

立法會
Legislative Council

LC Paper No. CB(1)1902/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Monday, 28 February 2011, at 10:45 am
in Conference Room A of the Legislative Council Building

- Members present** : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LEUNG Ka-lau
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Member attending** : Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
- Members absent** : Hon IP Wai-ming, MH
Dr Hon Samson TAM Wai-ho, JP

**Public officers
attending**

: Agenda item IV

Mr YAU Shing-mu
Under Secretary for Transport and Housing

Ms Doris CHEUNG
Deputy Secretary (Transport)5
Transport and Housing Bureau

Dr Kitty POON
Acting Secretary for the Environment

Dr Ellen CHAN Ying-hing
Assistant Director (Environmental Infrastructure)
Environmental Protection Department

Mr Francis LIU
Deputy Director of Marine

Mr T C SIN
Assistant Director/Planning and Services
Marine Department

Agenda item V

Mrs Rita LAU, JP
Secretary for Commerce & Economic Development

Mr Andrew WONG, JP
Permanent Secretary for Commerce & Economic
Development (Commerce, Industry & Tourism)

Mr Philip YUNG, JP
Commissioner for Tourism

Miss Rosanna LAW
Deputy Commissioner for Tourism

**Attendance by
invitation**

: Agenda item IV

Joint Alliance of PCWA operators
Mr WONG Yiu-kan
Convenor

Mr NG Wai-kwong
Member

Mr CHEUNG Chick-cho
Member

Hong Kong Recycle Materials & Re-production
Business General Association Limited

Mr LIU Yiu-shing
Vice President

Mr YOUN Yiu-hung
Director

Mr HUNG Kai-shing
Director

Mr LEE Chung-lung
Director

Clerk in attendance : Ms Debbie YAU
Chief Council Secretary (1)6

Staff in attendance : Mr Ken WOO
Senior Council Secretary (1)6

Ms Michelle NIEN
Legislative Assistant (1)6

Action

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- I Confirmation of minutes of last meeting**
(LC Paper No. CB(1)1368/10-11 - Minutes of meeting held on
14 December 2010)

The minutes of the meeting held on 14 December 2010 were confirmed.

- II Information papers issued since last meeting**
(LC Paper No. CB(1)1200/10-11(01) - Tables and graphs showing the

import and retail prices of major oil products from January 2009 to December 2010 furnished by the Census and Statistics Department)

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

III Items for discussion at the next meeting

(LC Paper No. CB(1)1367/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)1367/10-11(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting to be held on 28 March 2011, at 10:45 am:

- (a) Outcome of Public Consultation on Proposed Legislative Amendments to Eradicate Pyramid Schemes; and
- (b) Proposed revision of fees and charges under Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A) and Hong Kong Air Navigation (Fees) Regulations (Cap 448D).

Other items proposed for discussion

4. Miss Tanya CHAN said that she had recently received complaints from many taxi-drivers about the surged unit prices of liquefied petroleum gas (LPG) which had increased from \$3.71/kg in January 2009 to \$7.32/kg in December 2010 as revealed in the import and retail prices for major products for the period (CB(1)1200/10-11(01)). She added that the rate of increase of LPG was much higher than that of other major oil products. Miss CHAN also relayed the difficulty of taxi-drivers on locating service stations for LPG filling as some of them were closed for oil tank cleansing. She requested the Panel to hold relevant discussion with the Administration at a future meeting. The Chairman said that he would follow up with the Administration after the meeting.

(Post-meeting note: As the relevant item had previously been discussed by the Panel on Transport, the Chairman has advised that Miss Tanya CHAN might raise the matter at the meeting of the Panel on Transport.)

5. Ms Emily LAU said that the business sector was gravely concerned about the slow progress in respect of the discussion on constructing a third runway at the Hong Kong International Airport. She requested the Administration to speed up the process of gathering the views of all relevant stakeholders and proceeding with the relevant discussion at the Legislative Council (LegCo). The Chairman said that the issue of third runway should be covered under the discussion item on "Hong Kong International Airport Master Plan 2030" which was scheduled for discussion in the first half of 2011. He would request the Administration to expedite the relevant discussion with the Panel.

(Post-meeting note: The Clerk has relayed the Panel's request to the Administration.)

6. Mr Paul TSE commented that the 2011-12 Budget made little effort on promoting Hong Kong as a tourist destination. Referring to the discussion item on "Overall planning of tourism infrastructure" in the Panel's "List of outstanding items for discussion", Mr TSE urged the Administration to conduct relevant discussion with the Panel in respect of its planning of tourism infrastructure. Mr TSE was also concerned about the scenes of tourists lining up in long queues in shopping centres in Central, Tsim Sha Tsui and Causeway Bay which in his view would pose undue discomfort to tourists and spoil the image of Hong Kong. In this connection, he urged the Administration to conduct relevant study into the overall planning of reception facilities at tourist spots and shopping centres. The Chairman undertook to reflect Mr TSE's view to the Administration.

IV Arrangement for re-allocation of berths in public cargo working areas (PCWAs)

(LC Paper No. CB(1)1367/10-11(03) - Administration's paper on arrangement for re-allocation of berths in public cargo working areas

LC Paper No. CB(1)1367/10-11(04) - Paper on re-allocation of berths in Public Cargo Working Areas prepared by the Legislative Council Secretariat (Updated background brief)

LC Paper No. CB(1)1367/10-11(05) - Extract of draft minutes of meeting on 24 January 2011 on

item VIII - Arrangement for re-allocation of berths in public cargo working areas)

7. The Chairman explained that when considering the item at the Panel meeting on 24 January 2011, members requested the Administration to continue discussion with the PCWA operators and work out a proposal on the re-allocation of PCWA berths to meet their needs.

Presentation by deputations

8. The Chairman welcomed deputations attending the meeting and invited them to present their views.

Joint Alliance of PCWA operators (JAPO) (LC Paper No. CB(1)1439/10-11(01))

9. Mr WONG Yiu-kan, Convenor, JAPO outlined its response to the Administration's latest proposal as detailed in its submission. He said that JAPO remained opposed to the Administration's proposal to continue to adopt open tendering for the two PCWAs on Hong Kong Island (i.e. Chai Wan and Western District PCWAs) for the re-allocation of berths upon the expiry of the current Berth Licence Agreements (BLAs) on 31 July 2011, as open tender arrangement had driven some existing operators out of business in the relevant exercise in 2008. Mr WONG urged the Administration to adopt restricted tendering for all berths in the territory, and allow incumbent operators to bid for berths at their respective PCWAs before arranging them for open tendering. Mr WONG said that JAPO was also strongly opposed to the creation of berths or re-designation of existing berths in the Rambler Channel (RC) PCWA which would also allow the handling of dirty cargoes. He also expressed concern that the Transport and Housing Bureau (THB) had not drawn up any concrete plan in the past three years to relocate operators affected by the closure of the Kwun Tong (KT) and Cha Kwo Ling (CKL) PCWAs. JAPO hoped that before tendering, the Government could conduct briefing sessions on the availability of berths at individual PCWAs and details of the berth reallocation arrangements so that the industry could make informed decision in making bids. Mr WONG further urged the Administration to consider lengthening the validity period of BLAs to at least five years to facilitate the long-term development of PCWA operators.

Hong Kong Recycle Materials & Re-production Business General Association Limited (RMRBGAL) (LC Paper No. CB(1)1439/10-11(02))

10. Mr LIU Yiu-shing, Vice President, RMRBGAL took members

through RMRBGAL's submission and expressed disappointment over the Administration's failure to properly resolve the re-location issue for the waste paper recyclers affected by the planned closure of KT PCWAs. He said that the proposal as currently put forward by the Administration on increasing the number of berths which would also allow the handling of dirty cargoes at RC PCWA might create a conflicting situation between operators of dirty and non-dirty cargoes. Mr LIU appealed to the Environment Bureau (ENB) to recognize the contribution of the waste paper recycling industry on environmental protection ground and urged it to co-ordinate better with THB to address the concerns and needs of the industry. He also requested the Administration to consider lengthening the validity period of BLAs to beyond three years to facilitate the long-term development of the industry.

Briefing by the Administration

11. At the invitation of the Chairman, the Under Secretary for Transport and Housing (USTH) briefed members on the follow-up actions taken by the Administration after the last Panel meeting on 24 January 2011. The Administration had been in close liaison with representatives of PCWA operators with a view to addressing the concerns of the different stakeholder groups on the arrangements for re-allocation of berths in PCWAs. The PCWA Management Committee also met again on 21 February 2011. In view of the supply and demand situation of berths which would also allow the handling of dirty cargoes in Kowloon and the New Territories, the geographical layout of the RC PCWA, its proximity to nearby residents, etc., the Administration planned to designate four more berths at the RC PCWA which would allow the handling of dirty cargoes. While emphasizing that the number of berths in the territory was sufficient to cater for the needs of existing operators, the Administration recognized that the number of berths in Kowloon and the New Territories was less than the number of incumbent operators. Re-allocating the berths through tendering would thus allow operators to make bids for berths in a fair and equitable manner. THB would also consult the relevant bureaux/departments the feasibility of lengthening the validity period of BLAs from three to five years.

12. At the invitation of the Chairman, the Acting Secretary for Environment (Atg SEN) advised that both ENB and the Environmental Protection Department (EPD) had all along been concerned about the re-location of the waste paper recyclers at KT PCWA due to its planned closure. The Secretary for the Environment and the Deputy Director of EPD had met with the affected operators on the relocation arrangements in 2008 and 2009 respectively, and she understood that some of them had already been re-located through the voluntary re-location scheme. For the remaining waste paper recyclers in KT PCWA, ENB/EPD had been working

closely with THB and the Marine Department (MD) with a view to facilitating them to continue to operate in Kowloon and the New Territories as far as practicable in a fair and equitable manner. Atg SEN called upon different groups of PCWA operators to try to be understanding of each other's concerns and work together to resolve the issue.

Discussion

Relocation of waste paper recyclers at KT PCWA

13. Mr Ronny TONG expressed concern about the lack of co-ordination between ENB and THB. The re-location for the waste paper recyclers at KT PCWA and the proposal of increasing the rate of each tax band for the First Registration Tax for private cars in the 2011-2012 Budget without providing exemption measure for the purchase of environmental-friendly vehicles were cases in point. Given the environmental benefit that the waste paper recycling industry brought to the community, he considered that special arrangement and other facilitation measures should be put in place to ensure their survival.

14. USTH remarked that in response to the recommendations of the Public Accounts Committee on devising an open, fair and economically viable system for the allocation of PCWA berths, the PCWAs would continue to be allocated through tendering arrangements.

15. Atg SEN highlighted the communications between ENB and THB, and said that ENB/EPD had been liaising closely with THB/MD on the matter including discussions with PCWA operators. She noted that THB/MD intended to adjust the number as well as length of berths which would also allow the handling of dirty cargoes and the affected waste paper recyclers could make bids for those berths. Atg SEN said that while the Administration fully appreciated the difficulty faced by the waste paper recyclers on the re-allocation exercise, it had to, however, balance the interest of other PCWA operators and conduct the tendering exercise in a fair and equitable manner.

16. Recalling that the Administration had in the past based on economic development consideration reserved land for the continual operation of Shiu Wing Steel Limited and let out the berths of Container Terminal No. 9 without tendering, Mr Albert CHAN considered that ENB, being the policy bureau responsible for environmental protection, should recognize the special needs of the affected waste paper recyclers and exercise similar discretion for their re-location. He also called upon the Administration to draw reference from the international experience and introduce facilitation measures in terms

of land supply, transport and financial assistance to sustain the development of the waste paper recycling industry. He further warned about the possible adverse consequence to the environment in the event that existing waste paper recyclers failed to secure PCWA berths during the upcoming tendering exercise.

17. Atg SEN remarked that waste paper recyclers were partners of the Government in the implementation of the waste recycling policy. She reiterated that the overall supply of berths which would allow the handling of dirty cargoes in the territory was sufficient to meet the existing demand, and it would therefore not be likely that existing waste paper recyclers would fail to secure any berths in the upcoming tendering exercise.

18. Ms Emily LAU said that she was approached by RMRBGAL on 23 February 2011 and expressed disappointment that their concerns were not properly addressed at the meeting held between the Administration and RMRBGAL. She warned that discontinuation of the operation of the affected waste paper recyclers would aggravate the waste management problem at the landfills. She invited deputations to give further views.

19. Mr NG Wai-kwong, Member of JAPO criticized the Administration for failing to take heed of the views and concerns expressed by the PCWA operators over the years. The so-called communication with the industry did not bring about any concrete change to its original proposal. He expressed further concern that the proposal to realign the length of some berths at RC PCWA was impractical as the length of vessels had increased over the last decade from 38 – 40 metres to 40 – 48 metres.

20. Mr LIU Yiu-shing, Vice President of RMRBGAL said that he was disappointed at ENB's response. While the Administration had claimed that there were enough berths for handling dirty cargoes in the territory, many of them were in fact located on Hong Kong Island. Given that the waste paper recycling industry operated on a regional basis in Kowloon and the New Territories, it would create undue difficulty for the industry and would also be environmentally unfriendly due to increased greenhouse gas emissions from vehicles having to travel between Kowloon/the New Territories and Hong Kong Island for collecting, processing and shipping the waste paper. Mr LIU also urged the Administration to put in place proper environmental policies in order to enhance the sustainability of the environmental industry. The Chairman remarked that in making available the berths on Hong Kong Island for bidding by the affected waste paper recyclers, THB should also evaluate the relevant impact on the traffic flow.

21. Mr Vincent FANG considered that the Government had a

responsibility to re-locate the affected waste paper recyclers since the decommissioning of the KT PCWA was a policy decision to facilitate the future development of the district. He highlighted the contribution of the waste paper recycling industry in environmental protection and preserving job opportunities especially for the elderly. As such, the affected waste paper recyclers should be accorded a higher priority in the re-allocation of berths at PCWAs in Kowloon and the New Territories. Mr FANG called upon the Administration to draw up concrete measures to resolve the matters urgently rather than simply advocating tendering by existing operators in a fair and equitable manner. The Chairman also noted that under the Administration's latest proposal, the length of some existing berths at RC PCWA after re-alignment would be shortened.

22. Ms Miriam LAU shared the view that the Government had a responsibility to re-provision the affected waste paper recyclers. She did not subscribe to the Administration's claim that there were enough berths in the territory to meet their needs, and such claim only reflected the Administration's ignorance that the waste paper recycling industry had to operate on a regional basis in Kowloon and the New Territories. Ms LAU urged the Administration to explore the feasibility of lengthening RC PCWA to meet the operators' needs. As the current issue involved the operation and survival of the affected waste paper recyclers, Ms LAU appealed to ENB to work closely with THB in resolving the problem.

23. In response, USTH explained that in Kowloon and the New Territories, there were currently 19 operators (including the 12 affected waste paper recyclers) who handled dirty cargoes but there were only 17 berths which allowed the handling of such cargoes. The Administration was therefore planning to designate four more berths at RC PCWA which would also allow the handling of dirty cargoes and re-aligning the length of some berths thereat. The proposal would, however, inevitably result in a reduction in the length of some of the existing berths. While the Administration would continue to discuss with the PCWA operators before tendering, the suggestion to extend the overall berth length at the RC PCWA, as well as further adjusting the number and length of individual berths would be constrained by the geographical layout of the PCWA concerned.

24. Ms Starry LEE requested the Administration to undertake to offer assistance for those operators who were unsuccessful in bidding a berth, i.e. either the affected waste paper recyclers or the incumbent operators at RC PCWA. USTH responded that THB would continue to discuss with the PCWA operators and relevant department on the berth allocation arrangement at RC PCWA, and would commence the tendering process based on the discussion outcome. The Administration would consider request for

assistance by unsuccessful bidders as appropriate.

Duration of BLAs

25. Ms Miriam LAU commended the valuable contribution of PCWA operators to the development of the logistics industry in Hong Kong. In view that there were vacant berths available for allocation in Chai Wan and Western District PCWAs, she questioned the need to re-allocate the occupied berths through open tendering which might push up the bidding prices and threaten the survival of the incumbent operators. Ms LAU observed that the existing arrangement of conducting a tendering exercise once every three years had caused much uncertainty among the operators and requested the Administration to consider lengthening the term of BLAs to five years or more to facilitate their planning for longer term development.

26. Ms Starry LEE said that she noted the strong request of the PCWA operators for BLAs with a longer tenure to facilitate their investment decisions. She considered that a stable environment was necessary and conducive to the operation of the industry, and enquired about the relevant constraints the Administration now faced in taking forward the request. USTH said that relevant factors such as implications on public revenue would need to be taken into account. Nevertheless, THB was actively considering the request for BLAs with a longer tenure which could give greater certainty to the operators. It would consult the relevant bureaux/departments on the issue as appropriate. In view of the impending expiry of the existing BLAs on 31 July 2011, the tender process had to be commenced before mid-March 2011 to facilitate a smooth transition to the new BLAs.

Admin

27. Ms Emily LAU questioned if other factors such as impacts on the environment and the development of the waste paper recycling industry would also be given due consideration in this regard. The Chairman requested the Administration to provide information on the outcome of its consideration on the tenure of the next BLAs and the relevant factors that it had taken into account, such as financial, economic, operational and environmental considerations.

28. In view of the tight timeframe, Miss Tanya CHAN urged the Administration to speed up and finalize the deliberations on the unresolved issues before mid March 2011, including the provision of additional berths at RC PCWA and the tenure of the next BLAs. In response, USTH advised that it would be difficult to increase the overall berth length at RC PCWA but the Administration would seek to provide more berths which would allow the handling of dirty cargoes. There would also be a decision on the validity period of the new BLAs before the tendering exercise commenced. Ms

Emily LAU urged the Administration to continue discussion with the PCWA operators in the interim and give due consideration to the factor of environmental protection in deciding the way forward.

Conclusion

29. In summing up, the Chairman requested the Administration to take note of the views and concerns expressed by members and deputations at the meetings, including the need to brief the operators the latest re-allocation arrangement before commencing the tendering process, and the request for BLAs with a longer tenure. The Chairman also urged the Administration to engage in active communication with the PCWA operators to resolve the outstanding issues before the upcoming tendering exercise.

V Review of the operation and regulatory framework of the tourism sector

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| (LC Paper No. CB(1)1367/10-11(06) | No. - Administration's paper on review of the operation and regulatory framework of the tourism sector |
| LC Paper No. CB(1)1367/10-11(07) | - Paper on the operation and regulatory framework of the tourism sector prepared by the Legislative Council Secretariat (Background brief) |
| LC Paper No. CB(1)1367/10-11(08) | - Submission from The Federation of Hong Kong Chinese Travel Agents Limited (Chinese version only) |
| LC Paper No. CB(1)1367/10-11(09) | - Submission from the Tiglion Travel Services Company Limited (Chinese version only) |
| LC Paper No. CB(1)1439/10-11(03) (<i>tabled and subsequently issued via email on 28 February 2011</i>) | - Submission from the Tourism and Culture Development Association, Hong Kong (Chinese version only) |
| LC Paper No. CB(1)1439/10-11(04) | - Press release issued by the |

(tabled and subsequently issued via email on 28 February 2011) Democratic Party urging the Government to improve the regulation of the tourism sector (Chinese version only)

Briefing by the Administration

30. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) and the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) briefed members on the Administration's preliminary ideas for reviewing the operation and regulatory framework of the Hong Kong tourism sector and outlined the direction, scope and work plan of the review. SCED said that in recognition of the huge economic benefits and hundreds of thousands of job opportunities created by the tourism industry as one of the major pillars of Hong Kong's economy, the Administration had all along supported the building up of a positive image of the tourism industry and the reputation of Hong Kong as a preferred destination.

31. As there were significant changes in the tourism market and the operation of the industry, the regulatory framework of the tourism sector had evolved with time. Major developments included the establishment of the Travel Industry Council of Hong Kong (TIC), tasked with responsibility for regulating the travel industry; the establishment of the Tourism Commission; and the re-constitution of the Hong Kong Tourist Association as the Hong Kong Tourism Board. The objective was to meet the demand of the public and the industry at different stages of development after extensive consultation.

32. SCED apprised members that TIC was responsible for regulating around 150 000 outbound tours and 130 000 inbound tours every year, as well as 19 200 tour escorts and 6 200 tourist guides. Whilst the functions of TIC left room for improvement, the Administration recognized the contributions of TIC to the tourism industry over the past decades. However, even a few incidents of unscrupulous business practices could tarnish the overall image of the tourism industry of Hong Kong. The Administration considered that the regulation of the tourism sector needed to evolve with the changing circumstances in order to tackle malpractices in the industry more effectively. For the healthy and sustainable development of the industry, the Administration decided to carry out a review on the operation and regulatory framework of the entire tourism sector. Until a new regulatory regime was put in place, SCED reiterated the importance of the current regulatory regime to continue to serve its function and the ten measures that came into operation in February 2011 to be implemented vigorously with an aim to fostering the

confidence of Mainland tourists in visiting Hong Kong.

33. PSCIT took members through the various views expressed on the operation and regulatory framework of the tourism sector as stated in the Administration's paper (CB(1)1367/10-11(06)). He then outlined the four possible options for reforming the present regulatory system, as follows –

(a) Option 1

To amend the Travel Agents Ordinance (TAO) (Cap. 218) to set out clearly the role of the Travel Industry Council of Hong Kong (TIC) as a public association in the regulatory framework, and revamp the composition of the TIC Board of Directors.

(b) Option 2

To review the functions, powers and responsibilities of TIC, and transfer certain disciplinary functions (e.g. inspection, handling non-compliance and appeal cases, regulation of tourist guides and tour escorts) from TIC to Government departments (e.g. the Travel Agents Registry (TAR)).

(c) Option 3

To establish an independent statutory body to take up TIC's tourism industry regulatory functions.

(d) Option 4

To set up a Government department to take over from TIC and be responsible for the overall regulation of the tourism industry.

34. PSCIT said that apart from the above, the Administration would also consider whether to legislate for a statutory licensing system so that the Government or a statutory body could be responsible for the regulation of tourist guides. The Administration planned to launch a two to three-month consultation with the public and the trade in April 2011 and to decide on the way forward in the fourth quarter of 2011.

Discussion

35. The Chairman declared that he was a director of a travel agency. Mr Paul TSE declared that he was an owner of a travel agency and a legal adviser to a number of travel agencies. Mrs Sophie LEUNG also declared that her family owned a small-scale travel agency.

The review

36. Mr Fred LI considered that TIC had operated on a self-regulatory basis under the two-tier regulatory regime for more than 20 years and he had advocated for a reform of the regime for over a decade as the regulation of the tourism sector should evolve with the changing circumstances following the influx of Mainland tourists. The fact that most of the TIC's trade representatives were proprietors or managers of travel agents had also long been criticized of being "insiders regulating insiders". Mr LI expressed concern that TAR failed to execute its licensing function in respect of suspension/revocation of travel agents licences in accordance with TAO. He referred to a telephone survey revealed in the press release issued by the Democratic Party (CB(1)1439/10-11(04)) and highlighted the preference of respondents in respect of the future direction of regulating the tourism sector, i.e. setting up a dedicated government department to perform the regulatory role (47.8%), setting up an independent statutory body to undertake the task (32.2%) or allowing TIC to continue the regulatory function (20.0%). Mr LI considered that Option 2 should be adopted as a transitional arrangement and Options 3 or 4 be adopted in the long-run. He urged the Administration to expedite the reform process with a view to passing the relevant legislative amendments before the end of the current term of the Legislative Council (LegCo) in mid 2012.

37. SCED remarked that irrespective of the option selected at the conclusion of the review (including setting up a provisional regulatory body), it was necessary to amend both the TAO and the TIC's Memorandum and Articles of Association (MAA). While a concrete legislative timetable was not available at this stage, it was the Administration's intention to announce in the fourth quarter of 2011 concrete reform proposals for initiating the necessary legislative process.

38. Mr Ronny TONG pointed out that TIC had long been criticized for its self-regulatory role due to the lack of credibility. He questioned whether it was still necessary to spend more time in deliberating the options, as in his view the outcome of discussion was obvious, with the tourism sector to be regulated by either a Government department or an independent statutory body. As the current term of the Chief Executive and his principal officials would end in mid 2012, he expressed concern that the Government of the next term might not share similar resolve in strengthening the regulation of the overall tourism industry.

39. SCED responded that the Administration had received mixed views from various stakeholders in respect of the proposed options and thus it was of pivotal importance to allow sufficient time, say, two to three months for conducting a comprehensive public and trade consultation. It was the Administration's plan to work on the drafting of the relevant legislative

amendments as soon as the reform proposals were finalized after taking into account the views collected in the consultation.

40. In reply to Mr Ronny TONG's further enquiry, SCED advised that with an establishment of some 60 staff, TIC's annual expenditure on staffing was about \$20 million at present vis-à-vis some \$35 million for the Estate Agents Authority (EAA) which had an establishment of some 80 staff. The Administration held the view that the annual expenditure, including additional cost on recruitment and training, would increase significantly if a new independent statutory body or a Government department was tasked to regulate the tourism sector. Mr TONG considered the increase of \$15 million in annual staffing expenditure value-for-money if it could help restore tourists' confidence.

41. Mr CHIM Pui-chung echoed this view and pointed out that TIC was currently funded by the levies paid by consumers rather than by the Government. Mr CHIM queried the Administration's commitment to strengthening the overall regulation of the tourism sector, and did not consider it justified for the Administration to drag on the matter further. He noted that The Federation of Hong Kong Chinese Travel Agents, being one of the eight Association Members under TIC with 574 member companies, was also supportive of the proposal on regulating the industry by the Government rather than by TIC in order to remove any doubts on the lack of credibility and independence. Mr CHIM urged the Administration to expedite the review process and come up a concrete reform proposal before the end of the current LegCo term.

42. SCED clarified that her earlier reference to EAA was made in response to some members' suggestion that the Administration should draw reference from EAA in considering the regulatory regime of the tourism sector. The figure on annual staffing expenditure was quoted for members' reference only and the Administration had not taken a view on the level of cost. Pointing out that the future body to be established under Option 3 or 4 would require adequate manpower and resources, SCED said that the Administration was committed to allocating sufficient resources to ensure that the new regime would regulate the tourism sector most cost-effectively. SCED reiterated that thorough consultation with the trade was of paramount importance in particular if the latter would be required to fund the future regulatory regime through a levy.

43. While understanding that it took time to collect public views on the reform proposals, Ms Starry LEE opined that the proposals under Option 1 to set out clearly the role of TIC as a public association and revamp the composition of the TIC Board should be implemented in the interim. These

would in her view raise TIC's credibility and avoid the recurrence of untoward incidents involving Mainland inbound tour groups.

44. SCED advised that TIC's composition and regulatory functions were currently governed by its MAA. The Administration would study the ways in which the composition, independence and effectiveness of TIC in regulating inbound tourism could be enhanced, which might involve administrative or legislative measures.

45. Miss Tanya CHAN relayed the views of some travel agents that TIC failed to effectively represent the travel industry. In the light of the China Central Television's comment that the 5 February 2011 incident had brought "shame on Hong Kong's image as a shoppers' paradise", Miss CHAN considered that an annual staffing expenditure of some \$35 million would be value-for-money if similar incidents could be prevented to protect the image of Hong Kong. To ensure a fruitful public consultation exercise, she stressed that the consultation document should give a detailed account on the pros and cons of each of the four options along with other important considerations, such as financial resource, timetable of implementation and interim measures. In response, SCED agreed to provide as much information as possible in the consultation document to facilitate public discussion.

46. Mr Vincent FANG said that the tourism industry was very important to Hong Kong as it also brought lucrative business to the retail, catering and hospitality industries, hence it was vital to put in place an effective regulatory regime for the tourism industry. Referring to the suggestion on Option 1 on appointing representative(s) of tour escorts and tourist guides to the Board of Directors of TIC, Mr FANG was supportive of the idea as in his view their participation could provide useful 'insider' knowledge in enhancing the regulation of the industry.

47. SCED said that while the number of non-trade independent directors of the TIC Board had been increased from two upon establishment in 1988 to the present 12 with a view to bringing in more experience and knowledge from other sectors, there were currently 16 trade directors and a trade member serving as Board Chairman and they could contribute their professional knowledge and expertise in respect of the operation of the travel industry. Independent members were also appointed to convene TIC's Appeal Board to enhance the credibility of the judgments. That said, SCED acknowledged that there were views on the inadequacy of the present regulatory framework and there was hence the need for a comprehensive review.

48. Considering that most tourist guides were law-abiding, Mr Andrew LEUNG however expressed concern about the impact of the untoward incidents concerning the receiving arrangements for Mainland inbound tours which might have happened more frequent than the few reported cases. He expressed support for the Administration to conduct a consultation exercise to gauge the views of the public and the trade on the proposed options. Mr LEUNG also concurred with the views of other members and urged the Administration to draw up a detailed consultation document and to improve the transparency and hence credibility of the operation of TIC during the interim period between the consultation and the coming into force of the new regulatory regime which might take two years.

49. SCED commended the professionalism of most practitioners in the travel industry but considered it necessary to reform the present regulatory regime in order to stamp out malpractices and safeguard the image of Hong Kong. SCED said that the Administration would aim to release the consultation document as soon as possible to expedite the reform process. The Administration would endeavor to provide detailed information in the consultation document, including the pros and cons of each of the four options and as far as practicable the associated resource implications.

50. Mr Paul TSE said that the issue of "zero/negative-fare" tours had long been discussed by the then Panel on Economic Services at its meetings on 27 November 2006 and 23 April 2007. Members at these meetings had also urged the Administration to conduct a comprehensive review into the issue and set up a statutory body for taking up the regulatory functions for the travel industry. He considered that the Administration should not drag on the matter any further. Mr TSE considered the spending on enhancing the regulatory regime worthwhile given the importance of the inbound travel industry to the economy. Commenting on the incapability of TIC in dealing with the existing problems and that some of their policies and practices were discriminatory against travel agents which received Mainland inbound groups, Mr TSE urged the Administration to review the management and governance of TIC in order to better protect the interest of those travel agents in particular which expressed dissenting voice.

51. In response, SCED said that she herself and the Commissioner for Tourism had in fact met with representatives of the travel trade and members of political parties in the last two weeks to listen to their views on how the current regulatory regime should be improved. SCED undertook to conduct a comprehensive consultation in such a way that the relevant details, including the pros and cons of individual options, would be set out in the consultation document.

52. Mrs Sophie LEUNG said that she was opposed to the proposal for the Government to take over the regulation of the tourism sector and emphasized that the Government should instead concentrate its effort on strengthening the promotion of the image of Hong Kong as a preferred tourist destination. She considered that the roles and functions of TIC should be maintained but the monitoring of TIC by the Government should be stepped up to ensure impartiality of the judgments made by TIC.

53. Ms Miriam LAU expressed grave concern about the insufficient time for completing the necessary legislative process within the current term of LegCo and urged the Administration to expedite the relevant work. Ms LAU was unconvinced of the effectiveness of Option 1 for the lack of concrete improvements to the existing system and of Option 4 for the lack of trade participation which might give rise to problems of "outsider regulating insiders". Considering that it would be desirable for establishing an independent statutory body to take up the regulation of the tourism sector while retaining the trade organization status of TIC as set out in Option 3, Ms LAU was aware of the possible noises from the sector in respect of the payment of a higher levy to such a statutory body under the "user-pay" principle. In the event that Option 4 was chosen, she considered it important for the new Government department to be in close touch with the trade in order to get hold of first-hand information concerning the latest trade practices/issues and to address their various needs in the course of the development of the industry.

54. The Chairman emphasized that both the views of the trade and the general public were important to the review of regulation of the tourism industry. He did not subscribe to the proposal of regulating the tourism sector wholly by the Government without the participation of the trade.

Enhancing the regulation of malpractices

55. Ms Starry LEE noted that many Hong Kong people were disappointed at the spate of untoward incidents concerning the receiving arrangements for Mainland inbound tours and suspected coerced shopping had brought shame on Hong Kong's image as a shoppers' paradise. She saw urgency for the tourism sector to undergo a reform, and asked about the measures to be put in place to regulate the "zero/negative-fare" tour before the reform proposals took effect.

56. SCED stressed that TIC would continue to implement the ten measures recommended by its Task Force, including requiring the receiving travel agents to pay remuneration to the tourist guides and to work closely with the China National Tourism Administration (CNTA) in strengthening

regulatory measures, in particular in ensuring that the shopping activities in the itineraries were reasonable.

57. Apart from the proposed institutional changes, Mr Vincent FANG was also of the view that effective measures should be devised to tackle entrenched problems in the trade, such as "zero/negative-fare" tours, coerced shopping, and the system of payment of remuneration to the tourist guides.

58. To tackle the issue of "zero/negative-fare" tours at source, SCED said that CNTA had prohibited Mainland designated agents from offering tour groups at a fee lower than the costs of the service rendered. On Hong Kong's side, one of the ten measures which came into effect on 1 February 2011 had required Mainland travel agents that organized tours and receiving travel agents in Hong Kong to sign contracts to clarify the rights and responsibilities of each party, and ensure that the organization of inbound tours were in compliance with Mainland law and regulations. SCED said that the Administration would strengthen cooperation with CNTA in furthering the relevant regulations to different cities of the Mainland.

59. Referring to media reports that some Mainland designated agents had no choice but to adopt the tactic of organizing "zero/negative-fare" tours to Hong Kong because "Quality and Honest Hong Kong Tours", which inevitably charged consumers a higher fare, had received only lukewarm response, the Chairman urged the Tourism Commission to work in collaboration with its Mainland counterparts in strengthening the promotion of "Quality and Honest Hong Kong Tours" to attract visitors to Hong Kong.

Conclusion

60. In conclusion, the Chairman urged the Administration to take members' views on board in expediting the review process with a view to affecting the new regulatory regime within the current term of LegCo. He requested the Government to make available relevant document for consultation with the trade and the general public at the earliest possible time.

VI Any other business

61. There being no other business, the meeting ended at 1 pm.