

立法會
Legislative Council

LC Paper No. CB(1)852/01-02
(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, 18 December 2001, at 8:30 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 Fred LI Wah-ming, JP
Hon HUI Cheung-ching, JP
Hon CHAN Kam-lam
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-yeet, JP
Hon CHOY So-yuk
Hon Henry WU King-cheong, BBS
- Non-Panel members attending** : Hon NG Leung-sing, JP
Hon Abraham SHEK Lai-him, JP
Hon LEUNG Fu-wah, MH, JP
Hon Frederick FUNG Kin-kee
- Members absent** : Hon Mrs Selina CHOW LIANG Shuk-yeet, JP
Hon CHEUNG Man-kwong

**Public officers
attending**

: Agenda Item IV

Economic Services Bureau

Ms Sandra LEE
Secretary for Economic Services

Mrs Rebecca LAI
Commissioner for Tourism

Miss Alice CHEUNG
Acting Assistant Commissioner for Tourism

Civil Engineering Department

Mr W K TAM
Deputy Director (Special Duties)

Agenda Item V

Ms Sandra LEE
Secretary for Economic Services

Mr Alex FONG
Deputy Secretary for Economic Services (3)

Agenda Item VI

Ms Sandra LEE
Secretary for Economic Services

Mr Alex FONG
Deputy Secretary for Economic Services

**Attendance by
invitation**

: Agenda Item VI

Hong Kong Mid-Stream Operators Association Limited

Mr Daniel LAU

Mr William CHAN

Hong Kong Shippers' Council

Mr Willy LIN
Chairman

Mr Jeffrey LAM
Vice Chairman

Hong Kong SME Association

Mr Johnny HO

Mr Flint CHAN Dit-lung

China -Hong Kong Transportation Joint Conference (CHKTJC)

Mr Tandon Lal CHIANG

Mr Ricky WONG

Mr CHUN Fu-Chuen

Mr Simon S T LAU

Mr WONG Charn-Kwan

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

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

Action

I Confirmation of minutes and matters arising
(LC Paper No. CB(1)596/01-02 - Minutes of meeting held on 26 November 2001)

The minutes of the meeting held on 26 November 2001 were confirmed.

Action

II Information papers issued since last meeting

- (LC Paper No. CB(1)481/01-02(01) - Submission from a Mr Jonathan WONG on "The Intelligent Transport System (ITS) for strengthening Hong Kong as logistics hub";
- LC Paper No. CB(1)486/01-02(01) - Tables and graphs showing the import and retail prices of major oil products from November 1999 to October 2001 furnished by the Census and Statistics Department;
- LC Paper No. CB(1)548/01-02(01) - Administration's reply to a competition-related case lodged by Hang Tat Heating Systems Consultant Co. Ltd. against CLP Power; and
- LC Paper No. CB(1)574/01-02(01) - Administration's reply to a competition-related case lodged by a group of electric appliances retailers against CLP Power and Hong Kong Electric for the sale of electrical appliances at below-cost prices)

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

III Items for discussion at the next meeting scheduled for 28 January 2002

- (LC Paper No. CB(1)597/01-02(01) - List of outstanding items for discussion; and
- LC Paper No. CB(1)597/01-02(02) - List of follow-up actions)

3. Members noted that at the request of the Administration, a special meeting had been scheduled for Friday 21 December 2001 at 4:00 pm to discuss the electricity tariff for 2002.

4. Referring to item 2 of the list of outstanding items for discussion by the Panel, Mr Fred LI suggested that the Panel should discuss the Government's plan to develop and improve tourism infrastructure, facilities and products from a macro and long term planning point of view, and whether and how different bureaux/government departments would coordinate with each others to take forward the projects.

5. Members noted that it was about time to follow up on the item "Development of helicopter industry in Hong Kong", which was last discussed at the meeting on 17 July 2001.

6. The Chairman invited members to forward any suggested items for discussion at the next meeting to the Clerk after the meeting.

Action

IV Hong Kong Disneyland

(LC Paper No. CB(1) 597/01-02(03)- Information Paper provided by the Administration)

7. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) briefed members on the progress of the Hong Kong Disneyland (HKD) project as set out in the Administration's paper. She advised that good progress had been made since the signing of the HKD project agreement with The Walt Disney Company (WD) and Hongkong International Theme Parks Limited (HKITP) in December 1999. So far the Tourism Commission had submitted three progress updates on the project for members' information.

8. In reply to the Chairman, C for Tourism advised that HKD would be constructed and operated by a joint venture company, HKITP, in which the Government and WD were shareholders. Regarding the structure of the Board of Directors of HKITP, she advised that the two sides had each nominated five directors to the Board. Board meetings were held quarterly and so far 10 meetings had been convened.

9. Addressing the Chairman's concern on whether the September 2001 incident had any downside effect on the economic assessment of the HKD, C for Tourism replied that from the company's past experience, WD estimated that the September 2001 incident would only have short-term impact on the tourism industry. As the HKD would not open until late 2005, any impact caused by the September 2001 incident would be insignificant by then.

10. Mr LAU Chin-shek remarked that the paper did not contain any information on employment creation arising from the construction and operation of the HKD. He requested the Administration to provide this kind of information in future report. C for Tourism took note of the request and replied that upon the opening of the HKD, about 18,400 jobs would be directly or indirectly created, rising to over 35,000 over a span of twenty years. About 10,000 man-years of construction employment had been/would be created during the land formation and infrastructure construction phase, followed by another 6,000 during the construction phase of the HKD. Deputy Director of Civil Engineering (Special Duties) added that about 1,500 jobs would be created by the Infrastructure Contract 1 for Phase I of the HKD. Nearly all the posts would be taken up by local employees. Additional job opportunities would be created when the next package of major infrastructure works commenced.

11. Mr LAU asked about the related staff training programme for the operation of the HKD, C for Tourism replied that staff training programme for key personnel would take place in both Hong Kong and the United States about one year or several months prior to the opening of HKD. The company would develop suitable training packages for a wide spectrum of HKD employees. A "Disney University" would be established as part of the process. The company had already started to recruit its own

Action

team of staff. It had also invited tenders for some projects in Hong Kong.

12. Mr Howard YOUNG and the Chairman were concerned about the Environmental Impact Assessment (EIA) study for the decommissioning of Cheoy Lee Shipyard. They asked whether the HKD project would be delayed if the Director of Environmental Protection (DEP) refused to accept the EIA study in the end. Citing DEP's objection to issuing an Environmental Permit for the KCR Sheung Shui to Lok Ma Chau Spur Line as an example, the Chairman also enquired whether it was appropriate for the Administration to resume the Cheoy Lee Shipyard site prior to the completion of the EIA study.

13. C for Tourism explained that the nature of the EIA study for the decommissioning of the Cheoy Lee Shipyard was different from that of the Sheung Shui to Lok Ma Chau Spur Line, in that the former was a study mainly about decontaminating / cleaning up a site so that the site would be made safe and free of hazards for future use. The decommissioning of the Cheoy Lee Shipyard was a designated project under the EIA Ordinance which required an Environmental Permit prior to commencement of decommissioning works. The EIA study would include recommendations on the implementation of appropriate mitigation measures to avoid and minimize any adverse environmental impacts arising from the decommissioning works. The EIA study for the decommissioning of Cheoy Lee Shipyard was progressing on schedule and expected to be completed in January 2002.

V Reorganization of Port and Maritime Board Division in Economic Services Bureau

(LC Paper No. CB (1) 597/01-02 (04)- Information paper provided by the Administration)

14. The Secretary for Economic Services (SES) briefed members on the proposed re-organization of the Port and Maritime Board Division (PMBD) into a new Port, Maritime and Logistics Development Unit (PMLDU) in the Economic Services Bureau (ESB) and the creation of an Administrative Officer Staff Grade C (AOSGC) (D2) post to head a section dedicated to support the work on logistics development in PMLDU.

15. Members noted that in connection with the above, it would necessitate the creation of two non-directorate posts (one Administrative Officer post and one Senior Marine Officer post) in ESB. The Administration had included sufficient provision in the 2001-2002 Estimates to meet the cost of the proposal. The proposal would have no impact on fees and charges as the Administration had no intention to recover any cost in relation to the proposal from any persons or companies in the market and the community.

Action

Need and justifications for the proposed staffing proposal

16. In response to the Chairman's query about the justification and the need for the proposed creation of a new AOSGC post to head a section dedicated to support the work on logistics development in PMLDU, SES advised that with Government's commitment to develop Hong Kong into an international and regional transportation and logistics hub, PMLDU would be tasked to support the development of policy initiatives on logistics, as well as co-ordinate and integrate actions and programmes arising from deliberations at the Steering Committee on Logistics Development (LOGSCOM) and the Hong Kong Logistic Development Council (LOGSCOUNCIL) and across the various segments spanning across sea, air and land transport in the supply chain. In order to provide adequate support to the LOGSCOM and LOGSCOUNCIL, it was necessary to create a permanent AOSGC(D2) post to head the Logistics Development (LOGS) Section dedicated to assist in formulating policy and to provide secretariat support for the LOGSCOM and LOGSCOUNCIL.

17. Ms Miriam LAU declared her interest as the convenor of the S-logistics Project Group under the LOGSCOUNCIL. She expressed support for the proposed creation of the posts. She said that the LOGSCOUNCIL comprised 39 members from the Government and the logistics community appointed to underpin the work of the LOGSCOM. To take forward the logistics initiative, five project groups were formed under the LOGSCOUNCIL to develop and implement work programmes. The project groups were expected to meet frequently to carry out joint projects between public and private sectors for the development of p-logistics (physical and regulatory infrastructure), e-logistics (cyber and IT infrastructure), h-logistics (human resources infrastructure), m-logistics (marketing and promotion) and s-logistics (support for SMEs). Given the complexity and volume of work involved, additional staff should be deployed to assist the work of the LOGSCOM and LOGSCOUNCIL.

18. Mr Jasper TSANG queried whether the proposed Head of LOGS Section, a D2 officer, would be able to co-ordinate policy input and efforts of Government bureaux and departments as well as relevant public and private sector players on facilitation matters and on connectivity and collaboration projects. He remarked that as the issue of logistics was not new to the Administration, it should aim at formulating a new institutional structure to take forward the "Logistics Hong Kong" initiative.

19. SES assured members that there was a new institutional structure to take forward the "Logistics Hong Kong" initiative. Apart from the steering work carried out by LOGSCOM chaired by the Financial Secretary, the LOGSCOUNCIL served to provide a forum for the public and private sector stakeholders to discuss and co-ordinate matters and to carry out joint projects on logistics. As for the co-ordination role played by the new Principal Assistant Secretary (Logistics Development) Section (PAS(LOGS)), SES said that he would co-ordinate comments from key players in the logistics industry and the public sector with a view to formulating a consensus view on

Action

facilitation matters and on connectivity and collaboration projects. If necessary, he would escalate any unresolved matters for her personal attention and follow-up.

20. The Chairman queried the need to pitch the Head of LOGS Section at D2, given that his main responsibility was to provide secretariat support for the LOGSCOM and the LOGSCOUNCIL. Sharing his views, Mr Fred LI suggested that the post should be pitched at D1 or even at Master Pay Scale instead of D2.

21. In reply, SES stressed that apart from providing secretariat support for the LOGSCOM and LOGSCOUNCIL, the functional role of the proposed AOSGC post was to head the LOGS Section. He would have to assist in the formulation of policy and developing programmes for “Logistics Hong Kong”. As the Head of the LOGS Section, he would also serve as Government’s frontline representative in liaising with market players and other public authorities. Given the role and responsibility of the proposed post, it was considered that a D2 officer should be deployed to coordinate among concerned parties both within and outside the Government.

22. Mr CHAN Kam-lam referred to a recent proposal of upgrading a post from D4 to D6 and commented that rank consciousness prevailed among the civil service. Despite the coordinating role of the post holder with other departments/bureaux, he opined that careful consideration should be made for the ranking of the post. Ms Miriam LAU however concurred with the Administration’s view and remarked that the post should be pitched at D2 level.

Redistribution of duties among existing staff in ESB

23. While agreeing that there would be additional workload for the ESB, Mr LEUNG Fu-wah opined that an overall staffing review should be conducted by the Chief Secretary for Administration with a view to enhancing cooperation and coordination among various departments/ bureaux for the implementation of relevant initiatives. In his opinion, the expansion of staffing establishment would not necessarily enhance efficiency but might in fact create additional hurdles in internal coordination. The Chairman also opined that as the issue on logistics straddled across different bureaux/departments, he supported Mr LEUNG’s view that an overall staffing review should be conducted by the Administration so as to save the need for creating an additional post.

24. SES explained that policy matters on logistics fell within the purview of ESB. In the course of implementation, ESB would co-ordinate various programmes with the relevant bureaux/departments. Regarding the staffing review, she said that the present proposal had been examined and agreed by the Finance Bureau and the Civil Service Bureau.

25. Some members were not convinced of the Administration’s explanation. The Deputy Chairman commented that the Administration should conduct an re-

Action

engineering study to critically review the duties and responsibilities of the civil service as a whole. Internal redeployment should be arranged as far as possible. Mr Fred LI also cast doubt on the need for ESB to create an AOSGC post to coordinate the implementation of the programme for "Logistics Hong Kong" and provide secretariat support for the LOGSCOM and the LOGSCOUNCIL. He opined that other divisions in ESB should have spare capacity for taking on further duties arising from the new initiatives. He urged the Administration to consider re-deploying existing staff to absorb the extra duties. Mr LEUNG Fu-wah echoed the view of Mr Fred LI and opined that the Administration should not seek to create additional post whenever any new responsibilities arose. Mr CHAN Kam-lam also urged the Administration to review the staffing support in ESB to guard against any over-staffing, especially at the directorate level, otherwise, the proposal might be turned down when it was submitted to the Establishment Subcommittee for approval.

26. SES replied that the existing structure and manpower support in the PMBD were no longer adequate to cope with the increase in workload and responsibilities in the areas of port, maritime and logistics services development. Furthermore, the volume and complexity of work in ESB would increase with developments on various fronts, including inter alia, development of the Hong Kong International Airport Master Plan 2020, the electricity market review etc. Given the small pool of senior officers and the heavy portfolio of the incumbent officers, it would be difficult to fill the post by redeployment.

27. Some members were not convinced of the Administration's reply. Mr Fred LI queried the justifications for assigning two PASs at AOSGC level under Deputy Secretary for Economic Services 1 (DS(ES)1) to undertake duties relating to energy supply, bearing in mind an Electricity Adviser would be shortly in post to provide professional support in the electricity market review. Mr LEUNG Fu-wah and Mr CHAN Kam-lam also remarked that as DS(ES)1 was assisted by three D2 officers and a non-directorate officer, there might be possibility to streamline the existing work flow and re-shuffle the duties among officers, thereby saving the need to create an additional D2 post to head the LOGS section.

28. In response, SES briefed members on the work schedules of the PASs under DS(ES)1 who had to work with power, oil and gas companies in taking forward various initiatives, and to coordinate policy matters relating to postal services, competition policy and consumer protection. Citing the policy initiatives on electricity supply as an example, SES advised that the Administration had to promote energy efficiency and energy saving measures in consultation with the power companies. It also needed to conduct a detailed technical study on increased interconnection between the two power companies and to map out the broad directions for future development of the electricity supply sector after the expiry of the current Scheme of Control Agreements. It had to examine and verify the financial data and forecasts put forward by power companies. It also needed to monitor the movement of oil prices. On the proposed creation of a temporary Electricity Adviser post for three years, she

Action

clarified that this was required to provide professional support and advice to the Administration in the electricity market review.

29. On Mr Fred LI's query about the workload arising from policy matters in relation to postal services, SES remarked that reliable and efficient postal services were important factors which contributed to Hong Kong's development as a leading business centre. Despite the fact that Hongkong Post was operating as a trading fund, ESB had to play a significant role to improve the quality of postal services as appropriate to meet the needs of Hong Kong and international obligations.

30. As for the two PASs under DS(ES)2, SES advised that they were heavily tasked with policy responsibility for civil aviation. They needed to conduct negotiations on new air services arrangements, and negotiated or reviewed air services arrangements with the aviation partners continuously which required them to travel overseas frequently. On many occasions, they were even required to work or travel on Sundays and Public Holidays. Apart from the work in relation to air services agreements and arrangements, PAS(A)1 also looked after policy issues on airport development and related activities, and meteorological services. On the other hand, PAS(A)2 was required to maintain close contact with the Air Transport Licensing Authority and undertake policy matters relating to civil aviation management. She stressed that the Administration had examined the feasibility of the redistribution of duties among existing directorate posts within the ESB but considered this impracticable.

31. Referring to the proposed structure of PMLDU, Mr LEUNG Fu-wah remarked that there might be duplication in the work of the Unit. He enquired whether the proposed structure could be further streamlined so as to save the need for creating an additional directorate post. Mr CHAN Kam-lam echoed his views and remarked that the duties of PAS(LOGS) could be absorbed by other directorate or non-directorate staff within ESB.

32. SES explained that the post of Chief Assistant Secretary (CAS) (PMB) ranked at D1 was originally created in the PMBD responsible for management of research studies and projects relating to port development and facilities. To strengthen the professional support and research capability of PMLDU, the post title of the CAS(PML) would be re-designated as CAS(PML). Being the head of the PML section, CAS(PML) would provide professional input and research support for PMLDU to underpin work relating to the formulation of policy initiatives and competitive strategy for strengthening Hong Kong's position as a leading port, a premier IMC and the preferred international and regional transportation and logistics hub. He would also supervise the provision of general administrative support for PMLDU. Regarding PAS(PMB), he would continue to focus on the existing secretariat functions of the Hong Kong Port and Maritime Board Secretariat. In the coming years, the PMLDU would need to work closely with the Hong Kong Port and Maritime Board to map out a Master Plan for the future development of the port and

Action

maritime sector so as to develop and promote Hong Kong as the preferred international and regional trade, transportation and logistics hub. This would require a directorate officer for formulation of policies and managing the PMLDU to deliver the key results under the portfolio of the Unit. Having said that, the existing officers in the ESB were fully occupied with their own duties and did not have spare capacity for taking on further duties arising from the new initiatives for "Logistics Hong Kong".

33. SES advised members that if the staffing proposal for a new logistics section under ESB was put off, the Administration might not have enough manpower to prepare for Hong Kong Logistics development and therefore hamper efforts to develop the territory into a logistics hub. She informed members that the ESB was planning to submit the staffing proposal to the Establishment Subcommittee for consideration in January 2002.

34. In conclusion, the Chairman indicated that members in general supported the initiative to promote logistics development in Hong Kong. He invited the Administration to take note of the views expressed by members and include further information and justifications in the paper put to the Establishment Subcommittee.

VI Mid-stream Fees

(LC Paper No.CB(1)597/01-02(05) -	Information paper provided by the Administration
LC Paper No. CB(1)612/01-02(04) -	Administration's reply dated 28 November 2001 to a previous submission put forward by China-Hong Kong Transport Joint Committee on 20 November 2001)

35. The Chairman welcomed the representatives of the Administration, the Hong Kong Mid-stream Operators Association (HKMOA), the Hong Kong Shippers' Council (HKSC), Hong Kong SME Association (HKSME) and the China-Hong Kong Transportation Joint Conference (CHKTJC) to the meeting. The Chairman drew members' attention to the submissions from CHKTJC and HKMOA issued to members vide LC Paper CB(1)612/01-02(01) and (02).

36. The Chairman recapitulated that the subject of mid-stream fee (MSF) had been discussed at several Panel meetings but the dispute did not seem to have resolved. The Panel therefore sought to discuss the issue again and tried to work out a solution together with the representatives of various concerned parties.

Views of the concerned parties

37. Mr William CHAN of HKMOA said that it was a common practice in the container freight industry that shippers were required to pay various forms of

Action

surcharges when calling at different port facilities for the purpose of picking up or setting down cargoes. The HKMOA had adopted the user-pay principle in requiring users of mid-stream service to pay the MSF. Since the introduction of the fee in June 2001, about 95% of the clients were already paying the MSF. So far, the operation of the mid-stream business had been smooth and all clients were satisfied with the present arrangement. Mr CHAN drew comparison with the service provided by the mid-stream operators as offering an alternative choice to the clients, just like some air passengers might choose to patronize the service of the Business Class of air flights. With China's accession to the World Trade Organization, HKMOA hoped that a harmonious environment would be created for the cargo handling industry as well as the port development in Hong Kong.

38. Mr Willy LIN of HKSC reported that so far HKMOA had not been able to provide sufficient transparency of what the MSF was covering. He denounced Mr William CHAN's claim that no complaints had been received from the shippers. To his knowledge, many shippers had lodged complaints about the unjustifiable surcharge. Referring to HKMOA's drawing a comparison of MSF with patronizing the service of the Business Class of air flights, Mr LIN said that the so-called "value-added" services mentioned by Mr CHAN were merely part-and-parcel of the terminal services which should have been provided by mid-stream operators. After all, shippers had already paid a separate Terminal Handling Charge (THC) to shipping lines for the required services. The imposition of a MSF would not be conducive to developing Hong Kong into a shipping and logistics centre as the total MSF so levied was expected to exceed HK\$50 million a year. The high operational cost in Hong Kong would only drive shippers to seek alternative shipping arrangements.

39. As regards the actual operation at the mid-stream sites, Mr Tandon Lal CHIANG of CHKTJC reported that the situation differed from what Mr CHAN of HKMOA said. Truck drivers who did not have a coupon would have to wait for about two to three hours for picking up or setting down cargoes, while those who had coupons were served at once. He stated that the so-called "value-added" services such as provision of parking space was not available to the truckers who in fact had to park their trucks along the roads outside the mid-stream sites. Despite that the mid-stream operators claimed that it was not intended to impose the MSF on truck drivers, they had to bear the MSF in the end as they could not reimburse the surcharge from shippers/consignees. He disagreed with the HKMOA's drawing comparison of the MSF to the service of Business Class in air flights as both air passengers of the Economy Class and Business Class would arrive at the destination at the same time while in the case of mid-stream service, for those truck drivers without coupons, they would suffer unreasonably long delay in the cargo delivery/collection processes. Mr CHIANG urged the Administration to take stringent actions against such malpractice and handle the 600 complaints lodged by the truckers.

40. Mr Johnny HO of HKSME reflected the views of the manufacturers and exporters, mostly based in the Pearl River Delta Region. He remarked that THC in

Action

Hong Kong was among the highest in the world. In order to maintain and enhance Hong Kong's competitiveness, it was necessary to cut down the related shipment costs. Given that shippers had already paid the THCs, it was unreasonable and undesirable for mid-stream operators to levy an additional MSF.

Justifications for the MSF

41. The Chairman remarked that the so-called "value-added" service provided by mid-stream operators seemed to be part-and-parcel of the basic service. He enquired whether HKMOA was intentionally prolonging the normal processing time of the basic service for two or three hours should truckers choose not to pay the MSF. If so, HKMOA was in fact compelling the truckers to pay the surcharge in order to avoid delay. He enquired about the average waiting time for truckers before and after the introduction of the coupon system.

42. In reply, Mr William CHAN of HKMOA said that in the 80's when the mid-stream operators were providing service at the Public Cargo Working Areas, no value-added service was provided to the users. As the mid-stream business was facing stiff competition, there was a need to recover the costs by imposing a MSF for service that had previously provided free-of-charge to the shippers. Taking into account the common practice in the container freight industry and the user-pay principle, HKMOA considered it justified to impose a HK\$40 surcharge for the value-added service. As regards the waiting time for truck drivers, he said that for truck drivers with coupons, they would be served at once, though the processing of the necessary documents also took about 30 minutes to an hour. For truck drivers without the coupons, they would have to wait until all paid drivers were served. Normally, they would have to wait for about one or two hours.

43. The Deputy Chairman however was not convinced of the explanation provided and the comparison drawn by the HKMOA. Given that there was no direct business deal between the truckers and the mid-stream operators, he considered it unfair to charge the truck drivers for a MSF. It was also incorrect to say that the collection of MSF was a commercial matter between the truckers and the mid-stream operators. In his view, mid-stream operators should charge shipping lines for the MSF so imposed, and truck drivers should reimburse any charges from consignees/shippers.

44. Mr Fred LI also queried the rationale for the imposition of the MSF and the uniform charge of HK\$40. He disagreed with the mid-stream operators' move to impose the surcharge in face of their own operational difficulties. In view of the fact that the clients of mid-stream service were shipping lines, he strongly objected for charging the drivers for the MSF who were forced to pay HK\$40 at the gate.

45. Recalling that the issue had been discussed at three meetings before, Mr CHAN Kam-lam urged the mid-stream operators to stop collecting the surcharge immediately for the so-called "value-added" service. He raised his objection against

Action

the imposition of the unreasonable charge by the mid-stream operators on the truck drivers who did not have any bargaining power but were forced to pay HK\$40. He considered this a deceptive trade practice of the mid-stream operators. In his view, the mid-stream operators should consider imposing the MSF on shipping lines rather than truck drivers, if considered necessary. Mr CHAN also called on the mid-stream operators to upgrade the quality of their service as their competitiveness was already at stake, given the market share of the mid-stream business had declined from 23% to 17%.

46. The Chairman commented that comparing with the situation in the past, no value was in fact added to the service mentioned by mid-stream operators at all, for in the past, free service was provided to users without waiting for a long time. He remarked that taking into account the long queuing time for trucks, the value of the paid service delivered by the mid-stream operators had in fact been diminished.

47. Dr Philip WONG considered that it was inappropriate to draw a comparison between the mid-stream operator's service to that of the Business Class in air flights. As a matter of fact, separate counters would be provided by airlines to serve passengers of the Economy Class, Business Class and First Class at the same time. Obviously, no special counter was designated to truckers without coupons and all of them had to wait for the service along the same queue. In this connection, he urged the mid-stream operators to review its standard of service and to specify the waiting time for truckers who chose to pay or not. Sharing his views, Ms Miriam LAU also urged the mid-stream operators to introduce a performance pledge for their services. This would, in turn, serve as indicators which the clients might decide whether to use the mid-stream service or not.

48. Mr Kenneth TING raised his concern about the lack of transparency of the pricing mechanism. He relayed the views of the Federation of Hong Kong Industries which was strongly against the practice of the mid-stream operators. The Federation considered that the MSF system had created a highly undesirable situation where two classes of customers had emerged, the surcharge payers and non-surcharge payers, with the former enjoying normal service while the processing of the latter group was deliberately held up. In view of the lack of transparency of the pricing mechanism, the Federation called on the mid-stream operators to disclose in precise terms the service components of the MSF with a detailed breakdown on the respective charges. In reply, Mr William CHAN of HKMOA said that the details about the value-added service had been provided in their submissions.

49. Mr Jasper TSANG commented that the so-called "value-added" services such as the provision of booking systems for collection of cargoes and the deployment of traffic wardens to regulate the traffic in the vicinity of the mid-stream sites were basically general services provided by the mid-stream operators. He enquired if the processing time had been shortened with the introduction of the MSF. Noting that only 5% of the clients did not pay the MSF, he doubted if the service provided to the

Action

95% paid clients had really been improved. The Chairman also commented that no new services had in fact been provided to the clients as 95% of the paid clients had to wait along the same counter.

50. As regards the claim of the HKMOA that 95% of the clients had paid the MSF, Mr CHAN Dit-lung of HKSME did not consider it a correct figure. He believed that in some cases, the MSF was absorbed by the shipping lines. Given that there was no direct contractual relationship between the mid-stream operators and the consignees, he commented that the mid-stream operators should approach the shipping lines which were their signed contracts' counterpart. Mr Willy LIN of HKSC supplemented that even if 95% of the clients had paid, they were forced to do so.

51. In view of the variation in the costs of different mid-stream operators, Mr Fred LI queried about the uniform charge of MSF payment of HK\$40. In reply, Mr William CHAN of HKMOA said that in the past, shippers were required to pay at Government public cargo areas. In considering the operating environment of the mid-stream operators and taking into account the cost-recovery principle of the services provided, the HKMOA decided to levy the MSF on its clients. In the delivery of the value-added services, the costs incurred by individual operators always exceeded HK\$40. To simplify the pricing mechanism, HKMOA set the uniform charge of HK\$40 for all clients.

52. Replying to Mr Fred LI and the Chairman's question on the reasons for not charging the shipping lines on the MSF, Mr William CHAN of HKMOA said that after careful consideration, the HKMOA decided not to charge the shipping lines as the latter had to bear many costs at the port of shipment or destination. In face of increasing competition from neighbouring ports, more shipments would be diverted to other ports if additional costs were charged on the shipping lines for the mid-stream services. However, as the THC was negotiated between individual terminal operators and shipping lines, he was not in a position to comment further.

Land Grant Conditions for the Mid-stream Operators

53. Noting that the mid-stream operators failed to provide parking spaces for container vehicles inside the mid-stream sites, the Chairman asked if the situation could be rectified should the land grant conditions be strictly enforced by the Administration. Mr Kenneth TING also asked if the Government could impose any conditions to regulate the pricing of mid-stream service in the relevant Short Term Tenancy agreements.

54. In reply, DS(ES)3 said that the mid-stream operators had to comply with the land grant conditions of mid-stream sites, and the Lands Department would be asked to take action against any breach of the provisions stipulated therein if identified. As regards the regulation of the pricing mechanism, it was not the Administration's policy to impose any conditions through the land lease to regulate the business of individual

Action

operators.

55. The Chairman however was not convinced of the Administration's reply and said that to his knowledge, similar conditions had been imposed to regulate the tunnel tolls. In reply, DS(ES)3 clarified that for different land use, Government would impose different terms and conditions in the relevant land grant.

56. Mr CHIANG of CHKTJC asked if the Administration could regulate the pricing of the mid-stream operators through imposing additional conditions or restrictions to leaseholders. Mr SIN Chung-kai also said that he had suggested the same point at the meeting in March 2001. In response, DS(ES)3 advised that as the issue of the MSF was closely related to the pricing mechanism of the THC which was negotiated between the shippers and shipping lines, any regulation in the pricing mechanism of the industry would not only involve the revision of conditions in the land grant but represent the Administration's move to introduce major changes to the principle of free trade economy in Hong Kong. As Government regulation or intervention would imply a significant change to the existing policy, it would be prudent not to introduce measures without further consideration from a broader perspective.

Handling of complaints

57. In reply to Mr CHIANG's question on handling of complaint cases, DS(ES)3 said that the Administration had set up a mechanism in mid-2001 to provide channels for the affected truckers to lodge their complaints. ESB/the District Office, upon receiving the complaints, would verify the details of each case, including the reported waiting time, and analyse the complaint accordingly. The Administration would liaise with the relevant companies to take follow up action. As for the number of complaints recorded by the Administration, the Chairman and Ms Miraim LAU noted that the number was smaller than that reported by the CHKTJC. In this regard, CHKTJC agreed to provide supplementary information on the number of complaints lodged by the truck drivers.

58. Referring to the handling of complaints by the Administration, Mr SIN Chung-kai enquired about the way the Administration dealt with the complaints. In response, DS(ES)3 advised that upon receiving complaints from the truck drivers, the Administration would liaise with the operators concerned to ensure that the truck drivers could collect and deliver the goods on time. Analysis had been made on the complaints received and meetings had been held to deal with the serious cases. As reflected from Table 1 of the information paper, the number of complaints did not amount to 600 cases as reported by Mr CHIANG of CHKTJC. Only few complaints had been received for the months between September and December 2001. As the issue was fundamentally a business dispute, the Government could only act as a mediator to enhance the communication between the concerned parties.

Action

59. DS(ES)3 said that the CHKTJC had asked ESB to arrange a "four-party meeting" with the mid-stream operators, liners and shippers. The Administration had approached the three trade organizations concerned with a view to facilitating the holding of the meeting. SES added that over the past months, DS(ES)3 and she had been in contact with the parties concerned. Though the Administration had made every effort to facilitate the dialogue among all parties to resolve the matter, it was not easy for the parties concerned to get together and work out a satisfactory solution among themselves.

60. Replying on Mr CHIANG's question on prohibiting the mid-stream operators' from the imposition of MSF on the clients, SES remarked that she was not empowered by any legislation to regulate the pricing of mid-stream business operations.

61. Mr CHIANG maintained that as far as the payment of MSF was concerned, more efforts should be made by the Administration to help the disadvantaged party, i.e. the truck drivers. In reply, the Chairman said that the Administration had to take enforcement measures in accordance with the legislative provisions to ensure that the interests of all parties concerned were equally taken care of.

62. In view that the incident was a business dispute, the Deputy Chairman suggested to resolve the case at the Hong Kong International Arbitration Centre. This would bring a final decision to the case and avoid any further industrial actions taken by the truck drivers and to ensure that Hong Kong's leading position in container port would not be jeopardized.

63. In concluding, the Chairman urged the mid-stream operators to take into consideration the views expressed by members and all parties concerned at the meeting, and re-consider the feasibility of abolishing the MSF. The Panel would re-visit the matter in due course.

VII. Any other business

64. There being no other business, the meeting ended at 11:00 am.