

立法會
Legislative Council

LC Paper No. CB(1)909/02-03
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Panel on Economic Services

**Minutes of special meeting held on
Monday, 13 January 2003, at 5:00 pm
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 Fred LI Wah-ming, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Hon Jasper TSANG Yok-sing, GBS, JP
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, JP
- Non-Panel Members attending** : Dr Hon David CHU Yu-lin, JP
Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Hon CHAN Yuen-han, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Michael MAK Kwok-fung
Hon IP Kwok-him, JP
Hon MA Fung-kwok-JP
- Members absent** : Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Dr Hon Philip WONG Yu-hong
Hon Abraham SHEK Lai-him, JP
Hon LEUNG Fu-wah, MH, JP

**Public officers
attending**

: Agenda item I

Economic Development and Labour Bureau

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Sandra LEE
Permanent Secretary for Economic Development and
Labour (Economic Development)

Ms Miranda CHIU
Deputy Secretary for Economic Development
and Labour (Economic Development) 1

Mrs Rebecca LAI
Commissioner for Tourism

Mr Raymond FAN
Deputy Secretary for Economic Development
and Labour (Economic Development) 3

Miss Irene YOUNG
Administrative Assistant to
Secretary for Economic Development and Labour

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

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Debbie YAU
Senior Assistant Secretary (1)1

Miss Winnie CHENG
Legislative Assistant 5

Action

**I Briefing by the Secretary for Economic Development and Labour on the
Chief Executive's Policy Address 2003**

At the invitation of the Chairman, the Secretary for Economic Development
and Labour (SEDL) outlined the work initiatives in economic infrastructure for 2003.

Logistics

2. On logistics development, SEDL said that the Administration would focus on projects which would significantly enhance Hong Kong's connectivity with Pearl River Delta (PRD) and its overall competitiveness in providing integrated logistics services. To strengthen Hong Kong's position as Asia's premier transportation and logistics hub, the Administration would

- (a) assist the Airport Authority to develop inter-modal connections;
- (b) develop a value added logistics park on North Lantau to provide a designated facility for handling high value, time critical merchandises;
- (c) develop the technical requirements and business model for a Digital Trade and Transportation Network System (DTTNS) to provide a neutral e-platform for the exchange of information and data among logistics service providers;
- (d) undertake a joint study with the State Development and Planning Commission to explore the scope for co-operation between Hong Kong and the Mainland in logistics development. Within this broad context, the Administration would also explore the feasibility of two specific concepts, namely "logistics pipelines" and "inland freight villages"; and
- (e) undertake feasibility studies on Container Terminal 10.

3. Mr CHAN Kam-lam was concerned about the slow pace of development of various initiatives on logistics services and infrastructural development. He urged the Administration to speed up the delivery process so as to catch up with the rapid development in the Mainland. He also enquired if a firm decision on the construction of Container Terminal 10 could be made earlier.

4. SEDL stressed that the Administration had all along been working on measures to improve the overall competitiveness of the logistics sector by streamlining the clearance procedures and co-ordinating various modes of transport service to improve the speed of delivery. As a means to speed up the flow of cargo between Hong Kong and the Mainland, standardised seals had been applied to cross-boundary transshipment containers cleared by the Customs of both sides. Trucks carrying the sealed containers were allowed to pass through the land boundary control points en-route without inspection, thus saving the time on clearance formalities at such land boundary control points. He highlighted that logistics development involved different facets which required detailed examination. Nevertheless, the Administration would make the best effort in taking forward various projects, including the development of designated transportation systems linking two or more logistics nodes to provide speedy non-stop service without the need for customs clearance or transport interchange, and provision of bonded areas for customs clearance of cargo away from the airport and port.

5. Dr LUI Ming-wah asked about the value of production for the logistics sector and its contribution to the overall Gross Domestic Product (GDP). In reply, SEDL pointed out that the transport logistics sector contributed to about 5% of Hong Kong's GDP and it engaged some 200 000 people. The importance of logistics to the economy of Hong Kong was indisputable. Hong Kong ranked first worldwide in its international air cargo throughput, reaching a record high level of 2.48 million tonnes in 2002 and exceeding 2001 by 19.6%. Container throughput of the port of Hong Kong was at its all-time high with some 18.6 million TEUs (twenty-foot equivalent units) for the year of 2002, an increase of about 4.6 per cent over 2001. With the completion of a logistics centre on the airport island to process time-critical and high value-added air cargo and the launching of the first berth at the Container Terminal 9, Hong Kong would further enhance its position as a preferred logistics hub in the region.

6. In reply to Mr SIN Chung-kai's enquiry on the implementation timetable for the DTTNS, SEDL pointed out that DTTNS aimed at providing a neutral e-platform for the exchange of information and data among logistics service providers. The report on the feasibility study for the project would be tabled for discussion at the meeting of the Hong Kong Logistics Development Council this month. SEDL undertook to report its progress to the Panel in due course.

Admin

7. Ms Miriam LAU was disappointed to note that the Chief Executive did not give much emphasis to promoting Hong Kong as a maritime centre in his Policy Address this year. On the supply and training of management staff for the maritime centre, she was concerned about the shortage of qualified personnel who possessed not only academic qualification but also experience in seafaring. To reflect the importance of Hong Kong's role as an international maritime centre, she also urged the Administration to expedite the establishment of a Maritime Museum in Hong Kong.

8. To strengthen Hong Kong's role as an international maritime centre, the Permanent Secretary for Economic Development and Labour (Economic Development) said that the Administration was working hand-in-hand with the Hong Kong Port and Maritime Board with a view to identifying initiatives to attract more vessels to call on Hong Kong's port, to encourage more ship managers and agents to operate in Hong Kong and to provide an effective institutional structure for the development and promotion of Hong Kong as a maritime centre. To strengthen the skills and manpower resource appropriate maritime training programme would be considered. On the provision of a Maritime Museum in Hong Kong, she said that the Administration was examining possible location for this purpose. There was also a need to sort out the financing arrangement for the project.

Tourism

9. On tourism development, SEDL said that in 2002, Hong Kong welcomed over 16.5 million visitors, representing a 20% growth over 2001. Since the abolition of the quota system of the Hong Kong Group Tour Scheme, there was a significant increase in the number of tourists coming to Hong Kong from the Mainland. In response to a proposal by the Hong Kong Special Administration Region Government, the Central Government had agreed to study further relaxation of current restrictions including to

allow residents from Guangdong Province to visit Hong Kong in their personal capacity. Apart from the Mainland market, there were also increases in other major markets as well. The Hong Kong Tourism Board had also been working with the Guangdong Provincial Tourism Administration and Macau Government Tourist Office in promoting multi-destination itineraries in Hong Kong - PRD. To cope with a rising demand, more than 20 new hotels were coming on stream in the next three years, creating nearly 10 000 jobs.

10. On tourism infrastructure and products, SEDL said that the Administration was working on a range of initiatives to improve the existing tourism products and introduce new attractions. By year 2005, the Hong Kong Disneyland, Hong Kong Wetland Park, as well as the Tung Chung Cable Car and development of complementary tourist facilities at Ngong Ping would be opened. The Administration had also invited private sector proposals for preserving and developing the former Marine Police Headquarters at Tsim Sha Tsui into a tourism-themed commercial development. The target completion date was 2007. A new tourism node with a new modern cruise terminal would be built at the tip of the former Kai Tak runway. The Administration was also examining a proposal to develop a resort hotel at Lantau with golf course and spa facilities. Apart from the development of new attractions, there had been an on-going plan since 2000 to enhance and repackage existing attractions in various districts. The enhancement projects in the Central and Western District and some other districts were in progress.

11. On service quality, SEDL said that the Hong Kong Tourism Board would expand the Quality Tourism Services Scheme to cover more sectors and promote awareness of it among visitors and local residents. The Travel Industry Council of Hong Kong would continue to implement the "100 per cent refund policy". On the regulatory front, the Travel Agents Amendment Ordinance 2002 had come into operation on 1 November 2002 to set in place a licensing scheme for inbound travel agents. This would be supported by a training and certification scheme for tour guides.

12. Ms CHAN Yuen-han considered that there were inadequate tourism infrastructure in Hong Kong. In order to maintain our competitiveness, there was a need to offer diverse and appealing tourist attractions. To this end, she called on the Administration to place greater efforts in building new infrastructure for tourism and expanding tourism products, for example, provision of complementary tourist attractions in North Lantau to tie in with the commissioning of the Tung Chung Cable Car system, making good use of our existing heritage structures to build a heritage and culture centre, providing further facilities with a view to developing Sai Kung into a resort etc.

13. SEDL replied that the Administration was investing in new tourist attractions and working to enhance existing ones. Apart from building brand new attractions, the Administration was mindful of the need to upgrade existing tourist attractions. Arrangements had been made to implement improvements in visitors-frequented areas to beautify the physical environment and install better signage systems to facilitate visitors going around in Hong Kong. The Administration also saw the need to promote eco-tourism and to make good use of our existing heritage system to promote tourism. The Commission for Tourism (C for Tourism) supplemented that to enhance

the attraction of Tung Chung Cable Car project, a piece of calligraphy based on the *Heart Sutra* by Professor Jao Tsung-I as a gift to the Government would be enlarged and engraved on giant wooden pillars for display at the Lantau Trail near Po Lin Monastery. The project was planned to be completed by 2004.

14. Mrs Selina CHOW asked the Administration to give a concrete implementation timetable for the Art and Culture Belt in West Kowloon, the modern cruise terminal at Southeast Kowloon and the development of resort hotels with golf courses and spa facilities.

15. SEDL replied that the Tourism Commission was working hand-in-hand with the Planning Department with a view to identifying a suitable site for development of resort hotels with golf course and spa facilities. Upon completion of the planning and statutory process, the project would be put out for tender at the earliest opportunity. He undertook to keep the Panel informed of the development. Regarding the development of the modern cruise terminal, C for Tourism said that the Administration was drawing up the development framework and implementation programme. The target completion date was 2009. The Administration would consult the Panel on the way forward in due course. On the development of the Art and Culture Belt in West Kowloon, C for Tourism confirmed that the Housing, Planning and Lands Bureau would invite proposals for private sector development once the detailed masterplan was finalized.

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16. Noting that the number of visitors to Hong Kong in 2002 already exceeded the number of tourists in 2005/06 originally forecast under the projection for HKD, Mr Howard YOUNG was concerned whether there would be adequate supply of hotel rooms to cope with the increasing demand, bearing in mind the likely increase of visitors arising from further relaxation of current restrictions to facilitate residents from Guangdong Province to visit Hong Kong in their personal capacity.

17. SEDL said that the growth in visitor numbers was a sign of the Administration's effort in promoting tourism in the past. On the supply of hotel rooms, SEDL said that by 2005, there would be more than 20 new hotels with some 50 000 hotel rooms available in the market. The private sector would also actively put forward proposals for development of hotels if market conditions so warranted.

18. Referring to his recent meeting with the Southern District Council, Mr Howard YOUNG urged the Administration to expedite the process in mapping out the long term strategic plan for Ocean Park and make it a synergistic complement to HKD. He reiterated his suggestion of granting extra lands to Ocean Park (such as the land presently occupied by the Hong Kong School of Motoring and CityBus Company Limited) for its future development so as to enhance its competitiveness and attractiveness.

19. SEDL thanked Mr YOUNG for his suggestion and replied that the Administration was working in collaboration with local bodies, the travel and tourism industry and other concerned parties on various initiatives to enhance the attractiveness of Ocean Park.

20. Mr MAK Kwok-fung cast doubts on the economic benefits brought by the launching of HKD as tourists might choose to visit Disneyland parks in other places. In response, SEDL reiterated that since a number of initiatives were in place to facilitate entry of visitors from the Mainland, the Hongkong International Theme Parks Limited had revised the estimated number of attendees to HKD in year one from 5.2 million to 5.6 million. This would improve not just the park's viability but also contribute to higher tourism receipts and the economy of Hong Kong.

21. Noting that there was a proposal to move the statue of King GEORGE VI in the centre of the Hong Kong Zoological and Botanical Gardens to the place next to the monkey enclosure in the same park in order to make way for a statue of Dr SUN Yat-sen, Ms Emily LAU opined that this might have an adverse effect on tourism. She asked the Administration to study whether traces of Hong Kong's colonial past, reflected by statues, paintings and buildings etc, were appealing to both Mainland and overseas visitors.

22. SEDL stressed that any part of Hong Kong's heritage was essential to tourism development. C for Tourism said that she had received feedback from the trade that Mainland visitors were interested in scenic spots relating to Hong Kong's colonial past. The Administration would continue to conserve places of historic interest and identify a wide range of heritage items, including suitable historical buildings of Chinese and Western styles and develop them as tourist attractions. Mrs Selina CHOW remarked that market demand had revealed that both overseas and Mainland tourists were interested in historical relics.

23. In addition to boosting Hong Kong economy at the macro level by strengthening logistics and tourism development, Mr MAK Kwok-fung enquired about the programme for upgrading of tourism services, particularly in the retail sector. In response, SEDL pointed out that many Mainland visitors came to Hong Kong primarily for shopping. He believed that the expansion of the Quality Tourism Services Scheme and the continued implementation of the "100 per cent refund policy" would encourage tourists' spending and enhance local retail industry.

Electricity

24. Mr Fred LI was concerned about the progress of work relating to the interim review of the Scheme of Control Agreements (SCA) and the post 2008 regulatory regime for the electricity supply sector.

25. The Deputy Secretary for Economic Development and Labour (Economic Development) 1 DSED(ED)1 replied that the objective of the Government's energy policy was to provide safe and reliable energy supply at reasonable prices to support Hong Kong's economic and social development. The Administration would, having regard to experience to date with the implementation of the SCAs and views expressed, examine what improvement measures might be considered at the interim review. The SCAs were nevertheless legally binding contract and the Government was obliged to act within the terms of the agreement. Post 2008 arrangements involved developing a regime for the development of the electricity supply sector in the future, it involved inter alia highly complex issues and it was imperative that the

Administration dealt with it carefully. The Administration aimed at drawing up in good time the broad framework for the development of the sector, covering, inter alia, technical, economic and legal issues, taking into account overseas experience. The Administration would consult the Panel in due course.

26. Mr Fred LI enquired about the progress of opening up the market of gas supply. DSEDL(ED)1 replied that if the concern were with the application of natural gas, members might wish to note Hong Kong and China Gas Company Limited and the two electricity companies had been working on their respective projects to use natural gas. As a replacement to coal, the Hongkong Electric Company Limited would use natural gas as the fuel to meet the future base load. The Hong Kong and China Gas Company Limited was also considering using natural gas as an alternative fuel for producing town gas.

II Any other business

27. There being no other business, the meeting ended at 6:05 pm.

Council Business Division 1
Legislative Council Secretariat
21 February 2003