from October 2000 to June 2001, the Panel held a total of 16 meetings. The Panel also paid a visit to the international airport at Chek Lap Kok and reviewed the ATC system with the Administration. The Panel had also received a briefing by the Hong Kong Tourism Board on its new initiatives to promote tourism in Hong Kong.

Legislative Council Secretariat

27 June 2001

Legislative Council

Panel on Economic Services

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council
Panel on Economic Services**

Membership list

Chairman	Hon James TIEN Pei-chun, GBS, JP
Deputy Chairman	Dr Hon LUI Ming-wah, JP
Members	Hon Kenneth TING Woo-shou, JP Hon Eric LI Ka-cheung, JP Dr Hon David LI Kwok-po, GBS, JP Hon Fred LI Wah-ming, JP Hon Mrs Selina CHOW LIANG Shuk-ye, JP Hon CHEUNG Man-kwong Hon HUI Cheung-ching, JP 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 Hon Audrey EU Yuet-mee, SC, JP

(Total: 19 Members)

Clerk	Mr Andy LAU
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Date	1 July 2001
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