

## **Chapter V : Economic Services**

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5.1 At the Chairman's invitation, the Secretary for Economic Services (SES), Ms Sandra LEE, briefed members on the funding provision and work priorities in the coming year (Appendix V-4).

### **Tourism**

5.2 Noting that a public education campaign was launched in 2001 to promote a hospitable culture within the community, Mr Jasper TSANG sought information on the effectiveness of the campaign and the criteria used in the assessment process.

5.3 The Commissioner for Tourism (CT) briefed members on the Hong Kong Young Ambassador Scheme (HKYAS) under the "Hospitable Hong Kong Campaign". Participants were required to attend a training programme which aimed at widening their knowledge and developing their skills on effective communication with overseas visitors. The tenure of the ambassador office was one year. The Administration would review the implementation of the HKYAS before commencement of the second intake. To promote a hospitality culture to the wider community, a series of television programmes were launched. The programme had received good response from the public with high audience ratings. The Tourism Commission (TC) would also design and produce an education kit on hospitality culture for use in school. CT said that the Administration was committed to promoting a hospitable culture within the community. The Hong Kong Tourism Board (HKTB) would continue to work on marketing Hong Kong as a visitor destination. Opinion surveys would be conducted by the HKTB to solicit feedback from tourists.

5.4 In the absence of additional resources, Miss CHOY So-yuk was concerned about the effectiveness of the proposed regulatory framework for inbound travel agents through self-regulation in the industry.

5.5 CT advised that under the Travel Agents (Amendment) Bill 2001, the Administration proposed to require all inbound travel agents to apply for a licence as in the case of outbound agents. The Register of Travel Agents would serve as the licensing authority of both inbound and outbound travel agents. Inbound agents would be required to observe the Travel Industry Council of Hong Kong's codes of conduct and be regulated by the industry itself. Whilst additional funding provision was not proposed, the work involved could be absorbed by internal redeployment.

5.6 Noting that tourists were more and more attracted to eco-tourism,

## **Chapter V : Economic Services**

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Miss CHOY So-yuk enquired about the initiatives to promote eco-tourism. CT advised that the TC, the Agricultural, Fisheries and Conservation Department and the Civil Engineering Department were working together to prepare more attractive packages to entice visitors. Minor works such as the provision of tourist signage and information, and improvement to the signage and facilities along the Lamma Trail were also underway. On measures to promote the use of Putonghua, CT confirmed that the HKTB and the travel and tourism industry were working together on the subject matter.

5.7 Miss CHAN Yuen-han was concerned about the limited number of improvement projects to be undertaken by the Administration to enhance the existing tourism attractions. She enquired whether the Administration had plan to promote more private sector participation in the development of tourism facilities and products.

5.8 CT clarified that the Administration would continue to work on initiatives to develop and improve tourism infrastructure, facilities and products which was an on-going work of the TC. On private sector participation in the development of tourism projects, the Administration would pursue this option whenever opportunities arose. Apart from awarding Build-Operate-Transfer franchise to operators such as the Tung Chung Cable Car Project, the TC could also act as a facilitator in planning and implementing tourism projects by the private sector.

### **Sea Transport**

5.9 Ms Miriam LAU was concerned whether sufficient resource was allocated for promoting Hong Kong as an international shipping centre. Apart from the initiative to attract more shipowners and shipping companies to register their ships and establish offices in Hong Kong, consideration should also be given to setting up a maritime research institute and a maritime heritage centre as proposed by the industry.

5.10 SES replied that at present, the total gross tonnage of ships registered in Hong Kong was 13.9 million tonnes. The Administration would continue to launch promotional campaigns to introduce the Hong Kong shipping register services to local and international shipping companies and attract more overseas shipping and related companies to register their ships and set up offices in Hong Kong. As regards the two proposed institutions, SES replied that due to financial implications, they could not be considered at this stage.

## **Chapter V : Economic Services**

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5.11 Facing the keen competition from the Mainland ports, Mr TAM Yiu-chung was concerned about the high terminal handling charges in Hong Kong. He enquired about the measures to attract more cargoes through Hong Kong port.

5.12 SES replied that the Hong Kong Logistics Development Council was examining measures to facilitate cargo flow between the Mainland and Hong Kong. The Council was also examining means to lower the transportation cost and to add value to the logistics services in Hong Kong. The Administration was also re-engineering the Customs process to speed up clearance for trucks crossing the control points. On new container terminal berths, SES said that a consultancy study would be commissioned to recommend the best strategic option for locating and developing Hong Kong's container terminal facilities post Container Terminal 9 outside the Kwai Chung basin. Regarding the planning and development of logistics facilities and services, SES said that the Administration had a well-established mechanism to exchange information with the Mainland authorities. The two sides would work together to optimize opportunities in the Pearl River Delta (PRD).

5.13 Mr Kenneth TING welcomed the initiative to co-locate the boundary crossing facilities for customs clearance. SES said that the Economic Services Bureau (ESB) would work hand in hand with the Security Bureau to take forward the initiative.

### **Air Transport**

5.14 Mr TAM Yiu-chung opined that there was a need to attract more cargoes through the Hong Kong International Airport (HKIA), given its competitive edge over other airports in the PRD.

5.15 SES shared the member's view and remarked that the proposed Airport Authority (Permitted Airport-Related Activities) Order was aimed at strengthening the HKIA's connectivity with the PRD with a view to enhancing the competitiveness and status of the HKIA as a passenger and cargo hub. This explained why the Administration was keen to see the early passage of the Order by the Council.

5.16 Referring to the scope of the permitted activities provided for in the proposed Order, Ir Dr Raymond HO was gravely concerned about the unlimited power granted to AA in acquiring airports outside Hong Kong,

## Chapter V : Economic Services

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particularly when an investment cap was not imposed and that concerns had been raised in the past over the lack of control over statutory bodies. Whilst supporting AA's plan to enhance Hong Kong's status as a centre of international and regional aviation, he asked if it was necessary to empower AA to invest in other airport governing bodies and other airports outside Hong Kong so as to achieve the said objective. As an alternative, an extension to empower AA to enter into alliance and other cooperation arrangements with other airports outside Hong Kong would suffice.

5.17 SES explained that in order to enhance the status of Hong Kong as a centre for international and regional aviation, there was a need to empower AA to undertake certain airport-related activities outside the Chek Lap Kok Island. Apart from investing in other airport governing bodies and other airports outside Hong Kong, there was a need to empower AA to develop facilities to enhance the traffic flow through the HKIA and provide transport facilities and services to strengthen connectivity between airports. But this was not to say that AA would operate these facilities. On the monitoring of AA, SES said that under the AA Ordinance, AA should carry on activities in accordance with the objective of maintaining Hong Kong's status as a centre of international and regional aviation. Under the steering and monitoring of the AA Board, AA was required to conduct business in accordance with prudent commercial principles and to achieve a targeted internal rate of return. Given the challenges ahead and in order to remove the geographical limitation as imposed by the current legislation, there was a need to make an Order to permit AA to engage in or carry on the proposed permitted airport-related activities outside the Chek Lap Kok Island. She noted members' concern about the scope of permitted activities in which AA might engage in, and would review the matter.

5.18 Mr James TIEN enquired whether AA would in future depend heavily on Government equity for the capital financing of their investment projects. SES advised that AA would need to formulate its own business plan and work out the financial arrangements for individual projects themselves. The Government had no plan to inject extra capital into the AA.

5.19 Noting that AA had already imposed a security surcharge to recover the costs incurred for implementing additional security measures at the HKIA after the September 11 tragic events in the US, Mr Howard YOUNG queried the justification and need for the Administration to increase provision for

## **Chapter V : Economic Services**

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reviewing and enhancing aviation security measures in the Civil Aviation Department (CAD).

5.20 The Director-General of Civil Aviation (D-G of CA) clarified that the two were different in nature. Whilst AA was responsible for the day-to-day operation of the airport, the CAD was tasked with the responsibility to set and enforce aerodrome safety and aviation security standards, and to keep up-to-date and ensure compliance with related legislation. Being a regulating agency, CAD would provide advice and guidance to the AA, airlines and airport organizations concerned, and conduct inspections to ensure that the HKIA met the required safety and security standards and satisfied all aerodrome licensing requirements. The additional provision was mainly due to increase in personal emoluments for staff responsible for handling the related security matters.

### **Energy**

5.21 Acknowledging that increasing interconnection and enhancing competition in the electricity supply market should be beneficial to Hong Kong electricity users in the long term, Mr LAU Chin-shek sought information on the progress of the review of the electricity market in Hong Kong.

5.22 Regarding interconnection between the two power companies, SES advised that a detailed technical study was underway. The study would examine the impact of interconnection on the existing transmission network of the two power companies and issues relating to reliability of electricity supply to consumers. The study was expected to be completed by June 2002. The Legislative Council Panel on Economic Services would be consulted on the findings of the study in due course. Public consultation would also be arranged. On the time required for building additional interconnectors, she clarified that it took about five years to building additional interconnectors, taking into account the experience in the past.

5.23 On the development of Hong Kong's electricity supply sector, SES said that the current plan was to identify options and map out the broad direction for the electricity supply sector concurrent with the interim review of the Scheme of Control Agreements with the two power companies in 2003.

5.24 Following the completion of the Study of interconnection and competition in the electricity supply sector in Hong Kong in 1999 (the 1999 study), Mr Fred LI queried the need to engage another consultancy study on

## **Chapter V : Economic Services**

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interconnection capacity between Hong Kong's power companies. He also questioned whether it was appropriate to engage two separate consultancy firms to examine issues relating to interconnection, vis-à-vis demand forecast and electricity costs, which might be inter-related with each others.

5.25 The Director of Electrical and Mechanical Services clarified that the main objective of the 1999 study was to establish whether additional interconnection between Hong Kong's two electricity supply companies and encouragement of competition in the electricity supply sector would be in the interests of consumers. The consultancy study on interconnection capacity between Hong Kong's power companies was a follow-up study aimed at examining the impact of interconnection on the existing transmission network of the two power companies, including interconnection transfer capacity, load flow, routing and timing. As regards the consultancy study on the overall demand forecasts, it would focus on the situations before the implementation of interconnection between Hong Kong's power companies.

### **Consultancy studies**

5.26 Noting that ESB had commissioned 12 consultancy studies in 2001-02 and planned to commission another 12 in 2002-03, Ms Emily LAU questioned why it was necessary to engage so many consultants to study so many projects before making a decision, bearing in mind the Administration had a team of in-house expertise on various disciplines. She called on the Administration to deploy internal resources to absorb the work, thereby saving the need for engaging consultancy.

5.27 On Ms Emily LAU's query about the need to commission a Bridging II study for the implementation master plan for Hong Kong as the preferred international and regional transportation hub, SES advised that this was an on-going study. Based on the findings and recommendations of the study, the Government had already formulated the "Logistics Hong Kong" initiatives and implemented a series of institutional arrangements to facilitate the development of logistics services in Hong Kong. Regarding the tourism-related studies, SES said that the studies were essentially completed. However, in order to give members a full picture of the work of ESB, they were included in the list.

5.28 Regarding the financial provision allocated for commissioning consultancy studies in various programmes in 2002-03, SES said that ESB had a

## **Chapter V : Economic Services**

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wide range of policy portfolio, including electrical and mechanical services, air transport, sea transport and tourism, etc. Whilst an estimate for individual consultancy studies could not be provided before tendering, the Administration had an overall estimate for the consultancy studies. Citing the Study for the development of a digital trade and transportation network system to support the development of Hong Kong as an international logistics hub as an example, she pointed out that it was necessary to enhance collaboration and develop the IT links to better integrate and enhance the efficiency of service providers in the demand and supply chain that operated through or from Hong Kong. The Study on Hong Kong Port - Master Plan 2020 was also required to recommend the best strategic option for locating and developing Hong Kong's new container terminal facilities outside the Kwai Chung basin.

## **Chapter V : Economic Services**

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