

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1488/02-03  
(These minutes have been seen  
by the Administration)

Ref: CB1/PL/ES/1

**Panel on Economic Services**

**Minutes of meeting held on  
Monday, 31 March 2003, 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 Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching, JP  
Hon SIN Chung-kai  
Dr Hon Philip WONG Yu-hong  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Howard YOUNG, JP  
Hon Miriam LAU Kin-ye, JP  
Hon CHOY So-yuk  
Hon Henry WU King-cheong, BBS, JP

**Members absent** : Hon CHAN Kam-lam, JP  
Hon LAU Chin-shek, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LEUNG Fu-wah, MH, JP

**Public officers  
attending** : **Agenda items IV**

Economic Development and Labour Bureau

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

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Ms Eva CHENG  
Commissioner for Tourism

Mr Andy CHAN  
Assistant Commissioner for Tourism (3)

Civil Engineering Department

Mr T K TSAO  
Director of Civil Engineering

Mr Y S CHOW  
Deputy Director of Civil Engineering (Special Duties)

**Agenda Item V**

Economic Development and Labour Bureau

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

Mr James WONG  
Principal Assistant Secretary for Economic Development  
and Labour (Economic Development) (Financial  
Monitoring)

Electrical and Mechanical Services Department

Mr Roger LAI  
Director of Electrical and Mechanical Services

**Agenda Item VI**

Economic Development and Labour Bureau

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

Ms Mary CHOW  
Deputy Secretary for Economic Development and Labour  
(Economic Development)

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Mr James WONG  
Principal Assistant Secretary for Economic Development  
and Labour (Economic Development) (Financial  
Monitoring)

Ms Winnie HO  
Principal Assistant Secretary for Economic Development  
and Labour (Economic Development )(A)2

Civil Aviation Department

Mr Norman LO  
Deputy Director-General of Civil Aviation

Financial Services and the Treasury Bureau

Miss Glenda CHAN  
Principal Economist (Financial Services Branch)

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

**Staff in attendance** : Ms Debbie YAU  
Senior Assistant Secretary (1)1

Miss Winnie CHENG  
Legislative Assistant 5

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**I Confirmation of minutes and matters arising**  
(LC Paper No. CB(1)1180/02-03 - Minutes of meeting held on  
24.2.2003)

The minutes of the meeting held on 24 February 2003 were confirmed.

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**II Information papers issued since last meeting**

(LC Paper No. CB(1)1037/02-03(01) - Tables and graphs showing the import and retail prices of major oil products from February 2001 to January 2003 furnished by the Census and Statistics Department;

LC Paper Nos. CB(1)1170/02-03(01) and (02) - A letter from a member of the public to the Gas Authority of the Electrical and Mechanical Services Department on the recent occurrence of gas incidents and the Administration's reply;

LC Paper No. CB(1)1200/02-03(01) - Reprovisioning arrangement arising from the reduction of the total area of typhoon shelter space in South East Kowloon as a result of the reclamation projects at Kowloon Bay; and

LC Paper No. CB(1)1207/02-03(01) - Referral from Legislative Council Members' meeting with Tsuen Wan District Council on the proposed construction of Lo Wai Circular Road)

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

**III Items for discussion at the next meeting scheduled for 28 April 2003**

(LC Paper No. CB(1)1198/02-03 (01) - List of outstanding items for discussion; and

LC Paper No. CB(1)1198/02-03(02) - List of follow-up actions)

3. Members agreed to hold a joint meeting with the Panel on Environmental Affairs on 28 April 2003 to discuss issues relating to the development of renewable energy in the context of the 2003 Scheme of Control Agreements Interim Review. Members also agreed that the regular Panel meeting would be held after the joint meeting scheduled for 28 April 2003 to discuss the items on "Amendment to safety standards under the Toys and Children's Products Safety Ordinance" and "Tourism-related item" as proposed by the Administration.

*(Post-meeting note: With the concurrence of the Chairmen of the Panel on Economic Services and the Panel on Environmental Affairs, the joint Panel meeting would be held on 28 April 2003 from 10:00 am to 11:10 am. With the concurrence of the Chairmen of the Panel on Economic Services and the Panel on Security, another joint Panel meeting would be held on the same date from 11:15 am to 12:10 pm.*

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The regular meeting of the Panel would start at 12:15 pm.)

4. Members asked the Clerk to check with the Administration on when it would be ready to brief the Panel on the progress of the following matters:

- (a) Technical study on increasing interconnection between the two power companies; and
- (b) Consultancy study on development of heliport facilities.

5. Mr Kenneth TING proposed and members agreed to put the item "Access to the Mainland aviation market" which was discussed at the Council meeting on 19 March 2003 in the list of outstanding items for discussion by the Panel.

**IV Update on Hong Kong Disneyland**

- (LC Paper No. CB(1)1198/02-03 (03) - Information paper provided by the Administration; and
- LC Paper No. CB(1)1197/02-03 - Background brief on Hong Kong Disneyland prepared by the Legislative Council Secretariat)

6. The Chairman welcomed the Commissioner for Tourism (C for Tourism) who attended the Panel meeting for the first time. At the invitation of the Chairman, C for Tourism briefed members on the progress of the Hong Kong Disneyland (HKD) project.

Employment opportunities

7. In view of the shrinkage in job market, Mr HUI Cheung-ching suggested that the Administration should urge the Hong Kong International Theme Parks Limited (HKITP) to consider hiring more fresh university graduates in Hong Kong for taking up management and operational positions in HKD.

8. C for Tourism responded that HKITP had been actively recruiting local professionals for key management positions in fields such as legal services, marketing, sales and human resources management, and providing suitable training for them. Hiring of operational Disney Cast Members would also start in 2004. C for Tourism said that whilst HKITP would employ local staff for running the HKD, different jobs would have different requirements. Fresh graduates might not always be able to meet the requirements. Nonetheless, she undertook to relay Mr HUI's suggestion to HKITP.

9. Referring to the Government works contracts in paragraph 15 of the paper (LC Paper No. CB(1)1198/02-03 (03)), Mr HUI Cheung-ching enquired about the degree of technology transfer through the engagement of overseas contractors in the works

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projects. The Director of Civil Engineering (DCE) advised that most of the Government works contracts were undertaken by local companies. In some cases where overseas professionals and technicians were involved in the projects, local staff could acquire the necessary technical know-how through their contacts with their counterparts from overseas countries.

Infrastructural works

10. The Chairman was concerned about the progress of the decommissioning of the former Cheoy Lee Shipyard (CLS) and whether the related works would affect the scheduled opening of HKD in 2005.

11. DCE replied that in order to return the CLS site to a condition suitable for development, the Administration had already implemented a clean up plan for the purpose. On-site treatment of contaminated soil had almost been completed. As to the dioxin-contaminated soil, it would be treated off-site. Construction works at the CLS site would commence in July 2003, as scheduled. According to the present progress, all supporting infrastructure should be completed on schedule to tie in with the opening of HKD in 2005.

12. On the design and development of parks and hotels in HKD, Mr David LI enquired about the percentage of works carried out in Hong Kong. C for Tourism replied that whilst a detailed breakdown was not available, most of the works contracts were carried out in Hong Kong.

13. Mr David LI said that in examining the HKD project at previous Panel meetings, members were concerned about the noise impact caused by fireworks display in HKD on near-by residents. He enquired about the progress of the noise impact assessment study as promised by the Administration. The Chairman was also concerned about the timing of the proposed study. He opined that with the aid of computer simulation, the relevant assessment could be conducted prior to the opening of HKD. C for Tourism replied that the Administration would include relevant Admin information in the next progress report on HKD.

14. Ms Miriam LAU was concerned about the planning and design of the public transport interchanges (PTIs) at Penny's Bay and Yam O. She enquired whether suitable terminal facilities had been provided for different modes of public transport, including taxis and public light buses. She also requested the Administration to consult the relevant trades and brief the Panel on Transport before a decision was made on the layout.

15. The Deputy Director of Civil Engineering (Special Duties) said that whilst the finalized design for the PTIs at Penny's Bay and Yam O had yet to be drawn up, parking facilities for buses, coaches and taxis would be made available. The Administration would take into account the transport needs of travellers to HKD, the views of the relevant Government departments including the Transport Department

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Admin and the Police, as well as the transport trades before finalization of the design. It was expected that the layout plans would be ready by late 2003. He undertook to request the relevant Bureau to brief the Transport Panel on the design and layout of the two PTIs, including the possibility of introducing green minibus service to HKD, before finalization of the layout design.

Financial information

Admin 16. Mrs Selina CHOW, Mr SIN Chung-kai and the Chairman considered it necessary for the Administration to provide additional financial information on the HKD project to facilitate the Panel to monitor Government expenditure and the performance of Government investment in HKD. Mrs Selina CHOW enquired about the actual tender prices of the consultancy, works and related contracts awarded by HKITP vis-à-vis the original estimates, and whether any savings were achieved. To enhance transparency, she considered it necessary for the Administration to disclose the relevant information to the Panel. The Chairman concurred with the views of Mrs CHOW. Mr SIN Chung-kai also said that as HKITP was partially funded by public monies, the Administration should disclose the financial results and performance of the company to safeguard public interest. He also requested the Administration to provide a breakdown of the Government works contracts and consultancy for HKD in terms of actual tender prices and original estimates approved by the Finance Committee.

Admin 17. On the original estimates and tender prices of the consultancy, works and contracts awarded by HKITP, C for Tourism said that disclosure of such information might jeopardize the results of future tendering exercises to be conducted by HKITP. She however undertook to discuss with HKITP to see whether it could provide a general analysis on whether the actual tender prices of major contracts awarded were within original estimates. Regarding the disclosure of information on the financial performance and results of HKITP, C for Tourism said that the information could be commercially sensitive. But nonetheless, she would likewise discuss with HKITP to see if some general information on whether the company was operating within budget could be provided to the Panel. C for Tourism also took note of Mr SIN's request for including financial information on the original estimates and actual expenditures of Government works contracts in future progress reports.

18. On the composition of the Board of Directors of HKITP, the Permanent Secretary for Economic Development and Labour (Economic Development) (PSEDL(ED)) said that there were nine members in the Board, five of which were Government's representatives. They were the Financial Secretary, Secretary for Financial Services and the Treasury, Secretary for Economic Development and Labour, Secretary for the Environment, Transport and Works, and C for Tourism. Two independent non-executive Directors could be, but had not been appointed to the Board. The Walt Disney Company and the Government would take turn to serve as the Chairman of the Board each year.

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19. In response to Mr Howard YOUNG's enquiry on the latest forecast base tourists and attendance of HKD, C for Tourism said that the estimated number of attendees to HKD in year one remained 5.2 million. However, as a number of initiatives were being undertaken to promote tourism, an update on the forecast base tourist to HKD would be prepared nearer the time of opening.

**V Extension of the Information and Consultation Agreement with the Hong Kong and China Gas Co. Ltd**

(LC Paper No. CB(1)1198/02-03(04) - Information paper provided by the Administration)

20. At the invitation of the Chairman, the Principal Assistant Secretary for Economic Development and Labour (Economic Development) (Financial Monitoring) (PASEDL(ED)(FM)) briefed members on the Administration's paper. He said that the conclusion of a new information and consultation supplemental agreement (ICA) between Government and Hong Kong and China Gas Company Limited (HKCG) relating to HKCG's core gas business and gas-related activities in Hong Kong was aimed at enhancing public safety and transparency in the HKCG's tariff setting mechanism. Under the new ICA, the company would provide the Government annually with its planned capital expenditure and those on network repairs and maintenance, in the coming financial year, and the actual expenditure on these items in the preceding year. At the same time, to increase transparency, the company would disclose more information to the public in its booklet (Towngas Corporate Information) published annually to expound on the company's commitment to operational efficiency, environmental awareness, and safety of the public and the gas supply system.

21. In response to the Chairman's enquiry, PASEDL(ED)(FM) also said that under the existing mechanism, tariff adjustment for gas supply service could only be initiated by HKCG. The Company should, not less than three months prior to the intended implementation date of any tariff adjustment, provide the Government with the particulars of the adjustment.

22. Amidst Hong Kong's current deflation situation, the Chairman enquired whether the Government could initiate a tariff reduction proposal with HKCG under the ICA, and if not, whether the terms in the ICA could be revised to this effect in the context of the present review.

23. Whilst recognizing the benefits of a new ICA to the general public, Mrs Selina CHOW shared the Chairman's view that there should be a mechanism for the Government to initiate a tariff reduction with HKCG with a view to boosting Hong Kong's competitiveness at a time of deflation.

24. Mr Fred LI pointed out that in accordance with a recent investment research report, HKCG achieved a hefty 34% return on fixed assets last year, and the firm's



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share of the piped-gas market had already reached 70%. He enquired about the Administration's measures to address the likely problem of monopoly in the domestic gas market. He also opined that ICA alone was not an effective means to address the present problem. If the domestic gas market could not be opened, he asked whether the Administration would consider regulating Towngas's permitted level of return, gas tariff and related matters.

25. Ms CHOY So-yuk concurred with Mr LI's view that the ICA was not effective in regulating gas tariff. She also enquired about the Administration's timetable for reviewing the energy policy including the development of renewable energy to ensure environmental protection.

26. PSEDL(ED) thanked members' views on the matter. Whilst noting members' concern about the HKCG's tariff, she explained that HKCG did not have a franchise or any exclusive right to supply gas in the territory. It operated in an open market environment. From the energy users' perspective, a choice already existed and there was competition among Towngas, liquefied petroleum gas (LPG) and electricity. The scale of operation or a major market share per se did not determine whether a business was anti-competitive or not. At present, the Government had no plan to regulate HKCG's rate of return or the tariff of Towngas. It however would continue to liaise with the company with a view to encouraging the company to lower or freeze its tariff. She also undertook to relay members' concern on the high gas tariff to the company for consideration.

27. On the review of energy policy and opening up of the domestic gas market, PSEDL(ED) said that the primary objective of the Government's energy policy (including gas supply) was to ensure that consumers enjoyed reliable and safe supplies of energy at reasonable prices. One key factor for the development and introduction of natural gas to Hong Kong at the household level was the availability of reliable, secure and affordable supply. The Administration would continue to monitor the development of supply sources close to Hong Kong and conduct further detailed studies as appropriate. She also took note of Ms CHOY's concern about the development of renewable energy with a view to minimizing the environmental impact of energy production and use, and promoting efficient use and conservation of energy. The Administration would continue to work on the subject matter with due regard to the objectives of Government's energy policy.

28. Mr Fred LI was not convinced that energy users had a choice. He pointed out that due to physical constraints and lack of space for storage tanks, provision of LPG was not made possible in many buildings. Mr LI urged the Administration to examine the viability of introducing a common carrier system for natural gas. Mrs Selina CHOW also said that despite Government's support, the market of LPG could not be fully developed due to the lack of suitable lands. PSEDL(ED) took note of the members' views.

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29. Dr LUI Ming-wah considered it necessary to come up with some benchmarking on gas tariff based on actual rates, sales volume and the level of investment made by overseas gas companies before HKCG could be urged for a tariff reduction. In this regard, PSEDL(ED) undertook to conduct an analysis on available information.

**VI Adjustments in oil prices**

- (LC Paper No. CB(1)1198/02-03(05) - Information paper on "Adjustments in oil prices" provided by the Administration ; and  
LC Paper No. CB(1)1198/02-03(06) - Information paper on "Fuel surcharge by Airlines" provided by the Administration)

30. At the invitation of the Chairman, PASEDL(ED)(FM) briefed members on the trend movements of oil prices. The Principal Economist (Financial Services Branch), the Financial Services and the Treasury Bureau (PE(FSB)/FSTB) briefed members on the impact of high oil price on the economy and the general public at large as a result of the recent tensions between the United States and Iraq. The Deputy Director-General of Civil Aviation (DDGCA) also briefed members on the fuel surcharges levied by airlines on passenger and cargo services.

Adjustment in oil price

31. Ms Miriam LAU was gravely concerned that the Administration's paper on adjustments in oil price had played down the impact of high oil price on various sectors as a result of the recent tension between the United States and Iraq. She pointed out that if the estimated lift on overall business operating cost at around 0.07 of a percentage point under a "quick battle" scenario or 0.18 of a percentage point under a "protracted battle" scenario were substantiated, it would not be justified for the airlines to levy fuel surcharges for carriage of passengers and cargo. She was of the view that the impact of high oil price on the transport sector was more significant than that quoted in the paper. In this regard, she highlighted the difficulties faced by the taxi trade. Unlike the airline operators, taxi operators could not propose a fuel surcharge for fear of further loss of business. Ms LAU therefore urged the Government to consider exempting the fuel tax of transport trade to relieve their burden.

32. PE(FSB)/FSTB said that the impact of an oil price hike on business operating cost would vary amongst different economic sectors according to their specific degree of oil dependency. The impact would be greater for the more energy-intensive sectors like transport sector. For all sectors in the economy taken together, the lift on overall business operating cost was estimated at around 0.07 and 0.18 of a percentage point respectively under the two postulated scenarios (i.e. "quick battle" scenario and "protracted battle" scenario). She further said that the rise in overall business

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operating cost for the transport trade alone would be about 1% under a “protracted battle” scenario. On the proposed exemption of fuel tax, PSEDL(ED) said she would relay Ms LAU’s suggestion to the Secretary for Financial Services and the Treasury for consideration.

Admin

33. Ms Miriam LAU was unconvinced that the lift on overall business operating cost for the transport trade would only be 1%, not to mention the fact that the increase in crude oil price could be higher as opposed to the assumed rate of 10% as quoted in the paper.

Admin

34. Mrs Selina CHOW shared Ms Miriam LAU’s view. She considered that the Administration should provide a more detailed analysis on the impact of high oil price on different sectors of the economy. A generalized description by using an average figure was misleading. While casting doubt on the assumption that crude oil price were to rise by 10% only, she sought clarification on the difference between a “quick battle” scenario and a “protracted battle” scenario.

35. PE(FSB)/ESTB pointed out that 10% was only an indicative figure. In case crude oil price were to rise by 20% or 30%, the impact of oil price on the economy would be multiplied correspondingly. She said that while the impact on overall business operating cost for all sectors in the economy was low, the impact would be greater for the more energy-intensive sectors like electricity and gas production, fishery, transport, and restaurants and hotels. PE(FSB)/ESTB said that in the present context, a “quick battle” meant the war would end in a month while a “protracted battle” meant the war would last for a longer period.

36. Mr TSANG Yok-sing sought clarification on the methodology of the calculation prepared by the Administration and the interpretation of various figures quoted in the paper relating to the impact of high oil price on the economy.

37. In reply, PE(FSB)/ESTB clarified that under a “quick battle” scenario, it was assumed that the crude oil price were to increase by 10% for the first month and by 5% in the following two months before reverting to normal in the second quarter, whereas under a “protracted battle” scenario, the crude oil price were to increase by 10% for the whole year before the oil price would resume normal. Noting the Administration's reply that the whole analysis was worked out on the basis of assumptions, Mr TSANG Yok-sing queried why the Administration could jump to the conclusion saying that "Amidst Hong Kong's current deflation situation, the inflationary impact caused by the oil price hike would be superficial". Such conclusion might not reflect the truth of the situation.

Fuel Surcharge by Airlines

38. Mr Fred LI queried why the fuel surcharge for carriage of passengers levied by 6 Mainland airlines was approved across the board at CNY70. He also queried about the need and justifications for granting an approval of an airline's fuel surcharge on

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passenger for a period of three months. In case the international oil price dropped drastically during the surcharge period, the interests of passengers would be sacrificed.

39. DDGCA highlighted that under bilateral air services agreements (ASAs) which governed the provision of air services to/from Hong Kong, tariffs, including surcharges, charged by airlines required the approval of the relevant aeronautical authorities, i.e. the Civil Aviation Department (CAD) in the case of Hong Kong. When CAD considered a tariff application from an airline, it would take into account relevant factors specified in the ASAs, including, inter alia, airlines' cost of operating the services and interests of passengers. CAD would consider each application on its own merits having regard to all relevant factors. DDGCA and PSEDL(ED) considered that given the short-term fluctuations in international oil prices, CAD's approval of an airline's surcharge normally covered only a short period of time, i.e. three months. Notwithstanding the above, CAD would discuss with the airlines concerned on possible suspension of the fuel surcharge if the international oil price dropped drastically during the approval period.

40. Given the broad range of surcharges levied by different airlines, Mrs Selina CHOW queried the basis of the computation. She considered it necessary to provide a benchmark rate to safeguard the interest of passengers.

41. DDGCA pointed out that the fuel surcharges levied by airlines on passengers only constituted a small percentage of the total fares, ranging from 1% to 3%. PSEDL(ED) explained that the variation was mainly due to the difference in oil prices in different areas and the proportion of fuel cost in the overall operating cost of individual airlines. Generally speaking, long-haul routes were also likely to be subject to a higher fuel surcharge.

42. Ms Miriam LAU pointed out that the levying of a fuel surcharge on cargo services was not conducive to the development of logistics in Hong Kong. She enquired about the existing mechanism in determining the fuel surcharge for carriage of cargo and whether it was subject to review. Apart from operating cost consideration, Mr Howard YOUNG opined that it was necessary to consider the needs of consignors too when setting fuel surcharge for carriage of cargo.

43. DDGCA advised that the mechanism in setting fuel surcharge for carriage of cargo was based on a fuel price index, which averaged the fuel prices in five major spotmarkets, i.e. Rotterdam, Mediterranean, Singapore, US-Gulf and US West Coast. Under this CAD-approved mechanism, 60 airlines levied a surcharge of HK\$0.80 and HK\$1.6 per kg respectively for carriage of cargo to/from Asia and rest of the world. PSEDL(ED) and DDGCA further pointed out that CAD had approved the surcharge for carriage of cargo for one year starting from July 2002 according to the bilateral ASAs after consulting the Hong Kong Shippers' Council. In the last year or so, the fuel price index had almost doubled due to unexpected international events such as the current war on Iraq. At the request of Ms Miriam LAU, DDGCA undertook to

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provide further information on how the trigger mechanism worked and the computation of the fuel price index.

Admin 44. Citing the example that the import cost of unleaded petrol had surged by 40% from January 2002 to April 2002 but the pump price only rose by 3% for the same period, Dr LUI Ming-wah pointed out that it was conceivable for companies concerned to maintain a stable retail prices. They would import sufficient consignments of oil that might last for six months or more to avoid price fluctuation in the international oil market. Against this background, Dr LUI sought further information from the Administration on the rationale in approving airlines to levy surcharge for carriage of passengers and cargo.

Importing oil

45. To alleviate the pressure for increasing the pump price, Mr Fred LI suggested that the Administration could encourage the oil companies to import more consignments of oil when the import price of oil had dropped to a low level.

46. PSEDL(ED) stressed that the Government was not in a position to advise oil companies on matter of this nature which was mainly a commercial decision. Mr Howard YOUNG shared the Administration's view and highlighted the associated risks due to the volatility of the oil market. He was also worried about the Government's obligation for giving such kind of advice to commercial entities.

**VII Any other business**

47. There being no other business, the meeting ended at 12:45 pm.

Council Business Division 1  
Legislative Council Secretariat  
25 April 2003