

立法會
Legislative Council

LC Paper No. CB(1)1592/07-08
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Monday, 17 March 2008, at 8:30 am
in the Chamber of the Legislative Council Building

- Members present** : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Abraham SHEK Lai-him, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Howard YOUNG, SBS, 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 KWONG Chi-kin
Hon TAM Heung-man
- Members absent** : Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon SIN Chung-kai, SBS, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Albert CHAN Wai-yip
- Public officers attending** : Agenda Item IV
Miss AU King-chi, JP
Commissioner for Tourism

Ms Kinnie WONG
Assistant Commissioner for Tourism

Agenda Item V

Miss Janice TSE, JP
Deputy Secretary for Transport and Housing
(Transport)5

Miss Winky SO
Principal Assistant Secretary for Transport and Housing
(Transport)

Mr Francis LIU
Acting Deputy Director of Marine

Agenda Item VI

Miss Janice TSE, JP
Deputy Secretary for Transport and Housing
(Transport)5

Mr CHAN Ming-kwong
Chief Assistant Secretary for Transport and Housing
(Transport)

Mr FUNG Kwok-ming
General Manager/Services
Marine Department

Agenda Item VII

Mr Esmond LEE, JP
Deputy Secretary for Transport and Housing
(Transport)4

Mr Francis CHENG
Principal Assistant Secretary for Transport and Housing
(Transport)

Mr Norman LO
Director-General of Civil Aviation

Mr Colman NG
Assistant Director-General of Civil Aviation (Air
Traffic Management Division)

Attendance by invitation

: Agenda Item IV

Ocean Park Corporation

Dr Allan ZEMAN
Chairman
Board of the Ocean Park Corporation

Mr Tom MEHRMANN
Chief Executive

Mr Matthias LI
Deputy Chief Executive and Chief Financial Officer

Agenda Item VII

The Airport Authority Hong Kong

Mr Howard ENG
Airport Management Director

Mr NG Chi-kee
General Manager, Airfield Business Unit

National Air Traffic Services of the United Kingdom

Mr Chris DANNER
Commercial Advisor

Mr Robin GUNTER
ATM Planning Expert

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)6

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

Ms Michelle NIEN
Legislative Assistant (1)9

- I Confirmation of minutes and matters arising**
(LC Paper No. CB(1)1023/07-08 - Minutes of meeting held on 28 January 2008)

The minutes of the meeting held on 28 January 2008 were confirmed.

- II Information papers issued since last meeting**
(LC Paper No. CB(1)1006/07-08(01) - Tables and graphs showing the import and retail prices of major oil products from February 2006 to January 2008 furnished by the Census and Statistics Department)

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

- III Items for discussion at the next meeting**
(LC Paper No. CB(1)1030/07-08(01) - List of outstanding items for discussion

LC Paper No. CB(1)1030/07-08(02) - List of follow-up actions)

3. Members agreed to discuss the following two items proposed by the Administration at the next regular meeting to be held on 28 April 2008, at 10:45 am:

- (a) Briefing on detailed proposals for the new Competition Law; and
- (b) Proposal to establish a Vessel Height Restricted Area in the vicinity of the Stonecutters Bridge.

- IV Hotel development proposal of the Ocean Park**
(LC Paper No. CB(1)1030/07-08(03) - Administration's paper on hotel development proposal of the Ocean Park

LC Paper No. CB(1)1081/07-08(01) - Administration's paper on proposed hotel development in Ocean Park (power-point presentation materials))
(tabled at the meeting and subsequently issued via e-mail on 17 March 2008)

Introduction by the Administration

4. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) briefed members on the proposed development of three hotels in the Ocean Park (OP). She said that the Ocean Park Corporation (the OPC) was implementing its Redevelopment Plans, which would turn OP into a world-class "education-cum-entertainment" facility. As the number of attractions in OP would increase from the current 35 to about 70 attractions by 2013, it might take visitors more than one day to enjoy all the attractions. The proposed hotel development was thus an important supporting infrastructure to enhance OP's tourism appeal, diversify guests' experience, and lengthen their stay both in OP and Hong Kong. Moreover, the proposed hotel development was timely in responding to the Chief Executive's call in his Policy Address 2007-2008 for promoting meetings, incentive travels, conventions and exhibitions tourism and supporting hotel development. Hotel development in OP would provide venues for conference and business events, thereby opening a new market segment for the redeveloped OP.

Briefing by the OPC

5. At the invitation of the Chairman, Dr Allan ZEMAN, Chairman, Board of the OPC highlighted that the proposed hotel development in OP was in line with the trend of developing hotels on-sites in other branded theme parks in the world. Unlike many other hotels in the city of Hong Kong, each of the three proposed hotels in OP would have their own distinctive themes. Located at the new Entry Plaza and connected to the future Ocean Park Station of the South Island Line (SIL) (East), the Ocean Hotel would be a 3-4 stars hotel with about 660 rooms. Development of the proposed 4-star Fisherman's Wharf Hotel at the Tai Shue Wan would tie in with the planned redevelopment of the Aberdeen harbour into a fisherman's wharf. The proposed 5-star Spa Hotel, which situated at the summit above Tai Shue Wan overlooking Deep Water Bay and Aberdeen, would be the first of its kind in Hong Kong. The hotel would have 180 rooms equipped with spa facilities and would cater for the demand of both local people and tourists for spa resort facilities.

6. With the aid of power-point, Mr Tom MEHRMANN, Chief Executive of the OPC briefed members on the background, the feasibility study and the economic benefits of the proposed hotel development in OP. In gist, he said that development of the three hotels was an important supporting infrastructure to OP's Redevelopment Project, which commenced in 2006 and targeted for completion by 2012/2013. The hotel development project would help enhance OP's appeal to tourists, and prolong guest stay in OP and in Hong Kong. With the implementation of the SIL (East), the connectivity between OP and the rest of Hong Kong would be greatly improved, thus making OP an attractive site for hotel development. Moreover, the proposal supported the Financial Secretary's vision, as stated in the 2008-2009 Budget, to consolidate Hong Kong's status as an international convention, exhibition and tourism capital. Mr MEHRMANN stressed that the proposal had gained the support in-principle of the Administration. The OPC had also presented the concept plans of the three hotels to the Southern

District Council and the Town Planning Board (TPB), which generally supported the hotel development proposal. The findings of the hotel feasibility study conducted by the OPC had also confirmed the technical and financial feasibility of the proposed development. He added that OP would implement effective measures to satisfy all appropriate public and environmental requirements during the construction and operation phases of the hotels.

7. On economic benefits, Mr MEHRMANN said that the three hotels would help diversify Hong Kong's tourism market and develop the under-served markets such as family tourists, spa lovers and high-yield visitors. Total quantifiable economic benefits generated by the project, including the first-round additional income to the OPC and the subsequent multiplier effects of additional tourist spending in Hong Kong, were around \$102 million in 2011, rising to \$206 million in 2030. The proposal would also generate directly or indirectly around 320 jobs upon the opening of the hotels in 2011-2012. During the construction period, new jobs in terms of around 3 180 man-years would be created in the building and construction sector, though this was one-off in nature. Moreover, as more than half of the additional visitors to OP were expected to come from overseas tourists attracted by the hotel packages and related promotions, there would be spillover benefits to the other segments of the tourist-related sectors, including the retail and restaurant business in the Southern District. As regards the development timetable, Mr MEHRMANN advised that the OPC would invite tender for the project under a design, build and operate model by the end of 2008 after TPB approval process had been completed. Construction was expected to start in the third quarter of 2009 with a view to completing the construction work in phases between 2011 and 2012.

Discussion

8. The Chairman said that some members had requested the Administration to provide information on planning and land measures to facilitate the development of hotels in Hong Kong. He advised that the subject would be separately discussed at the meeting of the Panel on Development scheduled for 25 March 2008 and members would be invited to join the discussion.

(Post-meeting note: Information on the overall development of hotels in Hong Kong provided by the Administration was circulated to members vide CB(1)1121/07-08(01) on 25 March 2008.)

Traffic impacts

9. Expressing his support for the proposed hotel development in OP, Mr Howard YOUNG sought confirmation to his understanding that the proposal and OP's Redevelopment Project were separate projects independent of each other. He was also concerned whether the timetable of hotel development would dovetail with the commissioning of the SIL (East) as traffic in the vicinity of Tai Shue Wan was already very congested.

10. Dr Allan ZEMAN advised that the proposed hotel development was not contingent upon OP's Redevelopment Project notwithstanding that the hotels would help enhance the Park's appeal to visitors. Private developers would be invited to design, build and operate the hotels which would be financially independent from the Park. He further advised that the three hotels were expected to commence operation in phases from 2011-2012 onwards while the SIL (East), including the Ocean Park Station, would be commissioned before 2015. Dr ZEMAN said that according to MTR Corporation, the earliest possible date for delivering the project would be 2014. On the concern about traffic congestion in Tai Shue Wan area, Dr ZEMAN remarked that with the commissioning of the new Entry Plaza of OP, buses and coaches would no longer need to use the Tai Shue Wan Road for Park admission purposes, thus traffic congestion in the surrounding area would be alleviated.

11. Sharing the concern about negative traffic impacts arising from the hotel development, in particular as most guests were expected to arrive the hotels by coaches, Mr Ronny TONG expressed concern that when all three hotels commenced operation, the traffic congestion problem in the area might be further aggravated. He sought information on measures to be taken by the Administration to address the problem.

12. C for Tourism said that OPC's consultant had earlier undertaken a Traffic Impact Assessment (TIA) to identify potential traffic issues during construction and operation of the hotels before a decision for the SIL (East) was made. According to the consultant, existing public transport facilities and services were considered adequate to cater for the guests of the three hotels even without the SIL (East).

13. Mr Tom MEHRMANN supplemented that the TIA had an extensive coverage in relation to projected traffic impacts. He pointed out that the traffic situation at Tai Shue Wan would be improved when the new Entry Plaza started operation, and the implementation of the SIL (East) would help reduce the road traffic demand in the Southern District as a result of the shift in the transport modes of commuters from road-based mode to rail-based mode. The OPC's consultant thus considered that the hotel development proposal would not induce significant traffic impacts. Dr Allan ZEMAN added that guests usually arrived at the hotels at different time periods. In response to Mr Ronny TONG's concern on the possible traffic impacts generated by the guests attending banquets or conferences at the hotels, Dr ZEMAN pointed out that family tourists were the main target segment of the proposed hotels. At the request of the Chairman, Dr ZEMAN undertook to provide a copy of TIA report for members' reference.

(Post-meeting note: Information provided by the Administration was circulated to members vide CB(1)1245/07-08(01) on 14 April 2008.)

14. While expressing the support of the Democratic Alliance for Betterment and Progress of Hong Kong for the proposed hotel development in OP, Mr Wong Ting-kwong also expressed concern on the traffic impacts of the proposal, in particular deterioration of congestion in Aberdeen Tunnel.

15. Mr Tom MEHRMANN remarked that TIA had tested all traffic scenarios extensively and concluded that the traffic conditions of the adjacent road network and major road links would not be significantly affected with the increase in visitor number to OP. Regarding the traffic condition at Aberdeen Tunnel and its linking roads, Mr MEHRMANN explained that at present, traffic congestion usually occurred at the northbound carriageways of Aberdeen Tunnel during the peak periods. For OP visitors traveling on the southbound direction to the Park during daytime, they should not encounter problems in reaching the Park using the Aberdeen Tunnel.

16. The Chairman was concerned about the safety and capacity of the new Funicular Train connecting the Lowland and the Summit of OP. In response, Dr Allan ZEMAN and Mr Tom MEHRMANN highlighted that the design and construction of the Funicular Train had met all the statutory safety requirements. Like other modern underground railways, the Funicular Train, which was about a mile long and a 3-minute ride, would be equipped with a protected walkway beside the rail for passenger evacuation when necessary. As it sometimes took passengers a long waiting time for the cable car ride, the new subway could help relieve the pressure on the facility, in particular when the cable car service had to suspend due to bad weather condition. Passengers who had taken the cable car ride could take a return trip via the subway which could transport as many as 10 000 people per hour both ways.

Economic implications

17. While acknowledging that the proposed hotel development would bring economic benefits to OP and the Southern District, Mr WONG Ting-kwong was concerned how the project would benefit tourism and other related sectors in Hong Kong.

18. Dr Allan ZEMAN believed that the Redevelopment Plans of OP and the proposed hotel project would have spillover benefits to other districts and other segments of the tourist-related sectors. At the district level, there would be parallel re-development in the Southern District, including developing the Aberdeen harbour into a Fisherman's Wharf, and other hotel development projects initiated by private developers in the area. It was envisaged that Wong Chuk Hang area, where currently was occupied by old industrial buildings, would also be rejuvenated. Hence, the whole Southern District as well as Hong Kong would become more appealing to visitors.

19. Noting that private developers would be invited to design, build and operate the proposed hotels, Mr Vincent FANG was concerned about the sharing of profits between developers and the OPC as the latter would provide land for the hotel development. Given the development of the three hotels could bring up to 36 800 additional visitations to OP in the first year of operation of the hotels, Mr FANG enquired whether hotel guests would have priority over other visitors in visiting the Park.

20. C for Tourism advised that the development of the three hotels would be taken forward through open tenders. After the tendering procedures, the OPC would enter into a sub-lease with the selected developer(s). The premium for lease modification would be charged at market value in accordance with the prevailing policy. Moreover, Dr Allan ZEMAN said that tenderers would be invited to include profit sharing proposals in their bids and the OPC would critically assess all bids received. He further advised that like other theme parks in the world, OP would accord priority to hotel guests in visiting the Park. Nevertheless, as the three hotels would provide a total of about 1 300 rooms and that hotel guests would not visit the Park at the same time, operation of OP would not be affected.

21. In response to the Chairman's enquiry about the projected numbers of local and overseas visitors to OP after the commissioning of the hotels and SIL (East), Mr Tom MEHRMANN advised that at present, the levels of patronages from local vis-à-vis Mainland/overseas markets were similar. It was estimated that the number of visitors from the Southeast Asia, Mainland and other overseas markets would continue to rise and by 2012, the proportion of local to non-local visitors to the Park would become 4:6. It was further expected that when the Park was fully redeveloped, there would be more visitors from Mainland and overseas markets and the proportion would further change to 3:7.

22. Regarding the Chairman's enquiry about the development of the Fisherman's Wharf, C for Tourism advised that a conceptual design for the Aberdeen Tourism Project (the Project) had been developed in end 2006 which covered Aberdeen, Ap Lei Chau, Tai Shue Wan and Deep Bay. The Project aimed to further bring out the unique features of "traditional fishing harbour" and the local culture of Aberdeen to enhance its attractiveness to both international visitors and local residents. The key features included developing exhibition facilities based on the theme of traditional fishing harbour to unfold the long history and story of Aberdeen, enhancing the use of traditional sampans as a means of water transport to shuttle between both sides of Aberdeen and Ap Lei Chau and to link with OP, setting up a visitor information centre and visitor signages at appropriate locations along the Aberdeen and Ap Lei Chau promenades. The yachts in Deep Bay might add to the appeal and enhance visitors' experience, and the marina area could become a popular centre of boat owners and potential buyers. C for Tourism added that the Administration intended to engage the private sector in taking forward the Project and planned to invite tender in 2009 after completing the financial feasibility assessment of the Project by mid 2008. Hopefully, the commissioning of the Project could tie in with the redevelopment of OP.

V Briefing on Pilotage (Dues) (Amendment) Order 2008
(LC Paper No. CB(1)1030/07-08(04) - Administration's paper on Pilotage Ordinance (Chapter 84) Pilotage (Dues) (Amendment) Order 2008)

Briefing by the Administration

23. At the invitation of the Chairman, the Deputy Secretary for Transport and Housing (Transport), (DS/TH(T)5) briefed members on the proposed Pilotage (Dues) (Amendment) Order 2008 (the Order), which sought to increase pilotage dues agreed between the provider and users of pilotage services. She explained that pilotage dues were commercial fees charged by licensed pilots for the provision of pilotage services. The fee levels were periodically reviewed by the Hong Kong Liner Shipping Association (HKLSA), representing shipping lines, and the Hong Kong Pilots Association (HKPA) representing the pilots. The latest review in December 2007 recommended increases in certain pilotage dues and the proposed revisions were set out in the Annex attached to the Administration's information paper (LC Paper No. CB(1)1030/07-08(04)). She said that under the proposal, the basic pilotage due and the due for cancellation of engagement would be increased by 12.3%. Moreover, in view that the gross registered tons of newly-built ships were increasingly higher, the additional due per ton of ship for ships of more than 60 000 tons would be capped at \$7,200. The proposed revisions in pilotage dues had reflected the agreement between the HKPA as the service provider and HKLSA as service users, which were endorsed by the Pilotage Advisory Committee in January 2008. DS/TH(T)5 further advised that section 22 of the Pilotage Ordinance (Cap. 84) empowered the Pilotage Authority, who was the Director of Marine, to set the amount of pilotage dues by order published in the Gazette after consultation with the Pilotage Advisory Committee which comprised major users of Hong Kong Port. Members noted that the Administration planned to gazette the Order on 3 April 2008 and table it at LegCo on 9 April 2008 for negative vetting.

24. In response to the Chairman's enquiry about the proposed cap of \$7,200 for ships of more than 60 000 tons, DS/TH(T)5 said that under the existing arrangement, there was no maximum charge for additional due per ton of ship. However, in order to attract more mega vessels to come to Hong Kong and to facilitate their cost computation, it was proposed to cap the additional due per ton of ship at \$7,200, which would be equivalent to the additional due payable by a ship of 120 000 tons. She further advised that the impact was insignificant as there were only about 101 ships of 120 000 tons or over coming to Hong Kong in 2007.

25. The Chairman concluded that the Panel agreed with the proposed revisions and supported the making of the Order.

VI Progress report on industry consultation on arrangement for re-allocation of berths in Public Cargo Working Areas

(LC Paper No. CB(1)1049/07-08(01) - Administration's paper on Progress report on industry consultation on arrangement for re-allocation of berths in Public Cargo Working Areas (PCWAs)

LC Paper No. CB(1)1067/07-08(01) - Submission on arrangement for re-allocation of berths in Public Cargo Working Areas from the Joint Alliance of PCWA operators dated 13 March 2008 (Chinese version only)

LC Paper No. CB(1)1133/07-08(01) -- Submission from the Joint Alliance of PCWA operators dated 20 March 2008 (Chinese version only)
(received after the meeting and issued on 26 March 2008)

LC Paper No. CB(1)1076/07-08(01) - Submission from Ms YU Lai-fan, member of Islands District Council on arrangement for re-allocation of berths in PCWAs (Chinese version only)
(tabled and subsequently issued on 17 March 2008)

26. The Chairman drew members' attention to the submission from the Joint Alliance of PCWA operators (Joint Alliance) which expressed concern on the proposed arrangement for re-allocation of berths in PCWAs.

Briefing by the Administration

27. At the invitation of the Chairman, DS/TH(T)5 briefed members on the progress of the consultation with the industry on the re-allocation of PCWA berths upon the expiry of the current Berth Licence Agreement (BLA) in July 2008. She highlighted the salient points as follows:

(a) *Background*

- (i) Prior to 1998, PCWA berths were allocated to users on a first-come-first-serve basis under a permit system. In 1995, the Director of Audit (D of Audit) recommended, inter alia, that the right of using PCWA berths should be allocated by an open and competitive bidding process. In 1996, the Public Accounts Committee (PAC) urged the Government to expedite PCWA management reform and to consult PCWA operators "with a view to devising an open, fair and economically viable system for the allocation" of berths in PCWAs;

- (ii) After consulting the then Panel on Economic Services (ES Panel), the Government agreed that the PCWA management reform should be introduced in a gradual manner. Consequently in 1998 the berths were allocated through a restricted tender to existing PCWA operators for a term of three years until 2001. Open tenders were then carried out for any unallocated berths. In view of the then prevailing economic situation, the Government conducted another restricted tender exercise in 2001 and subsequently extended BLAs in 2004 for 18 months to July 2005; and
- (iii) In 2005, the Government allocated the berths at all PCWAs by restricted tenders to incumbent operators. Open tenders were carried out for the remaining unallocated berths at all except the New Yaumatei PCWA at which there was no vacant berths after the restricted tendering. As there were still vacant berths after the first open tender, two more open tender exercises were conducted. With this experience in open tendering for some of the berths, the Administration believed that there was scope for a gradual phased implementation of open tendering of PCWAs.

(b) *Original proposal for re-allocation of PCWA berths*

In view of the expiry of BLA in July 2008 and taking into account PAC's recommendation and the advice of ES Panel then, the Administration had mapped out a proposal on phased implementation of the open tendering of PCWA berths for industry consultation with details as follows –

- (i) Berths at the five PCWAs at Stonecutters Island, Tuen Mun, Rambler Channel, Western District and Chai Wan would be disposed of by open tender for a term of three years; and
- (ii) Berths at the other three PCWAs at Kwun Tong (KT), Cha Kwo Ling (CKL) and Yaumatei by restricted tender opened to the existing operators of the respective PCWA holding a valid BLA, also for a term of three years. The Administration planned to decommission KT and CKL PCWAs by 2011 to make way for the intended open space development under the Kai Tak Outline Zoning Plan and Trunk Road T2 respectively. A limited, interim scheme for open space development would also start at KT within the coming licence period between 2008 and 2011 by realignment of existing berth arrangement to provide a contiguous stretch of marine frontage. The Government would also make use of the limited residual marine frontage at CKL PCWA not required for Trunk Road T2 works to accommodate the 12 paper recyclers from KT PCWA from

2011 to 2016. Other affected operators would be accommodated through voluntary migration to the vacant berths and the berths from natural wastage in other PCWAs in the run up to 2011.

(c) *Public consultation and revised proposal*

- (i) Upon consultation, members of the Port Development Advisory Group under the Hong Kong Port Development Council in general supported the gradual open tender proposal although there was concern on its social and economic impacts;
- (ii) The Administration consulted the Kwun Tong District Council (KTDC) which passed a motion urging the Government to turn KT and CKL PCWAs into a waterfront promenade, and to suitably re-provision the relevant operators;
- (iii) PCWA operators and the related trade associations were first consulted on 28 January 2008. They had raised objections to the open tender policy and suggested that the existing BLAs be extended for another term of five years. The operators expressed concern on increased competition and thus rise in costs for their operation brought about by open tender, which in turn might lead to loss of low-skill jobs provided at PCWAs. The Administration met with the Joint Alliance and the related trade associations again in early March 2008. PCWA operators maintained their objection. They re-iterated their serious worries about being priced out of the market by bigger players in the industry and considered that this would limit choice and competitiveness of port operation in Hong Kong; and
- (iv) Taking into account the concern of operators and the industry, the economic contribution of PCWA operators and the possible social and employment impacts, the Administration had revised the original proposal to scale back the phased implementation of open tender for three, instead of five, PCWAs, namely Chai Wan, Western District and Rambler Channel PCWAs with a view to posing lesser impact on the existing operators. However, there was still no consensus on the scaled back proposal and the Joint Alliance maintained their objection for any open tender.

28. DS/TH(T)5 further advised that in view of the imminent expiry of BLAs and the need to prepare for early tendering arrangement, the Administration therefore brought to members' early attention of the progress of its discussion on the re-allocation arrangement and sought members' views on the way forward.

Discussion

Open tender policy for PCWA berths

29. Mr KWONG Chi-kin said that the Harbour Transport Workers' General Trade Union, an affiliated member of Hong Kong Federation of Trade Unions, was a member of the Joint Alliance. He noticed that members of the Joint Alliance were staging a petition outside the LegCo Building to express their objection to the proposed arrangement. On the history of PCWAs, Mr KWONG said that prior to 1974, some local residents used to provide cargo handling services for local vessels and barges along the waterfront, which gradually developed into PCWA operations. In 1974, the Government started to regulate the use of seafront for handling cargo across coastal waters and allocate berths at PCWAs on a first-come-first-serve basis under a permit system until 1998. Mr KWONG considered that the present arrangement of allocating PCWA berths through a restricted tender to existing operators first followed by open tenders for unallocated berths was a pragmatic approach. He expressed concern about the social and economic impacts brought by the Administration's proposal to implement open tender for berths at three PCWAs and relayed operators' concerns that their small businesses would not be able to compete with large port operators as the latter would price out existing operators in open tenders by offering higher bidding prices. As a result, existing PCWA operators would be forced out of business and their employees would become unemployed. Mr KWONG further pointed out that some PCWA operators used to provide the daily necessities and other cargo transportation services at lower cost to residents of outlying islands. Thus following the open tender for PCWAs, such services for the outlying islands might be adversely affected and goods, especially daily necessities like fresh produce, for residents might become more expensive. He noticed that similar concerns were expressed by Ms YU Lai-fan, a member of the Islands District Council, in her submission tabled at the meeting.

30. DS/TH(T)5 re-iterated that the Administration fully understood the concern expressed by the industry. After taking into account the possible social and employment impacts, the Administration had already scaled back the implementation of open tender for three PCWAs instead of five with a view to posing lesser impact on existing operators.

31. Mr Ronny TONG remarked that while the Civic Party had all along supported upholding the principle of open and fair competition, it considered that implementation of such a policy should not result in creating a difficult business environment for small operators. As regards PCWA operators' concerns about higher bidding costs and losing of jobs in PCWAs, Mr TONG opined that these were genuine concerns as according to the trade, the fees for PCWA berths had tripled in the past few years. In this connection, he sought the Administration's response to the fees for PCWA berths in recent years.

32. In response, DS/TH(T)5 remarked that the same reserve prices, which ranged from \$375 to \$950 per metre per month, were set in the tenders for PCWA

berths in 1998 and 2001. In the restricted tender exercise in 2005, the reserve prices were even reduced slightly, which ranged from \$350 to \$900 per metre per month, in consideration of the then prevailing economic situation. On average, the outturn prices under the restricted tender in 2005 for the berths were about 1.5% higher than the reserve prices. DS/TH(T)5 stressed that recognizing the worries of the existing PCWA operators about being priced out of the market by bigger players in the industry, the Administration proposed to adopt a gradual approach in carrying out open tender for the berths. It was believed that with the experience from the open tenders for the remaining vacant berths conducted in 2001 and 2005, the revised proposal should have small impact on the existing PCWA operators. In particular, vacant berths were available at the three PCWAs concerned.

33. Mr James TIEN shared the view that PCWA berths should be allocated by open tender to ensure fair competition. Noting that the bidding prices for the berths were just 1.5% higher than the reserve prices, he was concerned about possible collusion among PCWA operators in the tenders. He requested the Administration to provide information on the scale of operation of the bidders and the respective number in previous open tender exercises for PCWA berths.

34. DS/TH(T)5 advised that as observed from the tender exercises for PCWA berths conducted since 1998, there had been no signs of monopoly by players. In 2005, 30 unallocated berths were disposed of through open tender and some 20 berths were tendered out. As regards the scale of operation of PCWA operators, she explained that PCWA operators could be broadly grouped into categories, namely outlying island trade, general cargo, recyclable materials, bulk materials and containers, according to the major types of cargo they handled. While she did not have the requested information in hand, DS/TH(T)5 noted that the existing PCWA berths were not operated solely by one or a few companies. On the narrow gap between the bidding and reserve prices, DS/TH(T)5 said that this might be attributed to the existing operators' familiarity with the market situation and their experience gained from previous restricted tender exercises.

35. The Chairman noticed that some PCWA berths had been allocated through open tender and the trade did not raise any objection. He asked whether non-existing operators had submitted bids in the past open tenders. The Chairman also considered that apart from the existing PCWA operators, freight forwarders would also be concerned about the high bidding prices pushing up the cargo handling charges that they needed to pay. In order to prevent monopoly of berths in a PCWA by the same company, which might sublet the allocated berths to other operators, the Chairman suggested that in conducting future open tenders, consideration might be given to disallow the same company from submitting bids for more than a certain number of berths in the same PCWA and for berths at more than one PCWAs.

36. DS/TH(T)5 explained that in previous tender exercises of PCWA berths, the majority of berths were allocated by restricted tender to incumbent operators first followed by open tender for unallocated berths. She added that under the revised proposal which was in line with the PCWA management reform to

introduce open tender for berths in a gradual manner, all berths at three PCWAs, namely the Chai Wan, Western District and Rambler Channel PCWAs, would be allocated by open tender after the expiry of BLAs in July 2008. As there were currently a total of 12 vacant berths in these PCWAs, it was assessed that open tender for these PCWAs should pose smaller impact on the existing operators. As regards the concern about subletting of berths, she pointed out that the user rights of the berths were not transferable. The relevant BLAs would be revoked for any detected cases of subletting. On the Chairman's suggestion of setting restrictions for bidders in open tender exercises, DS/TH(T)5 opined that it might not be effective in preventing monopoly as operators could set up companies with different names to circumvent the restrictions. Moreover, as some existing operators were already holding licences for berths at more than one PCWA, the suggestion might pose difficulties for these operators. Regarding impacts of the open tender policy on freight forwarders, DS/TH(T)5 said that services provided by PCWA operators, while adding to the diversity of Hong Kong's cargo handling industry, had to be competitive in view of other choices for port users.

37. Mr CHAN Kam-lam shared the worries expressed by the industry. He noted that in response to the recommendation of D of Audit made in 1995, PAC had urged the Government to devise an open, fair and economically viable system for the allocation of berths in PCWAs with a view to promoting competition and improving utilization of the berths. Mr CHAN pointed out that with the decline in PCWA operations and local logistics industry in the past decade, the Administration should suitably adjust the open tender policy in consultation with the industry. He noticed that the Joint Alliance had raised objection to the open tender proposal mainly on concerns about higher operating costs and considerable disruption to PCWA operations. To relieve the industry's anxiety about uncertainties of the future arrangements for PCWAs, Mr CHAN considered that the Administration should work out the long term arrangement for the allocation of berths at PCWAs without delay. In particular, the Administration should consider the industry's request for the Government to identify suitable land for PCWA operations and necessary ancillary facilities, and incorporate the land uses in the town planning process.

38. DS/TH(T)5 responded that the Administration acknowledged the economic contribution of PCWA operators in providing needed and essential cargo handling services at low cost. That was why most of PCWAs were maintained unless the sites had to be returned to make way for development projects. On the concern about high operating costs if open tender for PCWA berths was introduced, DS/TH(T)5 said that a number of open tenders for unallocated berths had been conducted, and there was only once whereby the bidding prices were significantly higher than the reserve prices. However, subsequently the operator concerned did not sustain its operation.

39. Mr KWONG Chi-kin expressed reservation about the Administration's explanation. He pointed out that unlike previous tender exercises where only unallocated berths in a PCWA would be disposed of through open tender, under the current proposal, all berths in a PCWA would be allocated by open tender which

would present a business case for large companies to consider submitting bids. While agreeing that PCWA berths should be allocated by an open tender system in the long run, Mr KWONG stressed the need to safeguard the interests of existing operators in recognizing their contribution and to address possible adverse employment impact on workers of PCWAs. As such, he considered that the Government should re-provision existing operators before ceasing operation of any PCWAs, and only vacant berths in existing PCWAs should be allocated through open tender.

40. Mr WONG Ting-kwong asked about the plan for implementing the next phase of the PCWA management reform after conducting open tender for berths at the three PCWAs. DS/TH(T)5 stressed that while the policy was to implement open tender for allocation of berths in a phased manner, the Administration would assess the social, economic and employment impacts of the open tender exercises and review the resultant effect on PCWA operations before deciding the next step forward. In response to Mr WONG Ting-kwong's enquiry about compensation for PCWA operators concerned, DS/TH(T)5 remarked that there was no question of compensation because the Government would re-allocate PCWA berths only upon the expiry of the current BLAs in July 2008.

41. On behalf of the KTDC, Mr CHAN Kam-lam conveyed the strong objection of local residents on the continued operation of KT and CKL PCWAs. He urged the Administration to take their views into account when working out future plans for the two PCWAs so as to balance the interests of both sides.

42. DS/TH(T)5 said that the Administration was aware of the concern expressed by local residents and their aspiration to convert KT and CLK PCWAs into a waterfront promenade. Acknowledging the community's view on the use of the waterfront area, the Administration would seek to further improve the management of PCWA operations to minimize nuisances caused to the residents.

Further consultation and the way forward

43. Noting PCWA operators' concern about short duration of the consultation, Mr KWONG Chi-kin suggested that consideration should be given to extend the existing BLAs for another year to allow more time for the Government to reach consensus with the trade taking into account the latest progress of logistics development in Hong Kong, in particular with regard to the imminent construction of Hong Kong-Zhuhai-Macao Bridge.

44. DS/TH(T)5 responded that while the Administration would continue discussing with PCWA operators and the related trade associations, it was also necessary to finalize the tendering arrangement as soon as possible as it took time for the Administration to make preparation for implementing the revised proposal. She further advised that Mr KWONG Chi-kin's suggestion above was not feasible because it involved many complicated issues. For instance, the development projects of Trunk Road T2 and waterfront promenade along KT seafront had to proceed.

45. Mr Vincent FANG said that he had met with associations of PCWA operators recently and noted that although the Administration was aware of the worries expressed by the operators, it had done little to address their concerns. As consultation with PCWA operators only started in late January 2008, he considered that the Administration should extend the consultation period. In view of the strong opposition of PCWA operators, Mr FANG suggested that the Administration should consider extending the existing BLAs for six months if extension for another year was not feasible.

46. DS/TH(T)5 clarified that no deadline had been set for the consultation and the Administration would continue exchanging views with the trade on feasible ways to address their concerns. However, in view of the imminent expiry of the current BLAs on 31 July 2008, the Administration needed to finalize the way forward early. DS/TH(T)5 re-iterated that the gradual phased implementation of open tender for allocation of PCWA berths was in line with the Government's open competitive tendering policy, as well as the views of D of Audit and PAC.

47. In reply to further enquiries of Mr Vincent FANG and the Chairman, DS/TH(T)5 said that a BLA had set out the conditions in using a berth in PCWA. While temporary BLAs could be issued to allow more time for the preparation of the open tender exercise, the duration should be kept short. In this connection, Mr WONG Ting-kiwong urged the Administration to consider extending the existing BLAs to allow time for examining the requests of the trade in greater detail. Mr James TIEN concurred that upon mutual agreement, the current BLAs should be extended for six months to enable further discussion hoping that consensus could be reached soon.

48. DS/TH(T)5 stressed that the Administration would continue discussing with the trade and consider their requests where appropriate. However, as the trade did not agree with the open tender policy for allocating PCWA berths, it seemed that the fundamental difference between the two sides could not be resolved even if the consultation and the existing BLAs were extended.

49. Mr KWONG Chi-kin considered that the existing arrangement of allocating berths by restricted tender first followed by open tender could already take heed of the recommendation of D of Audit. As such, he suggested that the Administration could arrange open tender for the existing 27 vacant berths while maintaining the current restricted tender arrangement for the 152 occupied berths. These occupied berths could be disposed of by open tender only when the existing operators ceased operation.

50. DS/TH(T)5 remarked that the Administration had discussed the issue with Mr KWONG and the related trade associations at a number of occasions. Taking note of the industry's concern about possible monopoly of the berths at a PCWA by other port operators, she assured that as the types of cargo handled in a PCWA varied, it was unlikely that all the berths in a PCWA would be engaged in container trade. DS/TH(T)5 re-iterated the need of the phased implementation of open

tender PCWA berths in the long run.

Summing up

51. In conclusion, the Chairman recapitulated members' concerns about implementing the proposed open tender of PCWA berths, including possible monopoly of berths by big players, economic, social and employment impacts on PCWA operators. The Administration was urged to re-examine the proposal taking into account views of the trade, and to endeavor reaching a consensus with the trade before the expiry of the existing BLAs. It was also suggested that the Administration should consider extending the existing BLAs for six months or a year.

VII Briefing on the consultancy study on Hong Kong airspace and runway capacity

(LC Paper No. CB(1)1030/07-08(05) - Administration's paper on consultancy study on Hong Kong airspace and runway capacity

LC Paper No. CB(1)1081/07-08(02) - Administration's paper on Hong Kong airspace and runway capacity study (power-point presentation materials))
(tabled at the meeting and subsequently issued via e-mail on 17 March 2008)

Presentation by National Air Traffic Services of the United Kingdom

52. With the aid of power-point presentation, Mr Chris DANNER, Commercial Advisor of the National Air Traffic Services of the United Kingdom (NATS) briefed members on the findings and recommendations of the consultancy study (the Study) on Hong Kong airspace and runway capacity that NATS were commissioned to undertake in July 2007. He said that the aims of the Study were to review existing airfield and area control centre operating procedures of the Hong Kong International Airport (HKIA), identify issues constraining capacity and make recommendations to enable the anticipated expansion in capacity. Mr Robin GUNTER, ATM Planning Expert of NATS then gave a briefing on the key operational issues faced by HKIA including its unique situation, airspace operating philosophy, airspace structure, single departure route, limited airspace and missed approach in arrivals, airfield operations and restricted modes of operation. Mr GUNTER said that the Study had made a total of 46 recommendations on enhancing the capacity of the existing two runways, including changing the air traffic control (ATC) operating philosophy to adopt a more systemized and standardized approach, restructuring en-route airspace and terminal area operations, and enhancing airfield infrastructure. It was estimated that with the successful implementation of the recommendations, the maximum runway capacity of the existing two runways could reach 68 movements/hour by 2015. Mr GUNTER stressed that the enhancement of the runway capacity at HKIA required the full

cooperation of all stakeholders. He understood that the Civil Aviation Department (CAD) was making preparations for integrating by phases the recommendations into its operations and adopting a staged approach to increase the runway capacity to meet the forecast air traffic growth.

Discussion

Enhancement in runway capacity of HKIA

53. While welcoming the initiative of the Airport Authority Hong Kong (AA) to increase the runway capacity of HKIA to 68 movements/hour by 2015, Mr Howard YOUNG expressed whether the enhancement could meet growth in flights of the airlines. He also enquired about the maximum runway capacities of Heathrow Airport and airports in San Francisco.

54. The Director-General of Civil Aviation (DGCA) advised that the runway capacity of HKIA would be increased gradually in tandem with the latest development in aviation, improvement in flight operation procedures and enhancement of ATC staff strength. The runway capacity would be expected to rise from 58 movements/hour in 2009 to 62 in 2012 and further to 68 in 2015. The pace of improvement in movements would vary during the period as time would be needed for all ATC staff to receive proper training prior to the commissioning of the new ATC system. On the runway capacities of Heathrow Airport and airports in San Francisco, Mr DANNER said that the ball-park figure for Heathrow Airport was 80 to 90 movements/hour whereas those for the San Francisco airports were similar. He stressed that it would be inappropriate to make direct comparison of runway capacities among airports as capacities were affected by a host of factors. As for HKIA, the runway capacity was subject to its unique airspace and geographical constraints.

55. Mr Howard YOUNG was concerned about the progress of discussion with neighboring aviation authorities over the use of airspace in the Pearl River Delta (PRD) region. As according to Article 130 of the Basic Law, the Hong Kong Special Administrative Region (HKSAR) was only responsible for matters of routine business and technical management of civil aviation within the Flight Information Region of HKSAR, he expressed concern that the Government would not have jurisdiction over airspace management in PRD area.

56. In response, DGCA advised that the General Administration of Civil Aviation of China, CAD and the Macao Civil Aviation Authority had established a tripartite working group in 2004 to discuss matters relating to the improvement in the use of airspace and co-ordination of air traffic management in the PRD region. So far, the tripartite working group had held eleven meetings and reached a preliminary proposal (the Proposal) to optimise planning, standards and procedures of air traffic management with a view to gradually improving the use of airspace and maximizing aircraft movements in the region.

57. Noting that HKIA had achieved a new record in respect of a single day aircraft movements during the Chinese New Year period, the Chairman considered that the runway capacity could be increased further through enhanced efforts of the tripartite working group. As NATS had recommended creating new positions to enhance the existing local flow control arrangement by monitoring and taking into account the tactical and strategic flow management arrangements in the PRD region, he was concerned why the enhancement measures in the Proposal would not be implemented immediately.

58. DGCA clarified that the measures would be implemented in three stages. Subject to the Mainland's approval of the Proposal in 2008 and contingent upon availability of suitable manpower, measures in the first stage such as changes in flight paths and altitude would be gradually implemented within the next two to three years. On the creation of new positions, CAD would follow the established procedures in submitting the relevant staffing proposals.

The need for constructing the third runway at HKIA

59. In anticipation that the airspace congestion problem within the PRD region would persist, Mr WONG Ting-kwong opined that construction of a third runway at HKIA would be essential for its future development and competitiveness.

60. DS/TH(T)4 said that the implementation of the recommendations of the Study and measures of the Proposal would help increase the runway capacity of HKIA and airspace capacity in the PRD region respectively in a gradual manner. On the other hand, AA was aware of the need and importance for HKIA to further increase its runway capacity to meet forecast air traffic growth in the long run. In this regard, AA would start within 2008 studies on the engineering and environmental feasibility of building a third runway which was estimated to take about two years to complete. As it would take some time for the airspace capacity enhancement measures to take effect, the Administration and AA could assess the need for the third runway after completing the studies. In reply to the Chairman's further enquiry, DS/TH(T)4 understood that AA was preparing the study brief for the feasibility studies.

61. Mr WONG Ting-kwong expressed concern about the limitations in further increasing the airspace capacity in the PRD region. Moreover, as all airports in the PRD region would require additional airspace to meet their future development, it was doubtful whether construction of a third runway at HKIA would help enhance its runway capacity without first increasing the airspace capacity in the PRD region. In response, DS/TH(T)4 said that airspace capacity could be significantly enhanced through effective measures in ATC management. The scale of operation and the positioning of each of the airports in the PRD region were also different. Moreover, with technical improvement, the runway capacity of HKIA could be increased from the current 54 movements/hour to 68 movements/hour by 2015. However, beyond 2015, Hong Kong might need to build a third runway to meet the forecast growth in air traffic with a view to strengthening its position as an international aviation centre.

62. Sharing Mr WONG Ting-kwong's concern, Mr Ronny TONG considered that the runway capacity of HKIA could be further increased by extending the operating hours of the airport provided that suitable noise mitigation measures could be put in place to minimize nuisance to nearby residents.

63. DGCA explained that the level of aircraft movement of an airport was affected by many other factors such as design of flight paths, the handling capacity of ATC facilities and flight procedures etc. In the case of Hong Kong, CAD had been maintaining close communication with neighbouring airports on airspace management. It had also secured funding to upgrade the ATC system and enhance the training for ATC officers. In addition, CAD had liaised with local airlines to improve the flight procedures. It was believed that the above improvement work would help enhance aircraft movements in the near future. Regarding Mr TONG's suggestion of extending the operating hours of HKIA, DGCA advised that it was subject to the noise impact of the aircraft movements permissible under the 25 Noise Exposure Forecast contour stipulated for HKIA.

64. Mr Abraham SHEK was keen to ensure AA would work out forward-looking plans for the development of HKIA over the short, medium and long terms. It should also have a clear direction of development at this stage without waiting for the results of the feasibility studies in confirming the construction of a third runway.

65. DS/TH(T)4 remarked that to meet the challenges of increasing competition, AA had re-examined its strategies in 2006 and mapped out a 20-year development plan, viz. *HKIA 2025*. AA envisioned that by 2025, it would serve close to 80 million passengers, handle 8 million tonnes of air cargo and 490 000 aircraft movements annually. To meet the robust growth in air traffic by 2025, it was essential to make the necessary preparations now. As a short term measure, CAD would reform its existing ATC philosophy, improve the flight procedures and operations, and review its ATC-related manpower resources with a view to gradually increasing the runway capacity at HKIA to 68 movements/hour by 2015. For medium term planning, AA would start within 2008 the studies on the engineering and environmental feasibility of building a third runway.

66. Noting that the Chief Executive and Mainland officials of Guangdong Province had on separate occasions indicated the need to foster closer co-operation between the two places, the Chairman enquired about the co-operation in respect of aviation. In response, DS/TH(T)4 referred members to the Administration's initiative to study the feasibility of establishing a rail link between HKIA and Shenzhen Airport. He said that the initiative was a strategic proposal enabling the two airports to complement each other to achieve synergy. At the Joint Task Force meeting held on 17 January 2008, both sides had agreed to conduct a feasibility study on the rail link project which was expected to be completed by the end of 2008. DS/TH(T)4 further highlighted that apart from enhancing its runway capacity, HKIA would continue to strengthen its connection with the PRD region. Enhanced connection with PRD cities would help increase integration between

Hong Kong and the PRD.

Conclusion

67. Summing up, the Chairman urged the Administration to take note of members' views expressed at the meeting. He said that given Hong Kong's unique advantages and developed aviation infrastructure, he was confident that HKIA had the capacity to provide quality air services meeting the growth in air traffic demand and enhancing Hong Kong's status as an international financial centre and regional logistics hub. He called on the Administration to strengthen efforts in implementing measures for enhancing Hong Kong airspace and runway capacity.

VIII Any other business

68. There being no other business, the meeting ended at 10:50 am.

Council Business Division 1
Legislative Council Secretariat
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