

立法會
Legislative Council

LC Paper No. CB(1)362/01-02
(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, 29 October 2001, at 10:45 am
in the Chamber of the Legislative Council Building

- Members present** : Hon James TIEN Pei-chun, GBS, 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, GBS, 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
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon Mrs Miriam LAU Kin-ye, JP
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel member attending** : Hon Cyd HO Sau-lan
- Members absent** : Hon Fred LI Wah-ming, JP
Dr Hon Philip WONG Yu-hong

Public officers attending : **Agenda Items IV & V**
Economic Services Bureau
Miss Mary CHOW
Deputy Secretary for Economic Services(2)
Mr Alan LO
Assistant Secretary for Economic Services
Civil Aviation Department
Mr Simon LI
Chief Operations Officer (Technical Administration)

Attendance by invitation : **Agenda Items IV and V**
Hong Kong Airport Authority
Dr David J PANG
Chief Executive Officer
Mr Hans BAKKER
Commercial Director
Mr Alex DERBIE
Legal Director
Mr Howard ENG
Airport Management Director
Mrs Dora KAY
General Manager - Corporate Development

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

Staff in attendance : Ms Cindy CHENG
Senior Assistant Secretary (1)1
Ms Alice AU
Senior Assistant Secretary (1)5

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I Confirmation of minutes and matters arising

(LC Paper No. CB(1)85/01-02 - Minutes of meeting held on 11 October 2001)

The minutes of the meeting held on 11 October 2001 were confirmed.

II Information papers issued since the meeting held on 17 July 2001

(LC Paper No. CB(1)1848/00-01(01) - Competition Policy Advisory Group Report 2000-2001;

LC Paper No. CB(1)1852/00-01(01) - Assistance to travellers in case of travel accidents in the Mainland;

LC Paper No. CB(1)1859/00-01(01) - Tables and graphs showing the import and retail prices of major oil products from July 1999 to June 2001 furnished by the Census and Statistics Department;

LC Paper No. CB(1)1867/00-01(01) - A letter from Hang Tat Heating Systems Consultant Co Ltd lodging a competition-related case against CLP Power;

LC Paper No. CB(1)1896/00-01(01) - Correspondence between the Chairman and the Administration regarding Typhoon Yutu;

LC Paper No. CB(1)1959/00-01(01) - Tables and graphs showing the import and retail prices of major oil products from August 1999 to July 2001 furnished by the Census and Statistics Department;

LC Paper No. CB(1)2088/00-01(01) - The Administration's reply to a competition-related case lodged by Hang Tat Heating Systems Consultant Co. Ltd against CLP Power;

LC Paper No. CB(1)2093/00-01(01) - A letter from a group of electric appliances retailers lodging a competition-related case against CLP Power and Hong Kong Electric;

LC Paper No. CB(1)2160/00-01(01) - Tables and graphs showing the import and retail prices of major oil products from September 1999 to August 2001 furnished by the Census and Statistics Department; and

LC Paper No. CB(1)23/01-02(01) - Logistics Hong Kong)

2. Members noted the above information papers issued since the meeting held on

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17 July 2001 and agreed to follow up on the Competition Policy Advisory Group Report 2000-2001 at the next meeting.

III Items for discussion at the next meeting scheduled for 26 November 2001

(LC Paper No. CB(1)109/01-02(01) - List of outstanding items for discussion; and

LC Paper No. CB(1)109/01-02(02) - List of follow-up actions)

3. Members noted that the Administration had proposed to discuss the following items at the next meeting:

- (a) Progress update on the Hong Kong Disneyland;
- (b) Approval scheme for domestic gas appliances; and
- (c) Creation of additional directorate posts in Economic Services Bureau (ESB).

4. On item (c) above, members noted that the staffing proposal was related to the implementation of logistics services development. Mr CHAN Kam-lam suggested that it would be more desirable to discuss the overall development of logistics services in Hong Kong and the related institutional arrangements to support the work of "Logistics Hong Kong" rather than merely a staffing proposal in ESB for the purpose. Mrs Selina CHOW shared Mr CHAN's views. In view of members' views, the Chairman asked the Clerk to liaise further with the Administration on the proposed agenda for the next meeting, taking into account the need to allow sufficient time for members' deliberation.

(Post meeting note : Having consulted the Administration and with the concurrence of the Chairman, the following items would be discussed at the next meeting:

- (a) Port Development Strategy Review (deferred from this meeting);
- (b) Logistics Hong Kong; and
- (c) Competition Policy Advisory Group Report 2000-2001.)

IV Hong Kong International Airport Master Plan 2020

(LC Paper No. CB(1)109/01-02(03) - Information paper provided by the Administration)

V Extension in the scope of activities of the Airport Authority

(LC Paper No. CB(1)109/01-02(04) - Information paper provided by the Administration)

5. As items IV and V were inter-related, members agreed to discuss the two

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items concurrently.

6. Mrs Selina CHOW declared interest as a Board Member of the Airport Authority (AA).

7. With the aid of PowerPoint, Chief Executive Officer, Hong Kong Airport Authority (CEO/AA) briefed members on the major framework of the Master Plan 2020 of Hong Kong International Airport (HKIA). The Master Plan included various developments to meet forecast demand to reach the HKIA's ultimate capacity of 87 million passengers and 9 million tonnes of cargo and measures to enhance Hong Kong's status as an aviation hub. CEO/AA said that with the Master Plan in place, AA would work with Government, airlines and other business partners to take the HKIA forward in its next phase of development to strengthen Hong Kong as a centre of international and regional aviation, the preferred gateway of China and a world-class logistics hub.

8. Deputy Secretary for Economic Services (2) (DS/ES) also briefed members on a proposal by AA for the Chief Executive of the Hong Kong Special Administrative Region (CE) to make an order under the AA Ordinance (Cap. 483) to extend AA's scope of permitted activities. The order would permit AA to engage in or carry on activities outside the geographical limitation of the HKIA and its vicinity, thereby enabling AA to fully implement its strategy for long-term development. Details were set out in LC Paper No. CB(1) 109/01-02(04).

Demand forecast

9. Referring to the ultimate capacity of 9 to 10 million tonnes of cargo per year, the Chairman queried the basis for the projected cargo growth, particularly in light of the prevailing downturn in the economy. Mr Kenneth TING also enquired the negative impact caused by the September events in USA.

10. CEO/AA said that comparing with the same month last year, there was 7% and 10% decline for passenger and cargo throughput respectively. However, in view of the fact that the air traffic business was a long-term investment, he was confident that despite the recent downturn, there would still be further growth in air traffic in future. Over the next 20 years, cargo growth was expected to average in the order of 6% per year while express cargo would likely grow at double that rate. With its extensive route network, efficient handling facilities and other value-added services, HKIA was likely to retain its competitive edge in handling air cargo in the Pearl River Delta (PRD) region. China's entry to the World Trade Organization (WTO) would also provide new opportunities to HKIA. Possible direct trading relations between the Mainland and Taiwan would also stimulate the growth in trade overall which, in turn, would bring some benefits to the HKIA.

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Development strategies

11. Members noted that with a view to generating more air traffic to strengthen Hong Kong's position as a regional aviation hub and gateway to the Mainland, AA had recommended the development of a mixed land-use commercial area of some 57 hectares ("SkyCity"). Apart from an international exhibition centre, the SkyCity also constituted office and retail developments to meet the needs of airport-related businesses. The Chairman was concerned that the extended scope of AA's permitted activities might help boost the economic activities on the airport island but not the entire business community in the territory. He enquired the funding arrangements for the proposals and when a decision would have to be made in respect of the various development plans.

12. CEO/AA replied that the overall objective for the commercial development at the HKIA was to attract more value-adding services to go through the HKIA which in turn would benefit the community as a whole. The proposed international exhibition centre, off-airport logistics parks and office development would generate additional employment and enhance economic growth. On the funding arrangements for individual projects, he said that most of the projects would be funded by private investments. However, there was a need for Government support for the exhibition and convention facilities. Regarding the implementation programmes for individual projects, he said that the planning work for the cross-boundary passenger ferry terminal, international exhibition centre and office and retail development had to commence now for completion in 2005. Regarding the development of off-airport logistics park, AA would work with the Administration to develop plans on the way forward. For other long-term development projects, detailed studies would have to be conducted in due course.

Proposed order under section 5 of the AA Ordinance

13. Mr SIN Chung-kai generally welcomed the recommended strategies to take the airport forward in its next phase of development as contained in the Master Plan. He however expressed serious concern about the proposed extension of AA's scope of permitted activities by means of an order made by the CE under section 5(3) of the AA Ordinance. In his opinion, section 5(3) should only be used in times of emergency but not the present case which involved a planning horizon of 20 to 30 years. As an alternative, he opined that the Administration should amend the principal Ordinance for the purpose instead.

14. DS/ES advised that an order made by the CE under section 5(3) of the AA Ordinance would permit AA to engage in or carry on any airport-related activity outside the geographical limitation of the HKIA and its vicinity. Such an order was subsidiary legislation subject to negative vetting by the Legislative Council. Since an express provision had already been provided for in the existing AA Ordinance for the purpose, the Administration did not see the need to amend the principal Ordinance to

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effect the same. She added that in some special circumstances, the Director-General of Civil Aviation could give a direction to AA under section 21 of the AA Ordinance.

15. The Chairman also queried the appropriateness of empowering AA to carry on any airport-related activity outside the geographical limitation of the HKIA and its vicinity. He was worried that AA might eventually be empowered to engage in all kinds of business activities outside the airport island, for example, office and retail development, restaurant and taxi services.

16. DS/ES replied 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. Responding to the Chairman's question on the list of activities which AA was not permitted to carry out if approval of an order made by the CE was granted for the purpose, DS/ES said that any activity which was inconsistent with the purposes of AA would not be allowed. Mrs Selina CHOW pointed out that suitable provisions had already been provided for in the AA Ordinance to bind the activities of AA which it might engage. However, in order to facilitate AA to explore co-operation with other airports and improve multi-modal connections with the PRD to facilitate passenger/cargo transport and logistics operations, there was a need to introduce legislative proposal to empower AA to carry on airport-related activity outside the geographical limitation of the HKIA and its vicinity, for example, acquiring shares or any rights or interests in other airports.

17. Due to prior engagement, the Chairman left at 11:45 am. The Deputy Chairman took over the chair.

18. Referring to AA's plan to enhance the airport's accessibility to its cargo hinterland by creating a consolidation hub for cargo at Nansha, Mr CHEUNG Man-kwong was worried that as a result of the traffic interception, local businesses such as logistics, transport and container trades would be affected. Whilst he maintained an open view on AA's strategies, he considered it necessary for the Administration to assess thoroughly the possible impacts of the strategies on various trades, and to conduct a proper consultation before a decision was made. To this end, an order made by CE to extend the scope of AA's permitted activities was inappropriate. Rather, the Administration should introduce a relevant bill into the Council. This could allow sufficient time for LegCo Members to scrutinize the legislative proposal, taking into account the views expressed by the general public during the legislative process.

19. DS/ES could not see that there would be traffic interception as suggested by Mr CHEUNG. She explained that AA's plan was aimed at enhancing Hong Kong's competitiveness and maintaining its status as a logistics hub. The traffic growth would benefit Hong Kong as a whole. Indeed, she believed the development initiatives of AA would bring more opportunities and therefore benefits to local business. Contributions from various industries would be required as AA alone

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would not be able to take up all the related work. CEO/AA also added that it was the intention of AA to attract more passengers, cargo and value-adding services to go through the HKIA. He pointed out that recognizing the importance of the PRD as HKIA's hinterland - accounting for 70% of its export cargo - measures had been identified to extend the airport's connectivity to this region and beyond. To this end, multi-modal transport including direct and efficient air, land and sea links between HKIA and the Mainland, in particular the PRD, to enhance the airport's accessibility was essential for the further development of HKIA as a passenger and cargo hub. The proposed reach-out strategy by developing a consolidation hub in the PRD, say at Nansha, would help sustain the competitive edge of HKIA.

20. Mr CHEUNG Man-kwong reiterated that as the development strategies contained in the Master Plan would span over a planning horizon of more than 20 years, there should be sufficient time for the general public to deliberate on the merits and demerits of the proposed strategies. He strongly requested the Administration to reconsider its proposal to extend AA's scope of permitted activities under the AA Ordinance by means of an order made by the CE.

21. Mr CHAN Kam-lam however was of the view that the proposed consolidation hub at Nansha would only bring about benefits to the HKIA and pose threats to other airports in the PRD but not local businesses. Given its implications, he enquired whether the Mainland authorities had agreed to such a strategy. DS/ES advised that AA had been discussing with the airports in the PRD regarding possibilities of cooperation between airports. On the administration side, the subject matter had also been discussed at the Hong Kong Guangdong Cooperation Joint Conference. CEO/AA added that a win-win situation could be achieved through enhancing co-operation between the two sides to optimize opportunities. Liaison with counterparts in the Mainland would continue.

22. Whilst supporting the Master Plan 2020 in general, Mr Eric LI was also concerned about the proposed way in dealing with the extension of AA's scope of permitted activities. He was worried that it would be difficult to monitor the future work of AA once a blanket approval was granted to AA to extend its scope of permitted activities. To this end, he expressed concern that AA might eventually compete for profit with the private sector, bearing in mind AA was granted with various forms of subsidies by the Government which might lead to unfair competition. On the other hand, he wondered whether AA, being a public body, was the appropriate vehicle to shoulder the development strategies as contained in the Master Plan 2020, bearing in mind the keen competition in the airport business and the inherent risks so involved.

23. On the risk undertaken by the Government, DS/ES advised that the capital arrangements of the Authority was clearly set out in the AA Ordinance. On projects which AA might require Government equity, they would be considered on their own merits. For instance, the Administration would shortly put forward a funding

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proposal in respect of the proposed international exhibition centre at Chek Lap Kok to the Finance Committee for consideration. Consultation with the relevant Panel had also been arranged on 12 November 2001. Regarding general operating principles, she advised that AA should conduct its business according to prudent commercial principles. Each year, AA was required to submit its annual estimate of expenditure and revenue together with its five-year business plan to the Financial Secretary. Further, a copy each of the annual report, statement of account and auditor's report would be tabled at the LegCo to enable Members to monitor the work of AA.

24. Mrs Selina CHOW opined that in order to extend the airport's connectivity to the PRD region and beyond to enhance Hong Kong's status as an aviation hub, there was an urgent need to extend the scope of AA's permitted activities. However, the general public should also be given ample opportunities to express their views on the proposed strategies. In her opinion, the legislative instrument itself was not the main issue of the present debate. Rather, it was more important for the Administration to consult the relevant trades in an expeditious manner. DS/ES noted Mrs CHOW's view.

25. On the alleged competition with the private sector for profit, Mrs Selina CHOW said that as far as she knew, the policy of AA was to minimize direct participation on various projects. To this end, business partners would be identified to take forward the new initiatives.

Construction of additional facilities for cargo

26. Whilst supporting the initiatives to develop a dedicated express cargo terminal, Mrs Miriam LAU was concerned about the excessive capacities of general cargo terminals. She enquired about the criteria to be adopted by AA in determining whether and when additional general cargo terminals would be required. She also sought clarification from AA as to the demarcation between express cargo and general cargo operation.

27. CEO/AA replied that as the slowdown in the global economy was expected to continue for a while, the cargo business could remain weak next year before picking up again. At present, AA had no plan to bring in new general cargo operator. It had been liaising with Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal Company Limited on measures to help their business. On the need to provide a dedicated express cargo terminal which offered door to door and time-definite modes of delivery, he said that the growth rate of express cargo throughput at the HKIA was expected to be double that of general cargo. This express cargo hub operation was also expected to stimulate general cargo growth and enhance Hong Kong's competitiveness. On the criteria for determining the need for additional facilities for general cargo, he said that when the cargo throughput at existing facilities reached a certain level, AA would start to plan ahead for additional facilities. The requirements were already set out in the relevant franchise agreements with cargo

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operators.

28. In response to the Deputy Chairman's question on the percentage of the volume of express cargo handled last year, CEO/AA stated that out of the 2.2 million tonnes of air cargo handled last year, there were about 150,000 tonnes of express cargo. He anticipated that based on the statistical data of some studies, there would be further growth for cargo throughput. Upon request by the Deputy Chairman, CEO/AA undertook to provide the relevant cargo statistics for the last three years after the meeting.

AA

29. Mr Howard YOUNG opined that additional cargo handling capacity should be brought on-line in a timely and commercially efficient manner so as to avoid premature investment which, in turn, could lead to high airport charges.

30. CEO/AA replied that based on the survey conducted by the Transportation Research Laboratory, airport charges of the HKIA were ranked 28 among 40 largest airports in the world. On general cargo handling capacity, he said that with the existing facilities, the full capacity of 3 million tonnes would be reached by 2006-2007. Given the completion of the proposed developments as contained in the Master Plan, the ultimate capacity would most likely be reached by 2030. According to the consultancy studies, the HKIA might even handle up to 10 million tonnes of cargo. To handle the anticipated cargo volume, the HKIA would increase its cargo stands from 13 to 21 by the end of this year and eventually to 40. AA maintained regular dialogue with the general cargo operators to facilitate their planning for additional facilities. He noted Mr YOUNG's concern about the franchise periods of cargo operators and would continue to discuss with them.

31. Mr HUI Cheung-ching and Mr Kenneth TING welcomed the initiatives to take the airport forward in its next phase of development as an international and regional centre of aviation and gateway to the Mainland. However, Mr HUI expressed concern about the high air ticket prices as compared to other regional airports. He also opined that as the HKIA and various airports in the PRD were complementary to each others, the Administration and AA should aim at enhancing closer co-operation between the two sides to avoid cut-throat competition. He urged the Administration and AA to speed up the related work.

32. Whilst recognizing the pivotal role played by the HKIA to promote Hong Kong as a logistic hub, Miss Cyd HO wondered if Hong Kong might retain its competitive edge in the PRD region in view of the increasing competition from neighbouring airports. She also asked whether there would be any measures to streamline the clearance procedures in order to facilitate cargo flow. In response, DS/ES advised members that the Administration was looking into measures to facilitate cross-border cargo flow. One example of such facilitation was the introduction of link service by one of the air cargo terminal operators. Cargo could now be directly delivered through Hong Kong to Guangdong Baiyun Airport in sealed

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trucks without undergoing the customs procedures at the Shenzhen Huanggang Border Control. This service had marked a further step to reduce transportation lead-time and streamlined the process of shipping between Hong Kong and its hinterland.

33. Miss Cyd HO asked whether there was any information for drawing comparison between the HKIA and other airports in Guangzhou in terms of handling time and costs. She also enquired the means to ensure that the consolidation hub operator at Nansha, a private entity, would collaborate with the HKIA in the end.

34. In reply, CEO/AA clarified that the proposal to build a consolidation hub at Nansha was only a preliminary proposal and there would be more in-depth discussion with the Administration in due course. He said that the issue of competition should be considered from a broader perspective and it would require sound understanding of industry trends, responsiveness to the needs of customers and a readiness to develop solutions to meet the customers' demands in terms of time and reliability. Hong Kong was uniquely located geographically as a global aviation centre. With extensive network, higher flight frequencies and other value-added services, Hong Kong could maintain its edge as an aviation hub.

35. Concluding the deliberation, the Deputy Chairman asked the Administration to take into account the views expressed by members and to conduct wider consultation on the proposal to extend AA's scope of permitted activities before reverting to the Council.

VI Port Development Strategy Review

(LC Paper No. CB(1)109/01-02(05) - Information paper provided by the Administration)

36. Due to time constraints, members agreed to defer discussion of the item.

VII Any other business

37. There being no other business, the meeting ended at 12:45 p.m.