

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 2010 to the end of June 2011. It will be tabled at the meeting of the Legislative Council on 13 July 2011 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 Ronny TONG Ka-wah elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major Work

Tourism

4. In 2010-2011, the Panel had reviewed the operation and regulatory

framework of the tourism sector in Hong Kong, monitored the work and performance of tourism-related organizations and kept various major tourism infrastructure projects under review.

Review of the operation and regulatory framework of the tourism sector

5. All along, the role and functions of Travel Industry Council of Hong Kong (TIC) had been a subject of public contentions. Following Panel discussions in 2006 and 2007, the Government conducted a review of the operation of TIC in 2009-2010, and concluded that while there was room for improvement, TIC had established an effective role in the regulatory regime which should be recognized and maintained.

6. There were few incidents involving unscrupulous practices of the tourism trade relating to Mainland tour groups in May and July 2010. The Chief Executive stated in his 2010-2011 Policy Address that these incidents had tarnished the reputation of tourism industry, and the Government would review the operation and regulatory framework of the entire tourism sector, including the role, powers, responsibilities and operation of TIC, as well as its working relationship with Travel Agent Registry (TAR).

7. The travel industry and Consumer Council (CC) were invited to give views on the operation of TIC at the Panel meeting on 22 November 2010. Some travel agents expressed concern about the statutory requirement of TIC membership for obtaining a travel agent licence, and TIC's right in collecting Council levy and penalizing infringing members. Some Panel members considered that under the industry self-regulatory regime, TIC had not been able to monitor the travel industry effectively as evidenced by the recurrent problems arising from zero/negative-fare Mainland inbound tour groups, despite issuance of a large number of directives by TIC. With the influx of Mainland inbound tour groups and increasing number of incidents of malpractices in recent years, some industry players called for a further review of the operation of TIC which had difficulties to perform its regulatory role without a proper mandate. There was a suggestion that the Administration should consider setting up a statutory body to regulate the travel industry.

8. As regards the proposed ten measures recommended by TIC's Task Force on the Review of the Operation and Regulation of Mainland Inbound Group Tours, some Panel members questioned whether the new measures would be adequate to tackle the core problem arising from zero/negative-fare tours. These members expressed grave concern about travel agents pocketing a portion of the tips received by tourist guides/tour escorts and

requiring tourist guides/tour escorts to pre-pay travel agents in advance before receiving the tours.

9. At the Panel meeting on 28 February 2011, the Administration presented four preliminary options for reforming the present regulatory framework as follows—

- (a) Option 1 –Retain the two-tier regulatory regime, reform TIC and specify its role as a public association
- (b) Option 2 –Transfer certain regulatory functions from TIC to a Government department
- (c) Option 3 –Establish an independent statutory body to regulate the tourism sector
- (d) Option 4 –A Government department to take over the regulation from TIC

10. While a majority of attending Panel members indicated support for the tourism sector to be regulated by an independent statutory body (Option 3) or a Government department (Option 4), some of them urged that, as an interim measure, Option 1 or Option 2 and measures regulating the zero/negative-fare Mainland inbound group tours should be implemented as soon as possible. These members urged the Administration to expedite the reform process and enact the legislative amendments before the end of the current term in mid-2012.

11. The Government published a consultation paper on "Review of the Operation and Regulatory Framework of the Tourism Sector in Hong Kong" on 29 April 2011. In addition to setting out the four reform options, the consultation paper also examined the merits and drawbacks, timeframe for implementation and financial implications of each option, and seeks public's views on the feasibility of introducing a tourist guide licensing system and introducing different licences regulating outbound and inbound tourism. The consultation will end on 15 July 2011.

12. The Panel received views from the tourism industry and CC on the reform proposals at the meeting on 23 May 2011. Those who were TIC directors or owners of travel agents generally supported Option 1 or Option 2, whereas those representing tourist guides, tour escorts or consumers pledged for Option 3 or Option 4. Panel members generally considered it necessary to revamp the present two-tier regulatory regime for the tourism sector. Some

members who preferred Option 3 expressed concern whether the independent statutory body to be established could work directly with the Mainland tourism authorities in respect of the operation of the Mainland inbound group tours in Hong Kong. These members urged the Administration to demonstrate its commitment to reforming the regulatory regime, to effectively tackle the malpractices of coerced shopping and provide adequate protection for tourist guides and tour escorts. On the financial arrangements for the new regime, members were concerned that it would be unfair to outbound travel agents if it had to share the financial cost for the new regulatory framework which was devised to deal with malpractices arising from the Mainland inbound group tours. There was a suggestion that the cost of regulation of the tourism sector should be shouldered by the Government in the light of the economic benefits brought by tourism.

Hong Kong Disneyland

13. Hong Kong Disneyland (HKD) is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds 52% of the shares. The Panel had all along closely monitored the performance of HKD and received annual progress reports on the performance of HKD. In 2009-2010, HKD's attendance reached 5.2 million, a 13% rise over the previous year, with the guest mix of 33% local, 42% Mainland and 25% international. According to the Administration, HKD's total revenue in 2009-2010 was \$3.013 billion, 19% higher than the previous year. The earnings before interest, taxes, depreciation and amortization (EBITA) were \$221 million, a vast improvement to the loss of \$70 million in the previous year. The additional spending of all HKD visitors in Hong Kong had also increased to \$9.6 billion, as compared to \$7.2 billion in the previous year. The Panel noted that following the approval of the Finance Committee in July 2009 of the HKD expansion project, the expansion works had proceeded as planned and was expected to be completed in phases by mid-2014.

14. To further improve the performance of HKD, Panel members expressed concern that HKD should make greater efforts to boost park attendance, explore various marketing strategies and get prepared to compete with the Shanghai Disneyland which was due to be completed by mid-2014. Panel members noted that although HKD had generated an EBITDA of \$221 million in 2009-2010, HKD still had a net loss of \$718 million. The Panel urged the Park management to boost park attendance in order to turn the HKD operation into a profit. The Administration advised that HKD would have to press fully ahead with its expansion plan, and continue with its marketing and promotion activities to drive attendance. As HKD was an important brand of Hong Kong, its performance had a direct impact on the

image and tourism development of Hong Kong.

15. On corporate social responsibility of HKD, Panel members urged the Park management to engage in more community giving plans such as offering concessionary tickets for needy children, and also consider abolishing the daily firework event to protect the environment.

New cruise terminal at Kai Tak

16. The new cruise terminal building at Kai Tak and the first berth are expected to be completed and handed over to the operator in mid-2013 to commence operation. The estimated economic benefits to be generated by the new cruise terminal would be \$1.5 to \$2.6 billion per annum and 5 000 to 8 000 jobs would be created by 2023. On 24 January 2011, the Administration briefed the Panel on the leasing arrangements for the new cruise terminal at Kai Tak, including the term of tenancy, rental mechanism, berthing fees, performance monitoring and the mid-term review.

17. The Panel noted that a host of factors such as bidders' knowledge of the cruise market and experience in managing cruise terminal, proposals for operating the new terminal at Kai Tak, promotional strategies, and the proposed rent and berthing fees would be considered in the tender process. The operator would need to submit an annual operation and maintenance report to the Government on various aspects, including its business performance, fulfilment of the service pledges, etc. The tenancy of the cruise terminal would have a term of 10 years, with an option to extend for five years after which another open tender for the leasing arrangements would be held.

18. On the rental mechanism for the cruise terminal building, the Panel noted that the operator would pay the Government a fixed rent that was expected to escalate by year, and a variable rent based on a sliding scale linked to the operator's gross receipt. Some Panel members considered the leasing terms very stringent if the berthing fees were capped, and they expressed concern that the new terminal might not be able to compete with cruise terminals in neighbouring ports. The Administration advised that the proposed arrangements would strike a balance between adhering to the market-driven principles and protecting the return of the Government's investment which amounted to \$8.2 billion. The rental received would provide a stable source of income for meeting the recurrent expenditure of the cruise terminal estimated at \$220 million a year.

Hong Kong Tourism Board Work Plan for 2011-2012

19. The Panel received annual briefings from Hong Kong Tourism Board (HKTB) on its work plan as well as an overview of Hong Kong's tourism industry in the current year and the coming year. At the meeting on 24 January 2011, the Panel noted that visitor arrivals hit a new record of 36.03 million in 2010, representing an annual growth of 21.8% when compared to 2009. Panel members also noted that HKTB's total proposed marketing budget for 2011-2012 was \$341.3 million, which was \$21.2 million less than the revised marketing budget for 2010-2011. The total marketing budget for source markets would be \$192.1 million, an increase of 4.3% over the revised amount for 2010-2011. In respect of market investment, HKTB would increase investment in non-Southern China regions, expand geographic coverage in emerging markets and tap new markets. On measures to strengthen Hong Kong's destination appeal, HKTB planned to adopt a new thematic marketing platform "Asia's World City" in 2011-2012 and inject new elements and programmes into its annual events calendar. To maximize reach and impact in 2011-2012, HKTB would increase focus on digital marketing, expand partnership with global and regional TV networks.

20. Some Panel members considered that the record-high visitor arrival rate was brought by the appreciation of currencies and might not be sustainable. These members urged HKTB to host more appealing events during the non-peak seasons to draw more visitors, particularly those Mainland visitors who normally travelled on one-day journey to spend more time in Hong Kong. Noting a reduction in expenditure for Head Office from \$178.3 million in 2010-2011 to \$149.2 million in 2011-2012, members urged HKTB to streamline the operation of its offices and utilize more of the Internet services to promote Hong Kong.

Consumer protection

Protection of consumers against unfair trade practices

21. The Panel had been monitoring issues related to consumer protection and unfair trade practices. In the previous year, the Administration had consulted the Panel on the review and the broad policy directions in strengthening consumer protection legislation. On 15 July 2010, the Government issued a three-month consultation document setting out the detailed legislative proposals to solicit public views.

22. At the meeting on 25 October 2010, the Panel received views from

18 deputations and met with the Administration on the proposals. During the meeting, some members expressed reservation about the proposal of extending the application of Trade Descriptions Ordinance (TDO) (Cap 362) to cover trade descriptions in respect of services. Some members also expressed concern about the proposal of imposing cooling-off arrangements as it would have limited effect on tackling unfair trade practices while being unfair to business operators. Addressing the concern that consumers should not be required to shoulder the burden of proof, the Administration advised that strict liability offences would be proposed for certain new offences, including the use of aggressive practice, "bait advertising", accepting payment without the intention or ability to supply. There was also concern about the appropriateness to empower the Customs and Excise Department (C&ED) to inspect and take copies of books and documents for the purpose of ascertaining an offence.

23. The Administration briefed the Panel on 24 January 2011 on the outcome of the public consultation and two revised proposals. The Administration affirmed its proposal to empower the C&ED to inspect books and documents at non-domestic premises and take copies of them without being subject to the threshold of suspicion. Such requirement would only apply to those books and documents required to be kept under TDO and its subsidiary legislation, and not other books and documents relating to a supplier's trade or business. The Administration also suggested modifying its original proposal by expanding the scope of mandatory cooling-off arrangements to cover consumer transactions involving goods and/or services with a duration of not less than six months. The cooling-off period could be waived or curtailed by mutual agreement of the consumer and the supplier, and contract performance could not commence within the cooling-off period.

24. Some Panel members considered that the implementation of cooling-off arrangement would have adverse impact on the trade, especially the small and medium enterprises which might encounter cash flow problems. They urged the Administration to strike a balance in tackling dishonest traders and preserving operational efficiency for businesses. They also expressed concerns that traders might adopt contracts with duration of less than six months in order to circumvent the imposition of the cooling-off periods, and that traders should be prohibited from incorporating in standard contracts default clauses for waiving the cooling-off rights. To protect consumers who entered into the pre-payment mode of transaction, there was a suggestion of allowing such consumers to have a high priority in the legal claim against the business should it go bankrupt. There was also call for the Government to step up enforcement against false trade descriptions in

advertising bluffs and consumer scams in print media.

Proposed amendments to Pyramid Selling Prohibition Ordinance (Cap 355)

25. On 25 October 2010, the Administration briefed the Panel on the outcome of its review of the Pyramid Selling Prohibition Ordinance (Cap 355) and proposed amendments to strengthen the control of pyramid schemes. The Panel generally welcomed the proposal as more and more youngsters and housewives fell prey to pyramid schemes. Some members asked the Administration to differentiate pyramid schemes from other concession schemes in order not to affect normal business practices.

26. On 7 December 2010, the Administration issued a paper to seek public views on a package of proposed legislative amendments aimed at eradicating pyramid schemes. At the Panel meeting held on 28 March 2011, members were briefed on the outcome of the public consultation on the key elements of the Bill. Panel members were generally in support of the legislative proposals. Some members urged the Administration to step up publicity and public education to help the public to differentiate legitimate marketing schemes from illicit pyramid schemes and unfair trade practices. The Administration advised that it would include in the legislation factors to be considered by the courts in ascertaining the nature of schemes involving the marketing of goods and/or services. Some other members considered that the proposed penalty should include disgorgement of improperly gained money.

27. A Pyramid Schemes Prohibition Bill was gazetted on 20 May 2011 and tabled at the Council on 1 June 2011. A Bills Committee has been formed to scrutinize the Bill.

Energy supply

Adjustment of electricity tariffs

28. In this session, the Panel continued to monitor closely the tariff increases of the two power companies. At the meeting on 14 December 2010, some Panel members expressed grave concern that both The Hongkong Electric Company Ltd (HEC) and CLP Power Hong Kong Limited (CLP) would raise electricity tariff by 2.8% for 2011 since this would aggravate the inflation and add burden to the low-income groups. As the increase was caused by rising fuel cost, members urged the power companies to be more prudent in coal procurement. Panel members also urged the Government to request the two power companies not to raise the

tariff by using the reserve in the Tariff Stabilization Fund (TSF) to offset the fuel cost increase, or opting not to achieve a maximum rate of return. Some members requested the two power companies to freeze the tariff for the underprivileged.

29. Panel members expressed concern about the wide tariff gap between the two power companies. The Administration explained that under the new Scheme of Control Agreement (SCA) and the subsequent annual tariff adjustments, the tariff differential between HEC and CLP had been gradually reduced. The Government had also critically reviewed the need of the proposed capital projects in the Five-year Development Plan and the proper usage of TSF. With regard to the suggestions of increasing interconnection between the electricity grids of the two power companies and introducing new operators, members noted that the Administration would review the situation in 2016 before the expiry of the current SCA in 2018.

Airport and aviation services

Hong Kong International Airport Master Plan 2030

30. On 10 June 2011, the Administration and the Airport Authority Hong Kong (AAHK) briefed the Panel on the Hong Kong International Airport (HKIA) Master Plan 2030, Panel members in general considered the building of the third runway conducive to maintaining Hong Kong's competitiveness in aviation, tourism, logistics and related sectors, particularly in view of the impending expansion of the airports in the Pearl River Delta region. However, some members expressed concern about the huge construction cost and its impact on the future airport charges which might undermine the competitiveness of Hong Kong's aviation industry. There was a suggestion of building a shorter runway to economize on the cost.

31. While agreeing that consideration should be given to the needs of economic development when deciding whether to take forward the third runway, some members stressed that it was necessary to assess and minimize the cumulative environmental impacts, including impacts on the habitat of the Chinese White Dolphins, and the noise nuisance and air quality impacts arising from the operation of the new runway. Panel members urged AAHK to maintain on-going dialogue with the environmental concern groups during the consultation and construction processes.

32. The Panel agreed to receive deputations' views on the subject at the meeting on 19 July 2011. Hon Tanya CHAN and Hon Albert CHAN had

indicated that they might move a motion urging the Administration to provide all reports prepared by each of the nine consultants appointed for the development of the HKIA Master Plan 2030 at the meeting on 19 July 2011 if information on these reports were not ready by then.

Fitting-out works for government facilities at new air cargo terminal

33. On 22 November 2010, the Panel was consulted on the funding proposal on the fitting-out works for government facilities at new air cargo terminal at a cost of \$178 million in money-of-the-day price. The Panel noted that Cathy Pacific Services Limited (CPSL) was constructing the new air cargo terminal at the Hong Kong International Airport (HKIA) with a design capacity of 2.6 million tonnes per annum, for completion by early 2013. According to the established arrangement, CPSL would provide rent-free accommodation for the Government's use, while the Government would be responsible for the fitting-out works.

34. The Panel generally expressed support for the proposal. The Panel noted that rent-free accommodation for the Government's use was one of the conditions in the franchise awarded to CPSL to design, construct and operate the new air cargo terminal, and similar arrangements had been in place for the franchises awarded to Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal. Some members also expressed concern about HKIA's competitiveness for international air cargo services among neighbouring airports. They urged the Government to further increase the air cargo handling capacity of HKIA to meet the anticipated rising demand as a result of the upgrading and restructuring of the manufacturing sector made in response to the national policies. According to the Administration, the air cargo handling charges should be more competitive and there could be room for downward adjustments with the introduction of a new operator.

Logistics services

Development of a logistics cluster in Kwai Tsing

35. The Administration briefed the Panel on the development of a logistics cluster in Kwai Tsing on 27 June 2011. The Panel generally considered that there was inadequate supply of land for logistics use, and members urged the Administration to carry out long-term planning in this respect by studying the demand forecast for the next 10 to 15 years. While noting the Administration's efforts in making available sites for logistics use in Kwai Tsing and Tuen Mun West, members stressed that sufficient land should be provided for both conventional logistics services as well as

high-end marked segment served by third party logistics service providers. The Panel also acknowledged the need for providing modern logistics facilities to complement the National 12th Five-Year Plan for supporting Hong Kong to develop into a high-value goods inventory management and regional distribution centre. The Government should gauge the views of the industry players through the Hong Kong Logistics Development Council in mapping out the future development of the logistics industry.

Port development and marine services

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

36. On 24 January 2011, the Panel met with public cargo working areas (PCWAs) operators and the Administration on the proposed arrangements for the re-allocation of berths in PCWAs upon the expiry of the current Berth Licence Agreements (BLAs) in July 2011. Some Panel members shared PCWA operators' view that restricted tendering would be more conducive to their continual operation, as the open tendering exercise in 2008 had forced some incumbent operators out of business. These members urged the Administration to continue with the restricted tendering arrangement and consider lengthening the term of BLAs to beyond three years to give operators more certainty on their future development.

37. Recognizing the contribution of the waste paper recyclers in environmental protection and preserving job opportunities especially for the elderly, some members expressed concern that as the decommissioning of Kwun Tong and Cha Kwo Ling PCWAs was a policy decision, the Government had a responsibility to re-provision the affected waste paper recyclers, and it should identify a suitable site in Tseung Kwan O or Sai Kung to provide PCWA facilities for re-provisioning the waste paper recyclers. These members warned that discontinuation of the operation of waste paper recyclers would aggravate the waste management problem at landfills. There was also concern that the Administration's proposal of adding more berths in Rambler Channel PCWA was equivalent to taking berths away from the incumbent operators because the Administration only shortened some of the berths there and re-designated the remaining portion as berths allowing the handling of dirty cargoes. Panel members requested the Administration to work out a solution with all operators and continue discussion at the next Panel meeting.

38. At the meeting on 28 February 2011, Panel members noted that the Administration planned to designate four more berths at the Rambler Channel PCWA for handling of dirty cargoes. PCWA operators attending

the meeting considered that this would only create a conflicting situation between the affected waste paper recyclers and the incumbent operators. Some members remained of the view that special arrangements and facilitation measures should be put in place to assist the waste paper recyclers given the environmental benefit they brought to the community. There was also strong call for lengthening the duration of BLAs from three to five years.

39. On 24 March 2011, the Administration informed the Panel that it decided that the validity period for the BLAs for the upcoming tendering exercise would be extended from three to five years, i.e. from 1 August 2011 to 31 July 2016.

Other issues

40. The Panel was also briefed on the funding proposals relating to the establishment of the Mega Events Fund, Aberdeen Tourism Project as well as the replacement of a storm detecting weather radar of the Hong Kong Observatory at Tate's Cairn, and legislative proposals relating to review of the regulatory regime of the Air Transport Licensing Authority for local airlines, carriage of dangerous goods by air as well as proposed revision of fees and charges under Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A) and Hong Kong Air Navigation (Fees) Regulations (Cap 448D).

41. During the period from October 2010 to June 2011, the Panel held a total of 12 meetings and conducted two local visits to sky100 and Lantau Island.

42. The Panel will hold a further meeting on 19 July 2011 to receive views from airport-related sectors on "HKIA Master Plan 2030".

Council Business Division 1
Legislative Council Secretariat
7 July 2011

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 2010 - 2011 session

Chairman	Hon Jeffrey LAM Kin-fung, GBS, JP
Deputy Chairman	Hon Ronny TONG Ka-wah, SC
Members	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-yee, 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 IP Wai-ming, MH Hon Mrs Regina IP LAU Suk-yee, GBS, JP Hon Paul TSE Wai-chun, JP Dr Hon Samson TAM Wai-ho, JP Hon Tanya CHAN Hon Albert CHAN Wai-yip

(Total: 20 members)

Clerk	Ms Debbie YAU
Legal Adviser	Mr Timothy TSO
Date	1 July 2011