

立法會
Legislative Council

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**Report of the Panel on Economic Development
for submission to the Legislative Council**

Purpose

This report gives an account of the work of the Panel on Economic Development (the Panel) from October 2008 to the end of June 2009. It will be tabled at the meeting of the Legislative Council on 8 July 2009 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism. The terms of reference of the Panel are in **Appendix I**.

3. The Panel comprises 20 members, with Hon Jeffrey LAM Kin-fung and Hon Starry LEE Wai-king elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major Work

Tourism

4. Hong Kong received over 29 million visitors in 2008, representing an increase of 4.7% over 2007. The Panel continued to monitor closely the development of tourism in Hong Kong, including the operation of the Hong Kong Disneyland (HKD), the development of the new cruise terminal facilities as well as other tourism initiatives.

Hong Kong Disneyland

5. HKD is a long-term investment of Hong Kong in tourism infrastructure. In receiving an update on the operation of HKD on 16 December 2008, there was concern that the visitor figures of HKD in the past three years had fallen short of the original projection. Panel members urged the park management to capture new or emerging source markets (such as Vietnam and India), enhance collaboration with trade partners to promote HKD among non-Guangdong residents in Shenzhen, step up cooperation with trade/labour unions in increasing sales outlets for local people, and opening up more sales opportunities for MICE programmes. Members noted that The Walt Disney Company (TWDC) had proposed an expansion plan for HKD, which might involve a capital realignment of Hongkong International Theme Parks Limited (HKITP).

6. The Administration updated the Panel on the proposed expansion plan at the meeting on 30 June 2009. Members noted that under the proposal, TWDC would contribute all the necessary new capital for the construction of three new themed areas as well as for sustaining the park's operation during the construction years, and to convert the entire outstanding balance of TWDC loan, i.e. \$2.76 billion, to equity. The Government would also convert its loan to equity while retaining a balance of not less than \$1 billion such that Government's majority shareholding in HKITP would be maintained. TWDC had also agreed to revise the formula for calculating the management fee to link it to HKITP's performance, and to enhance the transparency of the operation of HKD starting from 2008-2009. Some members expressed concern about the conversion of the Government loan to equity as it might bring about financial loss to the Government if HKITP failed to perform. Some members also considered that the impact of existing and future theme parks in the neighbourhood should also be taken into account in the assessment of the economic benefits of the expanded HKD. The Administration was requested to provide more information, such as the overall financial performance of the HKD project, for members' consideration before the relevant meeting of the Finance Committee.

The new cruise terminal at Kai Tak

7. Due to the unpredictable escalation of construction cost in recent years and the market uncertainties, the Administration decided to develop the new cruise terminal at Kai Tak under the Government Design, Build and Lease (DBL) approach instead of the original design, build and operate mode, to provide for greater certainty in commencing operation of the first berth in mid 2013. In discussing the project with the Administration on 24 October 2008, Panel members had not raised objection to the DBL approach, but questioned the significant difference in the estimated development costs between the two approaches. There were also concerns that the scaling back of commercial gross floor area at the cruise terminal might reduce its appeal, and that the reduction of the rooftop Landscape Deck, which was public open space, should be limited.

8. The Administration briefed the Panel on the progress of the new cruise terminal project and the proposed site formation works on 25 May 2009. Panel members urged that the ancillary facilities should be taken forward speedily in order to tie in with the commissioning of the first berth in mid 2013. Noting that the Administration had invited prequalification for the "design and build" tenders for the building in March 2009, the Panel also requested the Administration to make early preparation for formulating the terms and conditions of the future tenancy agreement for the operation of the cruise terminal and invite tenders before 2011. Members stressed the importance to supply talents for the cruise market and related industries to meet the various interests of cruise passengers. As some cities in Southeast Asia were also developing new cruise terminals, members were keen to ensure that Hong Kong would partner with neighbouring ports while maintaining Hong Kong's competitiveness.

Aberdeen Tourism Development

9. Based on the financial consultant's conclusion that the Aberdeen Tourism Project (the Project) was commercially not viable, the Administration decided to fund the beautification works of the promenade on both sides of the Aberdeen Harbour and Ap Lei Chau Main Street first. It would explore different ways to enhance the attractiveness of the Project in the long run. At the meeting on 27 April 2009, members expressed grave concerns about the Administration's decision to abandon the development of the "Fisherman's Wharf" and the justifications were highly unconvincing. They considered that the Government had ignored the need to revitalize the tourism industry, without giving due regard to the employment opportunities and financial benefits brought about by the industry. The Panel passed a motion at the meeting urging the Government to re-consider its decision and implement the "Fisherman's Wharf" as soon as possible. In response, the Administration undertook to form a working group comprising representatives from relevant departments to examine all objective factors (such as constraints from lands or planning perspective) to explore ways to enhance the Project.

Hong Kong Tourism Board Work Plan for 2009-2010

10. At the meeting on 19 January 2009, the Panel received a briefing from Hong Kong Tourism Board (HKTB) on its work plan for 2009-2010. The Panel noted that HKTB's total baseline marketing budget for 2009-2010 was \$319.6 million, which was about \$4.1 million less than that for 2008-2009. In response to members' concern about the reduction of total visitor arrivals in 2009 by 1.6% to 29 million, HKTB advised that the projection was derived taking into account various factors of the macro environment, projections by international organizations, detailed assessment of the socio-economic conditions, travel-related policies, tourism trends and patterns of major source markets. Panel members urged HKTB to ride on the liberalization measure of Individual Visits Scheme policy and step up promotion for the Japan and the Middle East markets. HKTB responded that resources would be deployed to high-growth and emerging markets such as the Mainland and the Middle East, and it would also leverage on the 2009

Hong Kong – Japan Tourism Exchange Year to roll out promotions targeting the silver-haired segment. HKTB would review the market conditions every three months and if necessary, shift resources between markets in a timely manner.

11. Panel members raised concern that the existing key performance indicators (KPIs) did not adequately reflect HKTB's performance. HKTB advised that a new performance measurement framework forming a second tier of corporate performance indicators had been devised. In determining performance pay for Band A staff under the new framework, the KPIs, key strategic focuses and core competencies of individual staff members would take up 30%, 30% and 40% respectively of the overall assessment. As regards the visitors' survey, some members considered that HKTB should conduct more in-depth analysis when assessing the overall visitor satisfaction rating to better understand the factors that would motivate tourists to visit Hong Kong again. HKTB also informed the Panel that the outcome of consultancy review on the establishment of its worldwide offices was expected to complete in the first quarter of 2009, and HKTB would endeavour to contain its establishment as far as practicable.

Mega Events Fund

12. The Panel supported the Administration's proposal to create a commitment of \$100 million for setting up a Mega Events Fund in the first half of 2009 to provide financial support to non-profit-making organizations to host attractive mega events in the areas of arts, culture and sports in Hong Kong. Taking note of members' concern about the need to learn from the lesson of the Hong Kong Harbour Fest and put in place a more effective mechanism to monitor the actual progress of the project implementation, the Administration undertook that it would stipulate clear conditions for the use of the fund, and would require successful applicants to state clearly the project deliverables, follow the financial control measures as set out in the relevant agreements and maintain separate books of accounts for inspection. An Assessment Committee would be appointed to consider individual applications, and the advice of the Independent Commission Against Corruption would be sought in devising the assessment criteria and selection procedures.

Measures to assist tourism industry

13. The Panel urged the Administration to devise new measures to assist the tourism industry to withstand the impact of the human swine influenza at the meeting on 25 May 2009. After the meeting, the Administration proposed to waive the licence fee of travel agents for one year to help reduce their cost of operation. HKD and Ocean Park also agreed to waive the fee for their tourist guide passes for one year, whilst both Ngong Ping 360 and the Wetland Park were offering free admission to tourist guides holding Tourist Guide Pass issued by the Travel Industry Council. Members of the tourism industry were encouraged to take part in training programmes to further enhance their skills and quality of service. On 26 May 2009, the Financial Secretary announced new relief measures

including extending the application period for Special Loan Guarantee Scheme and enhancing the assistance to enterprises which included the tourism industry.

Travel Industry Compensation Fund

14. The Panel was briefed on the proposed amendments to the Travel Agents Ordinance (Specification of Fund Levy) Notice (Cap. 218 Sub Leg D) and the Travel Industry Compensation Fund (the Fund) Rules (Cap. 218 Sub Leg E & F). The amendments aimed to suspend the Fund Levy, increase ex gratia payments to travellers who died or were injured whilst travelling abroad, and introduced a new set of procedures including a new authorization form to be signed by an outbound traveller before departure. While the Panel generally supported the proposals, some members were concerned whether there should be a corresponding adjustment in the rate of levy to the Travel Industry Council (TIC) given the reduction in its workload after the collection of the Fund Levy was suspended. The Administration was requested to gauge the views of the public and review the TIC Levy rate. The Panel has also scheduled another meeting in mid July 2009 to meet with deputations and the Administration on the operation of TIC.

Competition law

15. There was broad support in the community for the introduction of a cross-sector competition law during public consultation on the detailed proposals for the law. The Administration informed the Panel on 16 December 2008 that it would consider modifying the original proposals in the light of the feedback received and with regard to relevant court judgments. Panel members suggested that the clarity of the law should be improved and clear guidelines should be provided to dispel uncertainties in the business sector. They also raised concern about the requirement of a clear majority support for the inclusion of merger provisions in the law as such omission was inconsistent with the legislative intent. Other concerns included the provision for private action against anti-competitive conduct, the need to impose criminal penalty to enhance the deterrent effect of the competition law, and the exemption of statutory bodies.

16. Panel members had divergent views on introducing the Competition Bill in the 2008-2009 session, as pledged in the Chief Executive's 2008-2009 Policy Address. At a meeting on 30 March 2009, the Administration informed the Panel that more time was needed to prepare the details of the institutional framework and the exemption provisions in the Bill, and the Bill would be introduced in 2009-2010 instead. While some members were disappointed with the delay, other members supported that more time was needed to review overseas experience in order to minimize potential conflicts during implementation. Some members, nevertheless, expressed concerns about the Administration's proposal to change the original civil administration model to a judicial model for the enforcement of the Competition Bill, and about the need to recruit competition economists to help in the enforcement of the law.

Consumer protection

Auto-fuel prices

17. Panel members had all along criticized that local auto-fuel prices were "quick going up, slow coming down". They considered that consumers should have reasonable expectation that the oil companies would cut the retail prices in tandem with the drop in international oil prices. At the meeting on 24 October 2008, the Panel noted that starting from 22 October 2008, the Environment Bureau would publish on its website, on a weekly basis, the local import prices and retail prices of auto-fuels in comparison with the trend movements of Singapore free-on-board prices, so that the public could assess whether the oil companies had made reasonable adjustment in the retail prices. The Secretary for the Environment undertook that the Administration would follow up with the oil companies if they were slow in reducing the retail prices accordingly. To address the concern about lack of competition in the local auto-fuel market, the Consumer Council would publish weekly the local retail prices of auto-fuel and various cash/non-cash discounts, to enable consumers to have a better grasp of the market situation and make a smart choice in consumption.

Consumer protection laws

18. The Panel received a briefing by the Administration on 24 November 2008 on three-pronged strategy to be adopted in enforcing the Trade Descriptions (Amendment) Ordinance 2008 and eight related pieces of subsidiary legislation. Members considered that the Administration should critically review the 180-day refund measure under the new "Refund Protection Scheme for Mainland China's Inbound Tour Group Shoppers", after these legislation had come into effect. The Administration provided supplementary information indicating that in the past 18 months since the implementation of the refund measure, shopping-related complaints from Mainland group visitors had dropped significantly which showed that the measure was effective in protecting the consumer rights of Mainland visitors.

19. In reviewing the consumer protection regime in Hong Kong at the meeting on 22 June 2009, members expressed grave concern about the Administration's inaction in safeguarding the interests of consumers in the supply of services delivered through consumer scams and traps as well as high pressure sales tactics. There was also a lack of control of flourishing advertising bluffs in print media, in particular in weekly magazines. The Administration undertook to improve existing legislation to prohibit unscrupulous trade practices in the supply of services.

Electricity market

20. In November 2008, the Panel was disappointed to note that pursuant to the

newly signed Scheme of Control Agreements (SCAs), CLP Power Hong Kong Limited (CLP) reduced its average Net Tariff by merely 3%, and just 1% for high-consumption customers. Panel members were of the view that the Administration should closely monitor fuel clause charge (FCC) adjustments made by CLP as it had lagged behind corresponding changes in coal prices in the past decade. According to the Administration, all CLP customers essentially enjoyed the same rate of 10% reduction in the Basic Tariff, though the actual reduction would vary for customers with different levels of power consumption. In monitoring FCC adjustments which would reflect the actual fuel cost as a surcharge or a rebate, the Administration would continue to examine whether the actual fuel costs in relevant procurement contracts were in line with the international trend. Addressing members' concern about the need for power companies to use cleaner fuels for power generation, the Administration undertook to secure a stable and long-term supply of natural gas by the Mainland, while CLP planned to gradually increase the use of natural gas from the current one-third to around 50% of its overall fuel source portfolio. CLP had also entered into a long-term contract with the Guangdong Nuclear Power Joint Venture Company to purchase 70% of the power it produced.

21. Panel members were concerned that the sluggish growth in electricity demand as a result of the dwindling economy might create pressure for tariff increase. They suggested that CLP should consider selling the surplus electricity to other parties to ease the problem of tariff increase. The Administration advised that there would likely be an increase in electricity demand, since most of the 10 major infrastructural projects to be taken forward fell within the geographical ambit of CLP's service area. CLP advised that all its new generating facilities had come into operation and the current level of its reserve capacity was 30% which was considered healthy by international standard.

22. As regards the Hongkong Electric Company Limited (HEC), it announced a Net Tariff reduction of 5.9% at the Panel meeting on 16 December 2008. While members welcomed the reduction, they urged HEC to exercise greater versatility in handling the coal procurement contracts in the interests of customers. There were doubts about HEC's projection for an average decrease in Basic Tariff per annum and for its local sales to grow at an average annual rate of 1.1% during the period of the Development Plan. According to the Administration, HEC would endeavour to control cost with a view to fine-tuning the Basic Tariff in the ensuing years, and it had already taken into account the prevailing economic situation when projecting the local sales for the coming year.

23. The Panel noted that the Administration had turned down HEC's proposed projects of the generating unit L10 and off-shore wind farm, and the capital expenditure under HEC's revised Development Plan was in real terms 10% lower than that of the current Financial Plan. Panel members were concerned whether the capability of the existing L9 and GT57 would meet HEC's target of increasing the use of natural gas to 30% of its fuel sources. The Administration advised that HEC would be able to meet the 2010 emission caps without the proposed L10.

Airport and aviation services

Collection of air passenger departure tax and fuel surcharge by travel agents

24. The Panel discussed with the Administration the prevailing mechanism in collecting the fuel surcharge and the air passenger departure tax (APDT) as travel agents were not remunerated for collecting these charges on behalf of airlines. They urged the Administration to review the APDT Ordinance (Cap. 140) so that the administration fee for collecting APDT would be paid to travel agents performing the actual collection. Panel members requested the Administration to consider stipulating a condition in licences requiring airlines to incorporate the fuel surcharge in the airfare, such that travel agents would be compensated for collecting fuel surcharges indirectly from the commissions on airfare. The Administration should also ensure that the level of fuel surcharges imposed should promptly capture the fluctuation in aviation fuel prices.

Port development and marine services

Public Cargo Working Areas

25. On 24 November 2008, the Administration updated the Panel on the result of the exercise of re-allocating berths in Public Cargo Working Areas (PCWAs). To address members' concern about the need to prevent monopoly to safeguard the interests of existing operators, the Administration advised that open tender had been introduced in a gradual manner and there was no sign of monopoly as a majority of existing operators had successfully secured a berth. The Administration also assured the Panel that even if berths in all PCWAs would be put out for open tender at the same time, monopoly would unlikely occur because individual berths in a PCWA were designated for handling specific types of cargo.

Bunker Oil Pollution (Liability and Compensation) Bill

26. The Administration briefed the Panel on the Bunker Oil Pollution (Liability and Compensation) Bill which was to implement the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 adopted by the International Maritime Organization. Through the implementation of the Bunker Oil Convention, Hong Kong would have an effective compensation regime for pollution damage caused by spills of bunker oil from non-tankers on par with that of most jurisdictions. This would further reinforce Hong Kong's status as an

international maritime centre.

27. The Panel has strong reservation about the Administration's proposal to exempt local vessels from the compulsory insurance requirement, since these vessels were prone to causing oil pollution to Hong Kong waters and they would have to acquire insurance in order to pay for claims arising from pollution caused by them. The Administration explained to the Panel that the exemption was common among IMO's Member States, and exemption was provided to alleviate the compliance burden of local vessels, since the extra premium was about \$10,000 to \$20,000 per annum for local vessels just in excess of 1 000 tons. Regarding members' concern about limitation of liability, the Administration advised that the current proposals did not stipulate any priority for claims made by the Government or other parties, nor did it cover the circumstance of damage incurred during repair and maintenance.

Others

28. The Panel was also briefed on funding proposal on Centre replacing and upgrading meteorological facilities for the Hong Kong International Airport, proposed amendments to legislation relating to the carriage of dangerous goods by air, proposals under the Merchant Shipping (Safety) (Amendment) Bill 2009, and proposed revision of fees and charges under the purview of the Marine Department. Panel members were also invited to attend the meeting of Panel on Development to consider the funding proposal on the development of a government helipad at the Hong Kong Convention and Exhibition Centre.

29. During the period from October 2008 to June 2009, the Panel held a total of 13 meetings. The Panel paid a visit to the Hong Kong Trade Development Council's Gifts and Premium Fair and the completed Atrium Link Extension of Hong Kong Convention and Exhibition Centre on 28 April 2009. Panel members also participated in the visit to Pearl River Delta (PRD) Region on 15-18 May 2009 led by the President to study the economic development and environmental protection in PRD Region. The Panel will hold a joint meeting with the Panel on Environmental Affairs to exchange views with the Administration in mid July 2009 on the promotion of cooperation between Hong Kong and PRD Region in respect of the areas on logistics, tourism and environmental protection.

Legislative Council

Panel on Economic Development

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council
Panel on Economic Development**

Membership list for 2008 – 2009 session

Chairman	Hon Jeffrey LAM Kin-fung, SBS, JP
Deputy Chairman	Hon Starry LEE Wai-king
Members	Hon Albert HO Chun-yan Dr Hon David LI Kwok-po, GBM, GBS, JP Hon Fred LI Wah-ming, SBS, JP Hon CHAN Kam-lam, SBS, JP Hon Emily LAU Wai-hing, JP Hon Abraham SHEK Lai-him, SBS, JP Hon Albert CHAN Wai-yip Hon Vincent FANG Kang, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon WONG Ting-kwong, BBS, JP Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung Hon Paul CHAN Mo-po, MH, JP Hon Tanya CHAN Hon IP Wai-ming, MH Hon Mrs Regina IP LAU Suk-yee, GBS, JP Hon Paul TSE Wai-chun Dr Hon Samson TAM Wai-ho, JP

(Total: 20 members)

Clerk	Ms Debbie YAU
Legal Adviser	Mr Timothy TSO
Date	2 July 2009