

立法會
Legislative Council

LC Paper No. FC141/17-18
(These minutes have been
seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 24th meeting
held at Conference Room 1 of the Legislative Council Complex
on Saturday, 25 March 2017, at 10:35 am

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP

Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Dr Hon YIU Chung-yim

Members absent:

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WU Chi-wai, MH
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK Wing-hang
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP

Dr Hon Pierre CHAN
Hon HUI Chi-fung
Hon Kenneth LAU Ip-keung, MH, JP
Hon Nathan LAW Kwun-chung
Dr Hon LAU Siu-lai

[According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr HON Chi-keung, JP	Permanent Secretary for Development (Works)
Ms Brenda AU Kit-ying	Head of Energizing Kowloon East Office, Development Bureau
Mr Frank WONG Tak-choi	Deputy Head of Energizing Kowloon East Office, Development Bureau
Ms YING Fun-fong, JP	Head (Kai Tak Office), Civil Engineering and Development Department
Mr Joseph LAI Yee-tak, JP	Permanent Secretary for Transport and Housing (Transport)
Mr Andy CHAN Shui-fu, JP	Deputy Secretary for Transport and Housing (Transport) 2
Mrs Ingrid YEUNG HO Poi-yan, JP	Commissioner for Transport
Ms Stella LEE Yim-fong	Assistant Commissioner for Transport (Management and Paratransit)

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Ms Ada LAU	Senior Council Secretary(1)7
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

Action

Item No. 3 — FCR(2016-17)84

**RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 26 JANUARY 2017**

EC(2016-17)21

**HEAD 159 — GOVERNMENT SECRETARIAT: DEVELOPMENT
BUREAU (WORKS BRANCH)**

Subhead 000 — Operational expenses

The Finance Committee ("FC") continued with the deliberation on item FCR(2016-17)84.

Motions proposed by members under paragraph 37A of the Finance
Committee Procedure

2. FC started to vote on whether the motions proposed by members under paragraph 37A of the Finance Committee Procedure ("FCP") ("FCP 37A motions") should be proceeded with forthwith. At the request of members, the Chairman ordered a division. After the Chairman declared that FC had decided not to proceed with the first FCP 37A motion forthwith, Mr LAU Kwok-fan moved without notice a motion under FCP 47 that in the event of further divisions being claimed in respect of any motions or questions under the same agenda item, the Committee should proceed to each of such divisions immediately after the division bell had been rung for one minute. The Chairman proposed the question on Mr LAU Kwok-fan's motion. There being no request to speak, the Chairman put the question to vote. The Chairman announced that the majority of the members present and voting were in favour of the motion. The motion was carried. FC continued to vote on whether the remaining FCP 37A motions should be proceeded with forthwith. The voting results on whether FC should proceed with the following FCP 37A motions forthwith were as follows:

Members proposing the motions	Serial nos. of the motions	Whether to proceed with the motions forthwith
Dr Fernando CHEUNG Chiu-hung	0001, 0002	No
Mr CHU Hoi-dick	0003	No
Dr YIU Chung-yim	0004	No

Voting on FCR(2016-17)84

3. There being no further question from members, the Chairman put item FCR(2016-17)84 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for one minute. The Chairman declared that 37 members voted in favour of and two members voted against the item. Three members abstained from voting. The votes of individual members were as follows:

For:

Mr Tommy CHEUNG Yu-yan	Mr Jeffrey LAM Kin-fung
Mr WONG Ting-kwong	Ms Starry LEE Wai-king
Mr CHAN Hak-kan	Mr WONG Kwok-kin
Mr Paul TSE Wai-chun	Mr LEUNG Kwok-hung
Mr Michael TIEN Puk-sun	Mr Steven HO Chun-yin
Mr Frankie YICK Chi-ming	Mr YIU Si-wing
Mr CHAN Han-pan	Mr LEUNG Che-cheung
Mr Kenneth LEUNG	Ms Alice MAK Mei-kuen
Mr Christopher CHEUNG wah-fung	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr Alvin YEUNG	Mr HO Kai-ming
Mr LAM Cheuk-ting	Mr Holden CHOW Ho-ding
Mr SHIU Ka-fai	Mr Wilson OR Chong-shing
Ms YUNG Hoi-yan	Mr CHAN Chun-ying
Ms Tanya CHAN	Mr CHEUNG Kwok-kwan
Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr KWONG Chun-yu	Mr Jeremy TAM Man-ho
Dr YIU Chung-yim	
(37 members)	

Against:

Mr CHAN Chi-chuen	Dr CHENG Chung-tai
(2 members)	

Abstained:

Dr Fernando CHEUNG Chiu-hung Mr CHU Hoi-dick
Mr SHIU Ka-chun
(3 members)

4. The Chairman declared that the item was approved.

Item No. 4 — FCR(2016-17)87

HEAD 186 — TRANSPORT DEPARTMENT

Subhead 700— General non-recurrent

New Item — "Provision of Special Helping Measures for the Six Major Outlying Island Ferry Routes"

5. The Chairman said that the item invited FC to approve the creation of a new commitment of \$412,140,000 for the continued provision of special helping measures ("SHM") for the six major outlying island ferry routes in the next three-year licence period (i.e. from mid-2017 to mid-2020). The Transport and Housing Bureau consulted the Panel on Transport with regard to the relevant proposal on 18 November and 2 December 2016.

6. At the invitation of the Chairman, Mr CHAN Han-pan, Chairman of the Panel on Transport, reported the key points of the Panel's discussion. Members of the Panel supported in principle the relevant funding application. Some members had reservations about the authorities' continued provision of SHM for the outlying island ferry routes and considered the arrangement ineffective in encouraging ferry operators to improve their operation and service quality in the long run. With regard to the profit sharing mechanism, members suggested sharing the "windfall profit" with passengers through direct reduction of fares, and outlying island residents should be the primary beneficiary of profit sharing. Separately, members in general demanded ferry operators to improve service and facilities as well as to increase service frequencies, and the Government to review expeditiously whether an extension of the licence period was necessary and to formulate measures to attract young people to join the vessel trade. Members also expressed views on individual routes and requested the Administration to provide information on the patronage of individual ferry routes. The Administration's reply was sent to all members vide LC Paper No. CB(4)405/16-17(01).

Details of special helping measures

7. Mr CHAN Chun-ying noted from the papers provided by the Government that the according to the breakdown of the estimated expenditure under SHM, the estimated expenditure for "the depreciation cost of vessel and fleet improvement" was lower than that for "vessel maintenance cost". He was worried that the relevant arrangement would in effect encourage ferry operators to maintain existing vessels instead of buying new ones. He sought explanations from the Administration regarding the measures that would be adopted to encourage ferry operators to replenish their fleets. Mr Andrew WAN also urged the Administration to pressurize ferry operators to acquire new vessels and replace old vessels that incurred higher maintenance costs.

8. The Permanent Secretary for Transport and Housing (Transport) ("PSTH(T)") indicated that the inclusion of "the depreciation cost of vessel and fleet improvement" in the SHM for the next three-year licence period aimed to encourage ferry operators to acquire new vessels. The estimated expenditure concerned was made with reference to ferry operators' estimated expenditures for the purchase of new vessels and for maintaining and repairing old vessels in the next three years. The Commissioner for Transport ("C for T") added that in case ferry operators had the actual need to acquire additional new vessels or it was more economical to purchase new vessels than to maintain old ones, even if the expenditure to be incurred by purchasing new vessels exceeded the reimbursement cap for "depreciation cost of vessel and fleet improvement", the Government could, on the merits of individual cases, consider exercising flexibility in allocating the remaining budgeted expenditure, if any, under "vessel maintenance cost", so as to render support for ferry operators in acquiring new vessels.

9. Mr Holden CHOW pointed out that the overall estimated expenditure for the provision of SHM in the next three-year licence period almost doubled that in the previous three-year licence period, and there were also significant increases in the budgeted expenditure for individual items. He sought explanations from the Administration regarding the reasons for the substantial increase in the SHM sum.

10. C for T explained that the New World First Ferry Services Limited ("NWFF") and the Hong Kong and Kowloon Ferry Holdings Limited ("HKK") were planning to spend close to \$57 million to revamp their fleets, including improving the air-conditioning systems of the vessels, upgrading ferry cabins. Furthermore, a number of vessels under the two companies would undergo major maintenance in the forthcoming three-year licence period, thus necessitating a higher budgeted sum for "vessel maintenance cost".

11. Dr Fernando CHEUNG, Mr LEUNG Kwok-hung, Ms Claudia MO and Mr Andrew WAN asked how the Administration would oversee the use of government subsidies by ferry operators. Mr CHU Hoi-dick also expressed concern that there would be conflicts of interest if ferry operators hired their associated subsidiaries to build new vessels and then applied for reimbursement of the relevant expenditures. He demanded an explanation from the Administration regarding the way in which such an act might be prevented.

12. PSTH(T) and C for T replied that:

- (a) the Government would provide subsidies for ferry operators on an actual reimbursement basis under which operators must produce invoices for substantiating the actual expenditure incurred;
- (b) ferry operators would be required to submit audited financial statements to TD every year for further auditing by TD's Treasury Accountants, so as to ensure the accuracy of the expenses claimed;
- (c) at present, NWFF had been carrying out major vessel maintenance through open tender, and the terms of licence extension for the new licence period would make it mandatory for ferry operators to undergo major maintenance works through open tender or quotation; and
- (d) the terms of licence extension for the new licence period would make it mandatory for ferry operators to acquire new vessels through open tender or quotation procedures, and relevant information had to be provided to TD for verification.

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13. Mr LEUNG Yiu-chung asked the Administration to provide written information on details of the undertaking made by ferry operators of the six major outlying island ferry routes on service improvement and vessel replacement under SHM.

Ferry routes covered by SHM

14. Mr Michael TIEN and Mr CHAN Han-pan requested that the other eight outlying island ferry routes set out in paragraph 6 of Enclosure 3 to the Administration's paper be expeditiously included in the SHM scheme so as to enhance the service standard of these ferry routes.

15. Expressing support for the Government's continued implementation of SHM, Mr YIU Si-wing considered that SHM was conducive to promoting the development of the tourism industry in outlying islands. He and Mr LEUNG Che-cheung urged the Government to explore expanding the SHM scheme to cover other "kai-to" routes with a view to enhancing the ferry service of such routes, including the route plying to and from the Geopark.

16. PSTH(T) and C for T responded that:

- (a) some of the other eight outlying island ferry routes were ferry service provided by developers to residents of their housing estates. Against different background and for different reasons, these eight ferry routes were not included in the SHM scheme at present. As the Government would make a decision on the long-term operation model of the existing six major outlying island ferry routes in 2019, it would also determine in one go whether and how the operation model to be formulated at that time would be applied to these eight routes; and
- (b) currently, the route plying to and from the Geopark was operated in the form of "kai-to" service which was subject to less government regulation. For example, the operator was not required to provide regular ferry trips and ferry fares were not subject to regulation. It was believed that such an operation mode better suited the needs of "kai-to" routes which operated mainly on holidays to carry visitors to the more remote areas in Hong Kong.

Reviewing the long-term operation model of outlying island ferry services

17. Mr Michael TIEN, Mr Frankie YICK and Mr LEUNG Che-cheung considered that the current three-year licence period for major outlying island ferry routes was too short, which would become a disincentive for ferry operators to invest in the ferry routes concerned and to acquire new vessels. They urged the Administration to review the long-term operation model of outlying island ferry services and to extend the licence period from three years to five years. Besides, Ms Alice MAK opined that in the long run, the Government should consider introducing public ferry services for outlying islands to replace the existing practice of subsidizing private operators with public funds.

18. PSTH(T) agreed that the existing practice of confining each licence period to not more than three years was not desirable as the licence period was too short to provide incentives for ferry operators to invest in outlying island ferry routes, but since changes in licence period involved detailed legal and financial arrangements, it was not possible for the Government to immediately extend the length of the next licence period. The Government would, in reviewing the long-term operation model of outlying island ferry services, take into account members' views on extension of licence period and mode of providing subsidies.

19. Dr Fernando CHEUNG demanded that, in reviewing the long-term operation model of outlying island ferry services, the Administration should set out in the new terms of licence extension the requirement that ferry operators had to retrofit barrier-free facilities on board the ferries as well as in the piers.

20. Mr CHU Hoi-dick requested the Administration to stipulate in the new terms of licence extension a cap on the rate of return for ferry operators. Moreover, he suggested the Government set out in the new terms the requirement that ferry operators had to hold meetings regularly in Cheung Chau and Peng Chau to receive residents' views on ferry services.

21. C for T said that in reviewing the terms of licence extension, the Government would take into account the various views raised by members. She supplemented that the retrofitting of barrier-free facilities to the existing fleet might be infeasible for some ferries due to design constraints. It was therefore difficult for the Government to make the undertaking of stipulating in the terms of licence extension that operators must provide barrier-free facilities on board all ferries.

22. Mr CHAN Chun-ying and Mr James TO asked whether the Administration would, in its review of the long-term operation model of outlying island ferry service, explore the possibility of using the space in the existing piers for commercial development, and the proceeds generated therefrom might then be used to subsidize the Government's financial commitment for the implementation of SHM.

23. PSTH(T) remarked that the Government had once planned to use the areas above piers for commercial development to lessen the financial burden of running ferry services. However, the Government did not consider it the best feasible option, having regard to the complexity of the contractual relationships that might arise and the difficulty involved in estimating the Government's actual profits that might derive from these commercial activities. The Development Bureau would have long-term planning for harbourfront development. In any event, the government proceeds that might be generated by the development projects would certainly become part of public funds. In addition, when a new pier was built in Cheung Chau in future, the Government would also consider earmarking certain space for commercial purpose in its design.

Cheung Chau ferry service

24. Considering that the existing Cheung Chau ferry service was fraught with problems, Mr Michael TIEN, Mr CHAN Chun-ying, Mr CHAN Han-pan, Dr CHENG Chung-tai and Mr LEUNG Yiu-chung demanded that the Administration should urge NWFF to make improvements. The service problems pointed out by members included:

- (a) the monthly ticket system currently provided for the Cheung Chau ferry service lacked flexibility as the monthly ticket allowed a passenger to take only one round trip to and from Cheung Chau within a day. Members urged NWFF to provide multi-ride tickets for residents who travelled from and to Cheung Chau not on a regular basis;
- (b) given the limited space in the existing Cheung Chau Ferry Pier, the long queue of passengers waiting to board the ferry often extended beyond the Pier onto the road outside, thus causing road obstruction and noise nuisance. Members called on the Administration to launch a monthly ticket passage in the pier and expeditiously construct a new pier at the seashore near Cheung Chau Ferry Pier; and

- (c) as the earliest and the last ferries departing from Cheung Chau were always full and many residents were unable to board them, members demanded NWFF to improve both the frequency and service of the route during the morning session.

25. PSTH(T) and C for T responded that:

- (a) NWFF was now planning the launch of multi-ride tickets for the Cheung Chau route mainly for use by Cheung Chau residents on Saturdays, Sundays and public holidays. The ferry operator was discussing the operational details of multi-ride tickets with Cheung Chau's resident organizations, as well as assessing how the issuance of multi-ride tickets might impact the ferry operators financially;
- (b) NWFF was modifying its Octopus fare collection system to cater for the launch of a monthly ticket passage. This dedicated passage at Cheung Chau Ferry Pier was expected to be commissioned in mid-July. In view of the limited space in Cheung Chau Ferry Pier which could hardly accommodate all passengers waiting to board the ferry, TD had proceeded to examine the construction of a new pier in Cheung Chau and it had been, in collaboration with the Civil Engineering and Development Department, identifying various viable sites for constructing the new pier. Initial study results showed that further studies might be conducted on constructing the new pier at the seashore to the north and south of the existing pier, such as conducting studies on whether the water current in the two places was suitable for the anchoring of vessels, as well as listening to residents' views on site selection for the new pier; and
- (c) to address the problem that the earliest departing ferry could not accommodate all passengers, NWFF had put in place stand-by ferries for backup service during the morning session. Such stand-by ferries would be immediately deployed to carry the left-behind passengers who could not board the earliest departing ferry which was full. In addition, NWFF had already applied to the Marine Department to install an additional 20 seats on its fast ferries. It was believed that the problem of passengers being left behind from morning fast ferries could then be solved.

Peng Chau ferry service

26. Considering that the existing Peng Chau ferry service was fraught with problems, Mr LEUNG Yiu-chung, Mr CHU Hoi-dick, Mr Jeremy TAM and Mr Andrew WAN demanded that the Administration should urge HKK to make improvements. The service problems pointed out by members included:

- (a) the slow ordinary ferries plying to and from Peng Chau were often full; furthermore, fewer passengers could get on board as some of the cabin space was used for carrying goods instead. Also, the cleanliness condition of the cabin was far from satisfactory; and
- (b) members were worried that, with the ferry operator's tentative plan of introducing fast ferries to replace the two ordinary slow ferries currently in service, residents would be deprived of the choice of taking rides on slow ferries at cheaper fares. Besides, as the introduction of double fares for the Peng Chau route during holidays had added to the burden on Peng Chau residents, members requested that the Government should urge the ferry operator to introduce residents' tickets.

27. PSTH(T) and C for T responded that:

- (a) TD and HKK would jointly review the standard of Peng Chau ferry service. Regarding the cleanliness of the ferry cabins, TD had received relevant complaints and conducted a number of inspections between January and March this year, while the ferry operator had been asked to make improvements. In addition, TD was given to understand that in respect of ferries that carried both passengers and goods on board, some ferry trips had experienced delays due to slow loading/unloading of goods, and the ferry operator had, in response to this, made new arrangements to expedite the embarking/disembarking process for passengers, as well as the loading/unloading process for goods; and

- (b) HKK had implemented its plan of purchasing two fast ferries, and one of which would take the place of a fast ferry having served the Peng Chau route for long, whereas the existing mode of operation (i.e. ferry service provided by two fast ferries and two slow ordinary ferries) would remain unchanged. As to the holiday fares, the arrangement of charging higher fares during holidays was conducive to relieving the ferry operator's financial burden, thereby reducing the pressure of fare hikes. Besides, TD would also explore, together with HKK, the feasibility of issuing multi-ride tickets.

Training of and remuneration for seafarers

28. Ms Alice MAK and Mr Frankie YICK pointed out that given the absence of government policy on training of seafarers, ferry operators had difficulty attracting new blood to join the industry. They enquired about the Administration's policy to tackle the problem.

29. PSTH(T) replied that the Government had established the Maritime and Aviation Training Fund to provide subsidies for in-service seafarers in pursuing continuing education for the purpose of acquiring local professional qualifications as coxswains or engine operators. Also, in the hope of providing incentives for young people to join the industry, TD had lowered the entry requirement of local seafarers regarding the length of service on board a vessel by reducing the required length of service from 12 months to nine months.

30. Dr Fernando CHEUNG was of the view that, in reviewing ferry operators' financial status, the Government should be mindful of whether their staff were hired with reasonable remuneration package so as to ensure that seafarers were not exploited in terms of employment benefits.

31. C for T said that it was noted from the financial statements submitted by ferry operators that for the purpose of staff retention, there had been a pay rise of close to 10% in recent years, which was higher than the general rate of pay rise on the market.

32. The meeting ended at 12:36 pm.