

**立法會**  
**Legislative Council**

LC Paper No. CB(1)2309/01-02  
(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, 24 June 2002, at 10:45 am**  
**in the Chamber of the Legislative Council Building**

- Members present** : 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 Mrs Selina CHOW LIANG Shuk-ye, JP  
Hon HUI Cheung-ching, JP  
Hon CHAN Kam-lam  
Hon SIN Chung-kai  
Hon Howard YOUNG, JP  
Hon LAU Chin-shek, JP  
Hon Miriam LAU Kin-ye, JP  
Hon CHOY So-yuk  
Hon Henry WU King-cheong, BBS
- Members absent** : Hon James TIEN Pei-chun, GBS, JP (Chairman)  
Hon CHEUNG Man-kwong  
Hon Jasper TSANG Yok-sing, JP  
Dr Hon Philip WONG Yu-hong
- Public officers attending** : **Agenda Item V**  
Economic Services Bureau  
Ms Miranda CHIU  
Deputy Secretary for Economic Services (1)

Miss Mary CHOW  
Deputy Secretary for Economic Services (2)

**Attendance by invitation** : **Agenda Item V**

Airport Authority (AA)

Dr David J PANG  
Chief Executive Officer, AA

Mr Raymond LAI Wing-chueng  
Finance Director, AA

Mr Hans BAKKER  
Commercial Director, AA

Mr Alex DERBIE  
Legal Director, AA

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

**Staff in attendance** : Miss Anita HO  
Assistant Legal Adviser 2

Ms Debbie YAU  
Senior Assistant Secretary (1)1

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Due to other commitment, the Chairman was unable to attend the meeting.  
The Deputy Chairman took the chair.

**I Confirmation of minutes and matters arising**  
(LC Paper No. CB(1)1761/01-02 - Minutes of meeting held on 22 April 2002)

2. The minutes of the meeting held on 22 April 2002 were confirmed.

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**II Endorsement of the report of the Panel for submission to the Council**  
(LC Paper No. CB(1)2019/01-02 - Draft report of the Panel on Economic Services for submission to the Council)

3. Members endorsed the draft report of the Panel for submission to the Council on 10 July 2002.

**III Information papers issued since last meeting**  
(LC Paper No. CB(1)1917/01-02(01) - Tables and graphs showing the import and retail prices of major oil products from May 2000 to April 2002 furnished by the Census and Statistics Department)

4. Members noted the above information paper issued since last meeting.

**IV Items for discussion at the next meeting scheduled for 22 July 2002**  
(LC Paper No. CB(1)2033/01-02(01) - List of outstanding items for discussion; and

LC Paper No. CB(1)2033/01-02(02) - List of follow-up actions)

5. Members noted that the Administration had proposed to discuss the item "Subsidiary legislation under Merchant Shipping (Local Vessels) Ordinance (Cap. 548) and Merchant Shipping (Safety) Ordinance (Cap. 369)" at the next regular Panel meeting scheduled for 22 July 2002, prior to their formal introduction into the Council. However, in view that no Council meeting would be held after 10 July 2002, these items of subsidiary legislation, even if they were gazetted, would have to be dealt with in the next legislative session. Some members opined that it might not be necessary to hold a Panel meeting in July solely for the item.

6. Members noted that the Hong Kong Logistics Development Council (LOGSCOUNCIL) had been undertaking a number of projects relating to the logistics initiatives. Depending on the progress of the on-going projects, it would be more appropriate to arrange a meeting in September to enable the Administration to brief members on the work of the LOGSCOUNCIL.

7. Members also noted that the Report of the Consultancy Study on Interconnection Capacity between Hong Kong's Power Companies would be submitted to the Director of the Electrical and Mechanical Services in June 2002. The Administration would need time to examine the findings and recommendations of the study before seeking members' views on the way forward. In this connection,

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members agreed that pending the availability of the aforesaid Report, the regular Panel meeting in July might be deferred to September.

**V Proposed Airport Authority (Permitted Airport-Related Activities) Order**  
(LC Paper No. CB(1)1310/01-02(03) - Information paper provided by the Administration)

8. The Deputy Secretary for Economic Services (1) (DS/ES(1)) informed members that the Secretary for Economic Services was unable to attend the meeting due to other commitment.

9. At the invitation of the Deputy Chairman, the Deputy Secretary for Economic Services (2) (DS/ES(2)) introduced the draft Order to permit the Airport Authority (AA) to undertake certain airport-related activities. She highlighted a number of changes made to address members' concerns about the broad scope of activities permitted in the previous draft Order which was presented to the Panel on 20 March 2002.

10. Mrs Selina CHOW declared her interest as a Board member of AA.

11. Members noted that one of the newly added general conditions was that AA could only operate carriage and logistics services only if it was not practicable for any other person to provide the service. In this regard, Ms Miriam LAU enquired about the authority to determine and the criteria to be used in the decision process. Mr CHAN Kam-lam also sought further information on the determination mechanism.

12. The Chief Executive Officer of AA (CEO/AA) informed members that in line with the usual practice, AA would invite expression of interest and open tender for provision of services. AA believed that the private sector usually brought best values at lowest costs. As such, AA had been working together with a few hundred business partners and created some 45 000 jobs through this mode of business practice. However, due to financial consideration, there were activities in which the private sector was not interested at. As such, AA had to undertake those projects which were financially not viable but strategically important to Hong Kong.

13. Noting that acquisition of shares, loans or other stocks, debentures etc by AA was now proposed to be restricted to airports in any other part of the People's Republic of China (PRC) rather than any airport outside Hong Kong, Mr HUI Cheung-ching indicated his support to the proposed revision. However, in recognizing the importance of the Pearl River Delta (PRD) and in view of AA's limited financial and manpower resources, he opined that AA should first focus its work on strengthening cooperation with the PRD whilst maintaining the edge of the Hong Kong International Airport (HKIA). He also enquired about the expected rate of return from these airport-related activities.

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14. DS/ES(2) said that AA aimed at strengthening its cooperation with the PRD. The Schedule was drafted in such a flexible manner so as to facilitate AA to conduct commercial negotiations with other PRC airports outside PRD whenever opportunities arose.

15. CEO/AA stressed that AA would not focus on investment. As stated in AA's 2020 Master Plan and 5-year Plan, one of the strategies of AA was to reach out to its customer base and source of flow. To maintain and enhance Hong Kong as the centre of international aviation, both competition and co-operation were important and AA would compete by reaching out and not by investment. The flexibility provided for in the Schedule would allow AA to acquire an equity position regarding investment. He pointed out that any investment plan would need to be in line with the strategic intent and financially viable with reasonable return. AA would only recommend those investment plans that met these two factors for the consideration of the Business Development Committee and the AA Board in the end. The new requirement for AA to seek prior approval of the Financial Secretary (FS) for investment in permitted airport-related activity in an airport outside Hong Kong involving an amount of consideration which exceeded 2.5% of AA's issued share capital of \$36,648 million also served as an additional safeguard. On the expected rate of return, CEO/AA confirmed that reference would be made to the internal rate of return and present value of cash flow.

16. Referring to the requirement of seeking prior approval of the FS for investment in permitted airport-related activities in an airport outside Hong Kong involving an amount of consideration which exceeded 2.5% of AA's issued share capital of \$36,648 million, (i.e. \$916.2 million), Mr Henry WU queried the basis for pitching the amount of consideration at the proposed level. He was concerned that in order to obviate the need for seeking prior approval of the FS, the investment sum on individual projects could be set at \$916.2 million or below. He was also worried that even though prior approval of the FS was required for investment exceeding a certain amount, there was no limitation on the number of investment projects fell under a single airport. He therefore saw the need for introducing a cap on the investment made by AA.

17. In response, DS/ES(2) pointed out that the recommended amount of consideration was made with reference to AA's previous experience and it provided sufficient flexibility for AA to enter into related investment deals. She pointed out that the activities in Section 1, 2 or 3 of the Schedule involved investment activities, relating to an airport outside Hong Kong, or another airport governing body.

18. CEO/AA added that the recommended amount of consideration was drawn up having regard to the views expressed by the Administration and some LegCo Members. The proposed prior approval mechanism would provide the necessary checks and balance. Any investment plans would be carefully reviewed by the Business

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Development Committee and the AA Board in accordance with prudent commercial principles.

19. Mr Henry WU was unconvinced of the reply. He cautioned that it might be possible for one single airport governing body to manage several airports. He called on the Administration to specify such relationship clearly on the Schedule and to consider capping investment made by AA in relation to permitted airport-related activities.

20. In response, DS/ES(2) undertook to discuss with their legal adviser whether the wordings of the Order needed to be modified for clarity.

21. Referring to the permitted airport-related activities specified in the Schedule, Mr Howard YOUNG was concerned that the Schedule was drafted in such a way which gave an impression that AA's investment was being taken for the development, maintenance or operation of an airport outside Hong Kong rather than HKIA.

22. CEO/AA agreed that any commercial deal outside Hong Kong should bring about benefit to Hong Kong and accomplish the mission of enhancing HKIA as a centre of aviation. As a result, any advisory or consultancy services provided to other airports outside Hong Kong on safety, security or airport management should help AA understand better and exert more influence on the future development of these outside airports, which in turn help enhance AA's strategic development and competency.

23. The Legal Director of AA (LD/AA) supplemented that under the revised Order, AA was subject to the over-riding principles of enhancing the status of Hong Kong as a centre of international and regional aviation. Hence, the subsidiary legislation should not over-ride the primary obligation and the founding purposes of the AA Ordinance. DS/ES(2) clarified that Section 4 (1) of the Order stipulated that "the Authority shall not engage in or carry on a permitted airport-related activity at or from a place outside Hong Kong ..... unless such activity is expedient for or conducive to the promotion or maintenance of Hong Kong's status as a centre of international and regional aviation or the competitiveness of the Airport." The Schedule merely specified the permitted airport-related activity which AA could engage in or carry on outside Hong Kong.

24. In response to Mr CHAN Kam-lam, CEO/AA advised that a subsidiary company formed under AA would be set up to run the new investment projects in accordance with prudent commercial principles. Proper control measures would be introduced to bind its activities. Its ability to raise funds in the capital market was also signs to reflect its strength and prudence.

25. Mr SIN Chung-kai stated that the Democratic Party (DP) supported the revised draft Order and hoped to see that no major revision would be made thereafter. As Government had to assume the ultimate liability in case of investment failure, it was of

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paramount importance that proper safeguarding mechanism should be provided for in the legislation to safeguard public interest. DP welcomed the revision and anticipated that the cooperation with airports in PRC would bring about benefits to Hong Kong.

26. Mr Kenneth TING expressed the support of the Liberal Party for the revised draft Order which showed clearer objectives with a narrower scope of activities. He believed that AA would adopt a step-by-step approach in developing partnership with airports in PRC. However, he cautioned that any investment plan should not affect the operation in Hong Kong.

27. On the implementation timetable, DS/ES(2) advised that the Administration would invite the Chief Executive to make an Order under section 5(3) of the AA Ordinance as soon as practicable. DS/ES(1) supplemented that the proposed Order would be subject to negative vetting by the Council and would come into operation upon the expiry of the negative vetting period.

28. In view of the keen competition faced by HKIA and having regard to the on-going commercial negotiations undertaken by AA, Mrs Selina CHOW pointed out that it would not be of benefit to the community if the Order could not be come into early commencement to facilitate the work of AA. Given that changes could still be made by members within the prescribed time limits for scrutinizing subsidiary legislation, she called on the Administration to consider advancing the effective date of the Order rather than waiting until the expiry of the prescribed time limits. DS/ES(1) took note of Mrs Selina CHOW's view.

29. The Deputy Chairman concluded that the Panel was in support of the revised Order.

**VI Any other business**

30. There being no other business, the meeting ended at 11:45 am.