

立法會
Legislative Council

LC Paper No. CB(1)1117/05-06
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Panel on Economic Services

**Minutes of meeting held on
Monday, 27 February 2006, at 10:45 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)
Hon Jeffrey LAM Kin-fung, SBS, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, JP
Hon Howard YOUNG, SBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Vincent FANG Kang, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man
- Member attending** : Hon LI Fung-ying, BBS, JP
- Members absent** : Dr Hon LUI Ming-wah, SBS, JP
Hon LAU Chin-shek, JP

Public Officers attending : **Agenda items V and VI**

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

Miss Janice TSE
Deputy Secretary for Economic Development and Labour (Economic Development)

Miss Winky SO
Principal Assistant Secretary for Economic Development and Labour (Port, Maritime and Logistics)

Mr Roger TUPPER
Deputy Director of Marine

Agenda item VII

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Eva CHENG
Commissioner for Tourism

Mr Paul WONG
Senior Administrative Officer (Tourism)
Special Duty

Attendance by invitation : **Agenda item VII**

Hong Kong Disneyland

Mr Bill ERNEST
Managing Director

Mr Roy HARDY
Senior Vice President, Marketing

Ms Winnie HO
Director, Government Relations

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

Staff in attendance : Miss Anita HO
Assistant Legal Advice 2

Ms Debbie YAU
Senior Council Secretary (1)1

Miss Winnie CHENG
Legislative Assistant (1)5

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I Confirmation of minutes and matters arising

- (LC Paper No. CB(1)831/05-06 - Minutes of meeting held on 23 December 2005
- LC Paper No. CB(1)953/05-06 - Minutes of meeting held on 23 January 2006)

The minutes of the meetings held on 23 December 2005 and 23 January 2006 were confirmed.

II Information papers issued since last meeting

- (LC Paper No. CB(1)812/05-06(01) - Tables and graphs showing the import and retail prices of major oil products from January 2004 to December 2005 furnished by the Census and Statistics Department)

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

III Items for discussion at the next meeting scheduled for 27 March 2006

- (LC Paper No. CB(1)934/05-06(01) - List of outstanding items for discussion
- LC Paper No. CB(1)934/05-06(02) - List of follow-up actions)

3. Members noted that the Administration proposed to discuss the following two items at the next meeting scheduled for 27 March 2006 –

(a) An energy item; and

(b) Proposal to replace Civil Aviation Department's Air Traffic Control Radar Simulator.

4. Members noted that in response to the Panel's request for a briefing on the report of the consultancy study on the competition situation in the auto-fuel market in Hong Kong at this Panel meeting, the Administration had advised that it was not ready

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to discuss the item yet. Noting that the Administration proposed to discuss an energy-related item at the next meeting on 27 March 2006, Mr Fred LI enquired whether the Administration intended to brief members on the study report at that meeting. If not, the Administration should be requested to do so. Ms Miriam LAU shared the view that the Panel should urge the Administration to report the findings of the study which was long overdue.

5. Mr CHAN Kam-lam considered that the Administration should be invited to brief the Panel on the work of the Hong Kong Logistics Development Council (LOGSCOUNCIL) and measures taken to promote logistics development in Hong Kong. Ms Miriam LAU said that as she understood, the LOGSCOUNCIL had been implementing different initiatives to promote the logistics industry in Hong Kong. While the LOGSCOUNCIL could be invited to present an interim report to the Panel, Ms LAU said that the LOGSCOUNCIL might be able to provide more information on the resultant effects of the initiatives if the item were discussed at a later time.

6. Noting that the Tung Chung Cable Car project would likely be completed in June 2006, Mr Andrew LEUNG considered it timely for the Administration to brief the Panel on the progress of the project and the related enhancement programme to improve public facilities at Ngong Ping.

7. The Chairman also remarked that the item on cruise terminal development might be discussed by the Panel. He would relay members' views to the Administration and finalized the agenda as appropriate, taking into account the Administration's views on the proposed timing for discussion of individual items. Members agreed.

IV Setting up of a joint subcommittee under the Panel on Economic Services and Panel on Environmental Affairs to study issues relating to the future development of the electricity market in Hong Kong

- (LC Paper No. CB(1)947/05-06(01) - Letter from Hon SIN Chung-kai proposing the setting up of a joint subcommittee under the Panel on Economic Services and Panel on Environmental Affairs to study issues relating to the future development of the electricity market in Hong Kong
- LC Paper No. CB(2)843/05-06 - Circular issued by the Secretariat on Servicing of subcommittees)

8. The Chairman referred to the letter from Hon SIN Chung-kai, suggesting the Panel to form a joint subcommittee with the Panel on Environmental Affairs (EA) to study issues relating to the future development of the electricity market in Hong Kong. He drew members' attention to LC Paper No. CB(2)843/05-06 dated 12 January 2006 in which members of the House Committee (HC) were duly informed that the number

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of subcommittees formed under the HC or Panels (excluding subcommittees formed under HC to consider subsidiary legislation, other instruments and senior judicial appointments) which would be serviced at any one time by the Secretariat was eight. Members noted that there were currently 15 subcommittees in action (5 subcommittees under HC to study specific issues, 4 subcommittees to study subsidiary legislation and senior judicial appointments, and 6 subcommittees under Panels to study various issues). The Secretariat was able to cope with the workload at present because there were only 10 Bills Committee in action but some important bills were coming up in the next couple of months. Against the above background, the Chairman said that even if the proposal to set up a joint subcommittee to study the future development of the electricity market in Hong Kong were endorsed by the two Panels, the HC would also be invited to consider whether priority should be given to this subcommittee to start its work immediately.

9. Referring to the motion on “Opening up the electricity market” passed by the Council on 15 February 2006, Mr SIN Chung-kai considered that a subcommittee should be set up to closely monitor the future development of the electricity market in Hong Kong. Recognizing the important role played by the electricity industry in environmental protection and taking into account the Administration’s proposed regulatory regime in relation to the use of renewable energy in power generation and emissions reduction, he therefore proposed that the subcommittee should be formed jointly under the Panel and Panel on EA to follow up on the related electricity issues under the purview of the two Panels which were interrelated. While understanding the workload implications brought by his proposal to the Secretariat, Mr SIN nevertheless solicited the support of Panel members for setting up the joint subcommittee given that the future development of the electricity market was of paramount importance to the business communities as well as the general public.

10. Mr Fred LI supported Mr SIN’s proposal. He believed that the subcommittee would complete its major work within this year as he understood that the Administration aimed to complete its negotiation with the two power companies within six months upon the expiry of the present consultation in March 2006. As the Panel on EA was concerned about various measures, including those taken by the two power companies, to improve air quality, Mr LI agreed that a joint subcommittee should be set up under the two panels.

11. Mr CHAN Kam-lam held a different view. While acknowledging the wide public concern about the future regulatory regime of the electricity market, he pointed out that the Panel had regularly followed up the related issues, including both the economic and environmental aspects of the future regulatory arrangements. He believed that LegCo parties/groups or individual Members would provide their feedbacks in response to the Government’s consultation paper. Mr CHAN considered that as long as the Administration would keep an open mind and consider the views received during consultation and brief the Panel on its proposed way forward before finalizing its decision, it was not necessary for members to create another layer of committee for follow-up purpose. He said that if a Panel would set up a subcommittee on each and every issue which aroused public concern, the Panel in

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question would have to receive reports from various subcommittees and could not conduct its normal business.

12. Mr WONG Ting-kwong shared Mr CHAN's view and said that multiple layers of committees would lower efficiency and take up extra resources. In fact, issues relating to the development of electricity market in Hong Kong had been receiving ongoing attention by the Panel. Non-Panel members were also invited to take part in the discussions of items which were of concern to them. Mr WONG considered that the Panel should continue to take the lead in the discussion of items relating to the development of electricity market in Hong Kong.

13. The Chairman advised that as far as he understood, Miss CHOY So-yuk, Chairman of the Panel on EA was in favour of the proposal to set up a joint subcommittee under the two panels to follow up on the related issues.

14. Mr CHAN Kam-lam remarked that Miss CHOY So-yuk had all along been concerned about various initiatives to promote environmental protection and she would express support for any proposal which would lead to reduction of emissions in power generation. However, this might not be taken as a sign of support for setting up the joint subcommittee.

15. Mr WONG Ting-kwong said that whilst individual members of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) might express their own views on Mr SIN's proposal, the Party's stance had yet to be established, pending full discussion of the proposal.

16. Mr Ronny TONG expressed his full support for the proposal. He considered that the future development of the electricity market in Hong Kong was a very significant issue and it was duty-bound for Members to consider views from experts, stakeholders and the general public, discuss issues concerned thoroughly and come up with recommendations for the consideration of the Administration. As one of the functions of the Council was to monitor the Government, Mr TONG did not agree that the setting up of a joint subcommittee would lead to multiple layers of committees.

17. Mr CHAN Kam-lam stressed that he was not in support of Mr SIN's proposal for setting up a joint subcommittee but it did not mean that he was not concerned about the future development of the electricity market in Hong Kong. Indeed, the Panel would continue to follow up on the related issues and the Panel *per se* could also invite experts, stakeholders and consumers to express their views on the matter.

18. Mr Ronny TONG was pleased to note that Mr CHAN Kam-lam did not object to inviting experts, stakeholders and general public to express their views on the future development of the electricity market in Hong Kong to members. Mr TONG considered that as implementation of environmental improvement measures, use of renewable energy in electricity generation, etc would inevitably affect the future economic regulatory arrangement, it would be more cost-effective if the two panels could set up a joint subcommittee to deal with the related issues. On the frequency of

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meetings, he remarked that this would be a matter for the joint subcommittee to decide but the proposed joint subcommittee could obviate the need for the Panel to hold a series of special meetings to discuss the related issues.

19. Mr CHAN Kam-lam did not agree with Mr TONG. He said that the Panel could hold joint meetings with other panels, if necessary. In case the Panel Chairman was unavailable to chair the meeting, the Deputy Chairman of the Panel could act on his behalf.

20. Mr Howard YOUNG said that the general public was very concerned about various issues and possible options of the future development of the electricity market. He considered that the Panel and the Administration should regularly discuss the item. He however expressed reservation on the proposal for setting up a joint subcommittee to follow up on the related issues. On workload implications to the Secretariat, he noted that the Administration had been very slow in introducing bills into the Council and therefore, it was only an illusion that the Secretariat was still able to cope with the additional workload with the increasing number of subcommittees formed under the HC and Panels.

21. Mr Fred LI was disappointed to note that despite the support rendered by Miss CHOY So-yuk, members of DAB held a different view on Mr SIN's proposal. In his capacity as the Deputy Chairman of the HC, Mr LI said that in the light of the latest legislative programme prepared by the Administration, it was unlikely that the five vacant slots for the setting up of new Bills Committees would be entirely used up before the end of the session. Mr LI further highlighted that unlike the Panel which had to oversee a broad range of policy issues, the joint subcommittee could focus on specific issues relating to the development of post-2008 electricity market in Hong Kong.

22. The Chairman put Mr SIN Chung-kai's motion to vote. Five members voted for and eight members voted against. The Chairman declared that Mr SIN Chung-kai's motion was negatived.

23. Mr SIN Chung-kai asked when the Panel could receive deputations' view on issues relating to the future development of the electricity market in Hong Kong. The Chairman suggested that this question could be further considered in the context of proposed items for discussion at next meetings. In the event that the Panel could not finish its business within a meeting, special meetings could be convened to deal with the outstanding items.

24. Mr Ronny TONG remarked that as members had earlier on indicated that joint-panel meeting could be convened to receive public views on the future development of electricity market in Hong Kong, he considered it timely for the Panel to deal with the issue at this juncture.

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25. Mr CHAN Kam-lam considered that it was necessary for the Panel to first decide what exactly would have to be discussed as the Government's consultation was still on-going.

26. The Chairman put Mr SIN Chung-kai's proposal to hold a joint meeting with the Panel on EA to vote. Three members voted for and seven members voted against. The Chairman declared that Mr SIN Chung-kai's proposal was negated.

V Freight Containers (Safety) (Amendment) Bill

(LC Paper No. CB(1)934/05-06(03) - Information paper provided by the Administration)

Introduction by the Administration

27. At the invitation of the Chairman, Deputy Secretary for Economic Development and Labour (Economic Development) (DS/ED) briefed members on the proposal to amend the Freight Containers (Safety) Ordinance (Cap. 506) (FC(S)O) to enable the implementation of the International Convention for Safe Containers, 1972 (CSC) in Hong Kong. She explained that the CSC was adopted by the International Maritime Organization (IMO) to standardize the requirements for testing, inspection and approval of containers, and to prescribe procedures for their maintenance, examination and control so as to ensure safety in their handling, sacking and transportation. For the purpose of implementing the CSC in Hong Kong, FC(S)O and its four pieces of subsidiary legislation had been enacted respectively in May 1997 and July 2001. To address the outstanding issues in the light of the actual practice of the industry, the Administration now proposed to introduce the Freight Containers (Safety) (Amendment) Bill (the Bill) so that FC(S)O and its subsidiary legislation could be brought into operation. DS/ED then outlined the four broad categories of amendments covered by the Bill as follows:

- (a) To expand the application of the FC(S)O to cover the approval of containers, and prescription or approval of examination procedures of containers, irrespective of their origin of manufacture.
- (b) To assign the function of containers approval under sections 5 and 6 of the FC(S)O solely to authorized persons appointed by the Director of Marine (D of M).
- (c) To spell out the conditions under which the owner of a container would have to remove the safety approval plate from the container.
- (d) To empower the D of M to specify by notice published in the gazette the information and documents to be submitted along with an application for approval of examination procedures for containers.

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The Permanent Secretary for Economic Development and Labour (Economic Development) (PS/ED) added that the proposed amendment in (a) above was consistent with Hong Kong's international obligation under CSC. Members noted that the Administration planned to introduce the Bill into the Council in April 2006.

Discussion

28. Members noted that the local maritime industry and classification societies had been consulted on the proposal. Ms LI Fung-ying however relayed the concerns of some container truck drivers about the delineation of responsibility for complying with the new legislative requirements for the removal of the safety approval plate from the container under certain conditions. As there were cases whereby containers without a valid safety approval plate were still used in transport, she enquired if container truck drivers would commit an offence under such circumstances.

29. Deputy Director of Marine (DD of M) advised that the proposed legislative amendment relating to the removal of the safety approval plate from containers under certain conditions was intended to bind owner, lessee or bailee of the containers only but not container truck drivers. DS/ED supplemented that the subsequent maintenance of a safety-approved container was the responsibility of the owner. In accordance with the amendments to CSC, the Administration proposed to spell out in FC(S)O the requirement for the owner of a container to remove the safety approval plate from the container under certain conditions, failing which the owner would be liable on conviction to a fine of \$25,000 and to imprisonment for one year.

30. Mr Ronny TONG supported the proposed amendments to enable the implementation of CSC in Hong Kong. He however was concerned that apart from removing the safety approval plate from the container under certain conditions as specified in paragraph 6(c) of the Administration's paper (LC Paper No. CB(1)934/05-06(03)), whether other measures would be taken to ensure that the container in question would not cause danger to any persons working in the container terminal.

31. DD of M explained that all containers must meet the prescribed safety requirements before approval was granted by the relevant authorities and used for cargo carriage and conveyance. In case the original approval was withdrawn, it could be reinstated subject to proper maintenance and inspection. A safety approval plate would be affixed to the container upon approval of application. Only until then, the container could be used again for carrying cargo. In reply to Mr Ronny TONG's further enquiry, DD of M confirmed that owners should not use containers without a valid approval plate for cargo carriage and conveyance.

32. In response to the Chairman, DD of M advised that on average, about 1% of all containers in Hong Kong, i.e. about 240 000 containers, were withdrawn from services each year for repair and maintenance before they could be used again.

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33. The Deputy Chairman expressed his support for the proposal which could help Hong Kong to sustain its good track record in ensuring container safety during transportation, in particular amidst an increase in cross-boundary container traffic subsequent to changes in the production mode in the past decades.

34. In summary, the Chairman concluded that the Panel supported the Administration's proposal.

VI Subsidiary legislation to implement International Maritime Convention

(LC Paper No. CB(1)934/05-06(04) - Information paper provided by the Administration)

Introduction by the Administration

35. At the invitation of the Chairman, DS/ED briefed members on three pieces of proposed subsidiary legislation under the Merchant Shipping (Prevention and Control of Pollution) Ordinance (MS(PCP)O) (Cap 413) to implement:

- (a) Annex VI to the "International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto" (MARPOL); and
- (b) amendments to Annex I to MARPOL.

DS/ED explained that MARPOL was an international convention adopted by the IMO for the prevention of pollution to the marine environment from ships. There were six technical Annexes to MARPOL. The legislative processes for the implementation of all but Annex VI through the MS(PCP)O had been completed in Hong Kong. To ensure compliance with the control over emission from ships, MARPOL Annex VI required the surveys and inspections of ships and the issue of International Air Pollution Prevention Certificate (IAPP) for ships of 400 gross tonnages or above. The Administration intended to implement MARPOL Annex VI through the proposed Merchant Shipping (Prevention of Air Pollution) Regulation (MS(PAP)R) by empowering the D of M to ensure compliance with the international standards on control of air pollution from ships, and to specify the ship survey requirements on the conditions for the issue of the necessary IAPP. Since the survey and certification services might still be rendered by Government surveyors, the Administration proposed to amend the Merchant Shipping (Prevention and Control of Pollution) (Fees) Regulation (Cap 413L) to include surveys and certificates within the meanings of the proposed MS(PAP)R.

Discussion

36. Notwithstanding that the marine industry had no objection to the Administration's proposal, Ms Miriam LAU pointed out that ship owners, in particular owners of small local vessels, were concerned about the high costs incurred in relation

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to various surveys. She urged the Administration to consider lowering the fee levels of surveys and if possible, combining different types of surveys into one. Noting that under the proposal, classification societies would be authorized to carry out the relevant survey and certification work in respect of controlling air pollution from ships, Ms LAU enquired whether registered professional engineers could also be authorized to conduct the surveys.

37. On the proposed fees, DD of M advised that they were set at the same rates as those currently charged for similar services under Cap 413L on a cost-recovery basis. DD of M also said that if a ship owner required a number of surveys to be carried out under MARPOL and other conventions, arrangement could be made as far as possible for the same Government surveyor to do the surveys at the same inspection visit. However, if the surveys in question straddled across different areas of expertise, different professional surveyors, such as engineering surveyor or nautical surveyor, would need to be engaged.

38. The Chairman was concerned whether Hong Kong ships staying outside Hong Kong could use local survey and certification services there. DS/ED said that as long as the surveys and certification work carried out would comply with the standards for controlling air pollution from ships under the proposed amendments, ship owners were at liberty to use the services provided by classification societies or the Government. In fact, the Administration hoped to see that such work could be done by the private sector. She highlighted the competitive edge of classification societies which had branches operated at different overseas ports. In reply to the Chairman on the fees normally charged by classification societies, DS/ED said that the fees varied depending on the fleet size of a shipping company and the volume of other ship-related businesses it transacted with the classification societies.

39. Noting that the fee to be charged by the Government for survey conducted outside of Hong Kong was \$7,645 for each period of 24 hours, the Chairman asked whether the fee included air passage and hotel accommodation.

40. On fees charged for overseas assignment, DD of M said that as the Government surveyor concerned was absent from Hong Kong for providing the service, the Marine Department and Financial Services and the Treasury Bureau had agreed to recover the cost of local transportation and accommodation thus incurred from the service fees. The service fee however excluded the air passage which would separately be borne by the shipping company concerned.

41. Members noted that surveys conducted within Hong Kong by a Government surveyor would be charged by hour. The charges for the first hour and each subsequent hour of survey conducted within Hong Kong were HK\$3,270 and \$1,115 respectively. In computing, Ms Miriam LAU pointed out that if a local survey lasted for five hours, the charge would be \$7,730, which would exceed the daily fee charged for survey outside Hong Kong which stood at \$7,645. Ms LAU enquired whether the daily rate could be applied for surveys conducted within Hong Kong if so opted by ship owners.

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42. Mr Abraham SHEK echoed Ms LAU's view. He considered that the charging scheme was particularly unfair to small local ship owners because given their small scale of business, they could unlikely be able to enter into good terms with classification societies and had to rely on the expensive services provided by Government surveyors. Mr SHEK sought the Administration's justification for setting the proposed fees at such a high level, in particular the fee for the first hour of survey conducted within Hong Kong.

43. DD of M highlighted that as far as providing survey services were concerned, the Marine Department had always tried to accommodate industry's requests and ensure that the survey services could be completed with least cost. He explained that depending on the size of the vessels, the surveys conducted within Hong Kong normally lasted for one to two hours, including the time for the surveyor to travel to the vessels concerned. As such, the Marine Department had not capped the maximum level of fees to be charged but could consider doing so if ship owners could benefit from the proposal. On the proposed fees, DD of M reiterated that they were set on a full cost-recovery basis. He said that ship owners might be able to conclude a better deal with classification societies but the Government would charge the same price irrespective of the size of the vessels or the scale of the companies.

44. Ms Miriam LAU remained concerned that according to ship owners, they were charged for two hours for surveys which only took half an hour to complete because of the time wasted in surveyors' traveling. While welcoming market competition, Ms LAU urged the Administration to adjust the fees downward to justifiable levels. In response, PS/ED said that upon consultation, the industry had no objection of applying the same level of fees as those currently charged for similar services under Cap 413L.

45. In reply to Mr WONG Ting-kwong's enquiry about conducting survey outside Hong Kong, DD of M said that a service fee of \$7,645 would be charged for each period of 24 hours, counting from the time when the Government surveyor left his office. Mr WONG considered the Government's survey and certification services lack of competitiveness and queried the cost-effectiveness for creating the rank of surveyors in the civil service establishment. PS/ED stressed that providing survey and certification service was just a minor part of the work of the surveyors who mainly focused on marine-related regulation and law enforcement work. In fact, D of M had authorized recognized organizations and they conducted most surveys and functions in relation to ship safety and ship and port facility security. PS/ED further advised that the Administration had not requested for additional manpower as a result of the proposed amendments. It would absorb additional workload, if any, through internal deployment.

46. In response to Mr CHAN Kam-lam's enquiry, DD of M envisaged that there would be a slight increase in workload in terms of surveys. The number of ships requiring the services would broadly be the same as that requesting for surveys under MARPOL Annexes I to V.

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47. Mr Ronny TONG enquired whether Mainland vessels of 400 gross tonnages or above were also subject to the requirements under MARPOL Annex VI. DD of M confirmed that Mainland was one of the signatories to MARPOL and hence, the same set of requirements under MARPOL was applicable to Mainland's registered ships.

48. Summing up, the Chairman concluded that the Panel supported the Administration's proposed subsidiary legislation.

VII Operation of Hong Kong Disneyland

- (LC Paper No. CB(1)934/05-06(05) - Information paper provided by the Administration
- LC Paper No. CB(1)935/05-06 - Background brief on Operation of Hong Kong Disneyland prepared by the Secretariat)

49. The Chairman suggested and members agreed to extend the meeting to 1:00 pm.

Briefing by the Administration and Hong Kong Disneyland Management Limited (HKDML)

50. At the invitation of the Chairman, Secretary for Economic Services and Labour (SEDL) expressed concern that many guests had not been able to enter Hong Kong Disneyland (HKD) during the Chinese New Year period. The Administration considered that there were areas for improvement in the ticketing and guest entry arrangements. It had reflected these concerns to the senior management of HKDML and requested them to make improvements. HKDML would, in the light of experience gained on this occasion, take appropriate follow up measures to avoid recurrence. Commissioner for Tourism (C for Tourism) said that the incident was related to the ticketing system. She said that HKDML had been selling fixed-date tickets since the grand opening. In response to trade feedback to provide the travel trade with greater flexibility in packaging their products, the theme park had introduced a new flexible ticketing arrangement since 3 January 2006. Except for special days, guests could use regular day and peak day tickets for admission to the theme park within 180 days from the date of purchase. This more flexible ticketing arrangement was generally welcomed by the travel trade. Nevertheless, arising from the Chinese New Year incident, HKDML had agreed to pro-actively consult the travel trade in Hong Kong and the Mainland and make improvements, including revamping the ticketing arrangement by reviewing the need to designate more days as special days, improving entry and crowd management during peak seasons and strengthening communication with the travel trade and potential visitors, so as to avoid the situation where guests were not admitted after arrival at the theme park.

51. Mr Bill ERNEST, Managing Director of HKDML delivered his opening statement as set out in the attached press release.

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Discussion

52. Mr KWONG Chi-kin noted from press reports that prior to the Chinese New Year, the Financial Secretary had already reminded the theme park to take into account the period of Chinese New Year holidays in the Mainland in working out ticketing arrangement so as to avoid overcrowding during the festival period. He was disappointed that HKDML had failed to take precautionary measures, and ended up having to turn guests away, leading to scenes of chaos. Mr KWONG considered that being part of a multi-national corporation originated in the United States (US), HKDML did not seem to have paid sufficient due regard to the Chinese culture and customs. He cautioned that the incident happened during the Chinese New Year period, together with a couple of earlier incidents including the refusal of the entry of public officers into the theme park premises for law enforcement purposes, had aroused negative sentiment against HKD among local people and Mainland tourists. Given that Mainland visitors were one of the major sources of visitors to HKD, Mr KWONG urged that the senior management of HKDML should be more sensitive to the cultural needs of Chinese people.

53. Mr Bill ERNEST of HKDML remarked that the company had learnt a lot in the last month during the Chinese New Year period. HKD had met and exchanged views extensively with Legislative Council Members and the travel trade, in particular those in the Mainland. In respect of Chinese culture and customs, Mr ERNEST indicated that in the early days of the HKD project, he had spent a lot of time traveling through Mainland China himself with a view to understanding the cultural difference. He considered the incident as most unfortunate and undertook to ensure that similar situation would not occur again.

54. Acknowledging Mr KWONG's concern, SEDL said that HKDML fully appreciated the importance of the Mainland market and that was why it had quickly communicated with the Mainland travel agents on new system/procedures to improve peak season arrangements. HKDML had also sent a questionnaire to its key travel trade partners with a view to, inter alia, gathering feedback on customers' behavior as well as their seasonality in visiting HKD.

55. Miss TAM Heung-man considered that being a renowned multi-national corporation, the Walt Disney Company (TWDC) should excel in corporate governance. She enquired whether the flexible ticketing arrangement introduced in early January 2006 was unique to HKD or it was a general practice among other Disneyland theme parks in the world. Nevertheless, the recent chaos had uncovered HKDML's lack of understanding of its markets. Miss TAM was concerned about the accountability of HKDML's senior management on this occasion and whether they would be subject to penalty, if any, when similar situation occurred again in the future.

56. On the question of accountability, Mr Bill ERNEST said that being the Managing Director of HKDML, he would not hold anyone responsible but himself. He had taken the matter seriously and would make sure that such problem would not happen again. On ticketing arrangements among theme parks of TWDC, Mr

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ERNEST explained that other Disney theme parks around the world had flexible instead of date-specific tickets. At these other Disney theme park locations, guests could go to another theme park in the same resort if one theme park was full as there were more than one theme park in the same location. In the case of HKD, it was the only theme park on Lantau Island. Mr ERNEST explained that the flexible ticketing arrangement introduced for HKD allowed the travel trade to have greater flexibility in packaging their products.

57. Mr Jeffrey LAM considered that HKD's ticketing chaos during the Chinese New Year holiday was in great contrast to HKD's spirit that it always brought laughter and joy to its visitors. Apart from making public apology and providing refunds, Mr LAM enquired about additional measures, if any, to be taken by HKDML to restore confidence of Mainland visitors.

58. Mr Bill ERNEST noted the importance of restoring Mainland visitors' confidence, and assured members that HKDML had taken a number of follow up measures in that connection. Apart from meeting with the travel trade in the Mainland, HKDML had also conducted a survey among key travel trade partners to collect their views on what future dates, such as dates during the May Golden Week, should be designated date-specific Special Days and how HKDML could better communicate with the trade prior to and during the holidays. The survey also aimed to gather feedback on customers' behavior as well as their preferred timing for visiting HKD, the impact on HKD if HKDML planned for more Special Days in the new ticket calendar and the preferred ways of handling the existing purchased tickets on hand. Mr ERNEST believed that the information would be helpful to ensuring a very successful May for HKD.

59. Mr Howard YOUNG sought the Administration's confirmation that despite the closure of the park on 1 and 2 February 2006, group tours organized by the travel trade had not been denied admission to the park. Given the public expectation on the smooth operation of the park, the general public, tourists and the travel trade were all disappointed to note the chaos as a result of the closure of the theme park during Chinese New Year holidays. He urged that notice of park closure should be disseminated as early as possible to impromptu visitors, preferably to Mainland visitors before they crossed the border. Given that HKD was opened and operated for about half a year, Mr YOUNG sought information on HKDML's preliminary assessment, if any, on visitors' behavioural pattern in using the park facility. He believed that the information would assist HKDML in working out ticketing arrangement and formulating crowd management strategy.

60. Mr Bill ERNEST remarked that as far as he understood, HKD was able to allow all tour groups to enter the park on 1 and 2 February 2006, and visitors who had been turned away were mostly individuals. HKDML had received a handful of complaints and refunds were made immediately at the front gate. On visitors' behavioural pattern, Mr ERNEST noted that unlike guests of other US Disney theme parks, those visiting HKD generally stayed longer in the park and took longer to appreciate the park. They liked to take pictures, walk around to discover the park

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before exploring the themed attractions. HKDML was mindful of the need to study the characteristics of its markets in the region from travel patterns to in-park behaviour. This information would facilitate HKDML in planning operations.

61. Mr CHAN Kam-lam was disappointed to note that being part of a well-established theme park corporation which was well-known for good governance, HKDML had allowed the occurrence of the incident during the Chinese New Year period. He hoped that HKDML could learn from the Chinese New Year experience and make improvements.

62. On the ticketing systems, Mr Bill ERNEST informed members that HKDML was reviewing the possibility of merging the fixed-date and flexible ticketing systems which involved considerable complexities. No conclusion had been drawn yet.

Government's role

63. Noting that the chaos on 1 and 2 February 2006 had been widely reported by both local and overseas press, Mr Fred LI urged that HKDML should improve its crisis management strategy as well as its relationship with the media. He was also concerned about the working relationship among TWDC, senior management of HKDML and Government officials sitting on the Board of Hongkong International Theme Parks Limited (HKITP). Noting that some ticket holders indicated their intention to sue HKDML, Mr LI was concerned who would be responsible for making the compensation, if necessary.

64. Mr Bill ERNEST informed members that while he and other members of the senior management of HKDML would oversee day-to-day management of the theme park, they would regularly review with Burbank (corporate headquarters of TWDC) strategic and policy issues. His team also worked closely with Government officials to ensure the smooth operation of HKD.

65. On the role of Government officials in the operation of HKD, SEDL said that in addition to the Board of HKITP, the Financial Secretary also chaired the Steering Committee on Implementation of Hong Kong Disneyland to, inter alia, monitor the performance of HKD. SEDL further advised that as far as he understood, no legal action had been taken against HKD for compensation so far.

66. Mr Ronny TONG considered that being a major shareholder in HKITP, the Government should play a more proactive role in the operation of HKD, in particular over policy changes and amidst a crisis. He requested the Administration to provide written information on Government's participation in the management of HKD for members' reference.

67. SEDL advised that Government's representatives on the Board of HKITP would ensure that Government's views and suggestions on the operation of HKD would reach the senior management of HKDML as well as TWDC. The management had also taken on board these views and suggestions. The Government

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representatives in the HKITP Board could also obtain relevant information in order to monitor the performance of the theme park. In reply to the Chairman, SEDL said that information related to the HKITP Board could not be released.

68. Mr CHAN Kam-lam considered that HKDML should adjust its management philosophy to tie in with the characteristics of the South East Asia markets. In this connection, Mr CHAN agreed that the Government should play a more influential role by assisting HKDML to become more accustomed to local management style.

69. SEDL said that the Administration had worked closely with the senior management of HKDML and discuss with them issues of common concern, such as revamping the ticketing arrangement; better entry and crowd management during peak seasons; and prompt and effective communication with the travel trade and potential visitors.

70. Mr Abraham SHEK considered that the Government had made a right decision to invest in HKITP and develop HKD. Indeed, HKD had strengthened the tourism development of Hong Kong and promoted local economic development. On management of HKDML, Mr SHEK considered that the Government should refrain from micro-managing the company, bearing in mind various legislation were already in force to regulate the theme park. The Government, however, could oversee the performance of HKD through the Board of HKITP.

Expansion

71. Miss TAM Heung-man sought information on the progress and details of the development of a new Disneyland theme park in the Mainland. She was worried that the opening of another theme park in the region would bring about unhealthy competition to HKD and affect its expansion plan.

72. Mr Bill ERNEST said that it was the company policy of TWDC to always look for new business opportunities ranging from theme parks to consumer products. He said that he had nothing new to report on the plan for a theme park in the Mainland. Noting that possibility of developing another Disneyland park in Shanghai had been reported for some years, SEDL pointed out that according to the agreement between the Government and TWDC, there was no restriction in the development of a new theme park in Hong Kong or another Disney theme park in the Mainland and hence, both parties were free to do so. SEDL considered that the Mainland market was large enough to accommodate two Disneyland theme parks.

73. Noting the former Managing Director of HKDML had indicated that HKD's park attendance was on track, Mr SIN Chung-kai pointed out that he might only refer to the estimated number of base tourists of 5.6 million projected in 1999 before the implementation of the Individual Visit Scheme. In view of the increasing number of Mainland visitors to the park, Mr SIN was concerned about the implementation programme for the expansion of Phase 1 and Phase 2 development. Mr Albert CHENG shared with Mr SIN that in view of possible development of another

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Disneyland theme park in the region, he urged for the expeditious expansion of HKD to maintain its competitiveness.

74. SEDL clarified that the number of base tourists had already been increased from the original projection of 5.2 million to 5.6 million. C for Tourism advised that the Government and TWDC had a mutual understanding to keep up the momentum to develop the theme park and increase the number of rides and attractions as well as improving existing facilities such as providing more shelters and air-conditioned areas to enhance guest experience. Mr Bill ERNEST added that three new attractions were in the pipeline for completion in mid-2006, viz “Autopia” (a futuristic car ride), “Stitch Encounter” (an out-of-this-world encounter with mischievous alien) and “UFO Zone” (an interactive water experience with Undeniably Fun Objects).

75. On Phase 2 development, C for Tourism said that reclamation for a site east of the current theme park was on-going and the target completion date was end-2008. Other infrastructural works could proceed thereafter. It was however a matter for HKITP to decide when to exercise the option to acquire the site for Phase 2 development having regard to the market demand.

Staff issues

76. Recalling that cast members of HKD had lodged complaints against the poor working environment during the early days of the park’s grand opening, Mr Jeffrey LAM was concerned about the measures that had been taken to improve the situation. In response, Mr Bill ERNEST said that HKDML had various communication channels to strengthen management-staff relationship, including staff communication forums led by senior management which provided an opportunity for all staff to hear from the management direct key topics and initiatives as well as pose questions direct to senior management, and staff consultative committees in all lines of business which met regularly to discuss issues and improvement areas specific to each line of business. He personally met with cast members at monthly Q&A sessions. All these communication channels were well-received and most cast issues had been resolved through this work. HKITP had also maintained regular dialogue with the Hong Kong Disneyland Cast Member Union which was established in November 2005. Mr ERNEST stressed that HKDML regarded its staff as its greatest asset.

77. Noting HKDML’s response, Mr Jeffrey LAM considered that there might be fewer complaints from cast members now because the weather was not as hot as summer times. He cautioned that HKDML should keep an eye closely on staff needs, in particular when approaching summer. SEDL assured members that the Labour Department had conducted regular inspections in respect of occupational safety and occupational health to ensure that HKDML had complied with all labour laws and regulations.

78. Mr Ronny TONG sought information on staffing issues and the employment of persons with disabilities (PwDs) by HKDML. In response, SEDL remarked that Government representatives on the Board of HKITP had discussed staffing issues with

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HKDML at the Board meetings. The Labour Department had also conducted 63 and 53 inspections in respect of occupational safety and occupational health. The Government had impressed upon HKDML that employment of PwDs was an important issue. HKDML was very willing to employ PwDs and had made progress in this area. To ensure that potential PwDs were aware of job opportunities at HKD, apart from its normal advertising channels, HKDML had since August 2005 developed a process to disseminate recruitment information to PwDs. It passed a monthly update on all job openings to the Social Welfare Department, Labour Department and Hong Kong Council of Social Services. HKDML had undertaken to review every application referred by these channels.

79. Mr Abraham SHEK appreciated HKDML's efforts with regard to employment of PwDs. Apart from offering job employment, he suggested that HKDML should also run some voluntary programmes for PwDs to assist them to develop their personal capabilities and enable them to become self-reliant and integrate fully into the society. In addition to PwDs, Mr SHEK encouraged HKDML to carry out more outreaching programmes in schools and elderly centres with a view to promoting the concept of friendliness and harmony of HKD to students and elderly persons.

80. Mr Bill ERNEST took note of Mr SHEK's suggestion and said that as part of the programme for reaching out to the community, HKDML had been organizing volunteer programmes. He also said that currently, 25 PwDs were working full-time in various positions across different lines of business in the theme park. Mr Albert CHENG remarked that out of a work force of 5 000 cast members, HKDML could only manage to employ 25 PwDs which was too little. Mr ERNEST said that since August 2005, only about 100 PwDs had expressed interest to take up employment at HKD. Nevertheless, HKDML was continuing to proactively partner with the Labour Department on the employment of PwDs.

VIII Any other business

81. There being no other business, the meeting ended at 1:00 pm.



News Release 新聞稿

HONG KONG DISNEYLAND

Opening Statement from Bill Ernest

(27.2.06)

“Thank you for inviting me and my colleagues here. I know that there is a lot of interest in Hong Kong Disneyland and how we manage the Park, which is why I would like to say a few words about our short- and long-term strategies to ensure that the Park moves forward in a positive manner.

“First, allow me to reiterate that we are on track to meet our attendance targets. Guest volume continues to build, especially among Mainland Chinese guests and especially during the Christmas and Chinese New Year holiday periods, when we experienced sellout crowds. And guest satisfaction remains high.

“Over the years we have built up a considerable amount of expertise conceiving, building and operating theme parks that bring magic to the lives of millions of people around the world. Still, like every new market we have opened in, Hong Kong is new to us. This is a unique market and we are learning from our experiences.

“In this respect, we have already begun building on our experience from the incidents of Chinese New Year by reviewing our operations and developing an improvement plan that will help us ensure such a situation will not happen again.

“Regarding park admission issues at the Park, we have listened to feedback from various stakeholders. This includes the Hong Kong Government, travel trade, our Cast Members and our guests. Our immediate goal is to ensure the safety and satisfaction of all Hong Kong Disneyland guests at all times. With this in mind, we are considering the following three measures for the convenience and comfort of our guests.

“First, we see the merit of extending the number of Special Days during peak periods. These may include the Easter holidays and May Golden Week. As always, anyone with a ticket stamped for those days will be able to enter and enjoy the Park. And the travel trade and visitors will be informed in advance. As you all can understand, we do this to ensure the safety of our guests and to preserve the guest experience of those inside the Park.

“Second, we are also considering certain logistical improvements to our facilities in the unlikely event that we need to restrict Park access at any time. Such enhancement measures will include improvements to messaging, strengthening communication with the travel trade, and ways to facilitate crowd management so that we can manage visitor flow in a more orderly manner.

“Third, we are reviewing expansion plans for the Park. This is a long-term improvement measure designed to do two things: increase capacity by a steady program of expansion and enhance the guest experience with thrilling new attractions and features. One part of this is the opening of Autopia, which is slated to open this summer.

“We implemented the new flexible ticketing arrangement based on popular demand from our guests and from those working in the travel trade. It demonstrates Hong Kong Disneyland’s willingness to constantly listen to our stakeholders in order to improve our facilities and the quality of the guest experience.

“In closing, I would like to take this opportunity to thank our guests for their support and I am grateful to our Cast Members for the dedication and passion that they have shown in delivering for us our unique Guest experience throughout the last five months, in particular the exceptional busy holiday periods. We see ourselves as a member of the local community from the moment we decided to build a theme park in Hong Kong and our goal remains to be bringing fun to all of our guests. We continue to listen, and we continue to make improvements where they are practicable. In the five short months since the Park opened, we have gained invaluable experience operating in this unique new market. We look forward to maintaining our close relationships with our stakeholders, including members of the legislature, so that we can ensure the success of Hong Kong Disneyland and secure its place as an Asian tourism icon.”

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