

**立法會**  
***Legislative Council***

LC Paper No. FC90/18-19

(These minutes have been  
seen by the Administration)

Ref : FC/1/1(37)

**Finance Committee of the Legislative Council**

**Minutes of the 38<sup>th</sup> meeting  
held at Conference Room 1 of the Legislative Council Complex  
on Wednesday, 18 July 2018, at 9:00 am**

**Members present:**

Hon CHAN Kin-por, GBS, JP (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, GBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon CHAN Hak-kan, BBS, JP  
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP  
Hon WONG Kwok-kin, SBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon Claudia MO  
Hon Frankie YICK Chi-ming, SBS, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon CHAN Han-pan, BBS, JP  
Hon LEUNG Che-cheung, SBS, MH, JP  
Hon Kenneth LEUNG  
Hon Alice MAK Mei-kuen, BBS, JP  
Dr Hon KWOK Ka-ki

Hon KWOK Wai-keung, JP  
Hon Dennis KWOK Wing-hang  
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, BBS, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Hon POON Siu-ping, BBS, MH  
Dr Hon CHIANG Lai-wan, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon Alvin YEUNG  
Hon Andrew WAN Siu-kin  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Dr Hon Junius HO Kwan-jiu, JP  
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  
Dr Hon Pierre CHAN  
Hon Tanya CHAN  
Hon CHEUNG Kwok-kwan, JP  
Hon HUI Chi-fung  
Hon LUK Chung-hung, JP  
Hon LAU Kwok-fan, MH  
Hon Kenneth LAU Ip-keung, BBS, MH, JP  
Dr Hon CHENG Chung-tai  
Hon KWONG Chun-yu  
Hon Gary FAN Kwok-wai  
Hon AU Nok-hin  
Hon Vincent CHENG Wing-shun, MH  
Hon Tony TSE Wai-chuen, BBS

**Members absent:**

Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)  
Hon Mrs Regina IP LAU Suk-yeo, GBS, JP  
Hon Steven HO Chun-yin, BBS

Hon CHUNG Kwok-pan  
Hon CHAN Chun-ying, JP  
Hon Jeremy TAM Man-ho

**Public officers attending:**

Ms Alice LAU Yim, 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 Mike CHENG Wai-man	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Ms Bernadette LINN Hon-ho, JP	Permanent Secretary for Development (Planning and Lands)
Mr Joey TANG Chun-yin	Acting Principal Assistant Secretary for Development (Planning and Lands) 6
Mr Thomas CHAN Chung-ching	Director of Lands
Ms Lily CHIU Lee-lee	Chief Estate Surveyor (Acquisition Section), Lands Department
Mr Stephen LAI Yue-hong	Senior Agricultural Officer (Agri-Park and Land), Agriculture, Fisheries and Conservation Department
Dr Raymond SO Wai-man, BBS, JP	Under Secretary for Transport and Housing
Mr Raymond CHENG Nim-tai	Head (Airport Expansion Project Coordination Office), Transport and Housing (Transport), Transport and Housing Bureau
Mr Henry CHU Chin-keung	Chief Assistant Secretary (Airport Expansion Project Coordination Office), Transport and Housing Bureau
Miss Linda SO Wai-sze	Deputy Director-General of Civil Aviation (2)
Mr Raymond NG Che-on	Assistant Director-General of Civil Aviation (Air Traffic Engineering Services)
Mr Raymond LI Kwok-chu	Assistant Director-General of Civil Aviation (Air Traffic Management)
Mr HUI Man-ho	Chief Electronics Engineer (Projects), Civil Aviation Department

Miss Sharon LAU Sum-yee	Assistant Director of the Hong Kong Observatory (Aviation Weather Services)
Mr LI Luen-on	Principal Experimental Officer (Three Runway System Project), Hong Kong Observatory
Mr Andy YEUNG Yan-kin	Assistant Director of Fire Services (Headquarters)
Mr YIP Yun-yu	Divisional Commander (Air), Fire Services Department
Mr Frank WONG Tak-choi	Project Director 1, Architectural Services Department
Mr David CHAK Wing-pong	Project Director 2, Architectural Services Department
Ms Athena FUNG Chi-shan	Senior Project Manager 122, Architectural Services Department
Ms Mandy IP Man-wai	Senior Project Manager 124, Architectural Services Department
Mr HO Tat-hei	Senior Project Manager 233, Architectural Services Department
Dr Bernard CHAN Pak-li, JP	Under Secretary for Commerce and Economic Development
Mr Aaron LIU Kong-cheung, JP	Deputy Commissioner for Tourism
Miss Wendy CHUNG	Assistant Commissioner for Tourism
Ms Annie CHOI Suk-han, JP	Commissioner for Innovation and Technology
Miss Emily NG Wing-shan	Acting Principal Assistant Secretary for Innovation and Technology (1)
Ms Jane LEE Sze-yan	Acting Deputy Commissioner for Innovation and Technology

**Other person attending:**

Mr K H WONG	General Manager (Engineering, Third Runway), Airport Authority Hong Kong
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**Clerk in attendance:**

Ms Anita SIT	Assistant Secretary General 1
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**Staff in attendance:**

Ms Ada LAU	Senior Council Secretary (1)7
Mr Raymond SZETO	Council Secretary (1)5
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

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Action

The Chairman advised that at the meetings held on 13, 16 and 17 July 2018, the Finance Committee ("FC") had dealt with five items on the agenda (i.e. the agenda for the FC meetings on 13, 16, 17 and 18 July 2018). FC would continue to deal with the remaining 18 items on the agenda at the present meeting.

2. The Chairman reminded members of the requirements under Rules 83A and 84 of the Rules of Procedure.

**Item 6 — FCR(2018-19)48**  
**CAPITAL WORKS RESERVE FUND**  
**HEAD 701 — LAND ACQUISITION**

- (a) **Ex-gratia Allowance for Permitted Occupiers of Licensed Domestic Structures and Surveyed Domestic Squatter Structures Affected by Clearance**
- (b) **Domestic Removal Allowance**
- (c) **Ex-gratia Allowance for Shops, Workshops, Godowns, Slipways, Schools, Churches and Ornamental Fish Breeding Undertakings**
- (d) **Ex-gratia Allowance for Open-air/Outdoor Business Undertakings**

**HEAD 701 — LAND ACQUISITION**  
**Civil Engineering — Land acquisition**

- 37CA — Special Ex-gratia Cash Allowance for the Kwu Tung North and Fanling North New Development Areas Project**
- 38CA — Special Ex-gratia Cash Allowance for the Hung Shui Kiu New Development Area Project**

3. The Chairman advised that the item sought FC's approval of the proposed arrangements for ex-gratia allowances and removal allowance for government clearance exercises as detailed in FCR(2018-19)48. The

Development Bureau had consulted the Panel on Development on 23 May 2017 and 29 May 2018 on the proposed arrangements.

4. The Chairman said that as he had instructed towards the end of the meeting the preceding day, discussion on the item had been concluded.

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

5. At 9:02 am, FC started to vote on whether motions proposed by members under paragraph 37A of the Finance Committee Procedure ("FCP") ("FCP 37A motions") should be proceeded with forthwith.

6. As Mr AU Nok-hin who proposed motion [0001](#) was not present, the Chairman first put motion [0002](#) proposed by Dr Fernando CHEUNG to FC for a decision on whether the motion should be proceeded with forthwith. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that members had decided not to proceed with the motion forthwith.

*Motions moved under paragraph 47 of the Finance Committee Procedure*

7. Mr CHAN Hak-kan moved under FCP 47 that in the event of further divisions being claimed in respect of any motions or questions under the same agenda item, FC should proceed to each of such divisions immediately after the division bell had been rung for one minute.

8. The Chairman put the motion to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the motion, and he declared that the motion was carried.

9. Mr CHAN Han-pan asked whether individual Members could mention the names and views of other Members in the wording of their proposed FCP 37A motions. The Chairman advised that according to FCP, he would only consider whether such motions were directly related to the agenda item.

10. FC continued to vote on whether the remaining two FCP 37A motions, i.e. motion [0001](#) and motion [0003](#) proposed respectively by Mr AU Nok-hin and Mr CHU Hoi-dick, should be proceeded with forthwith. At the request of members, the Chairman ordered a division for each of the two motions. Members decided not to proceed with the motions forthwith.

Voting on FCR(2018-19)48

11. The Chairman put item FCR(2018-19)48 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 34 members voted in favour of and 8 members voted against the item. One member abstained from voting. The votes of individual members were as follows:

*For:*

Mr Abraham SHEK Lai-him	Mr Tommy CHEUNG Yu-yan
Mr Jeffrey LAM Kin-fung	Mr WONG Ting-kwong
Ms Starry LEE Wai-king	Mr CHAN Hak-kan
Dr Priscilla LEUNG Mei-fun	Mr WONG Kwok-kin
Mr Frankie YICK Chi-ming	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr CHAN Han-pan	Ms Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung
Dr Elizabeth QUAT	Mr Martin LIAO Cheung-kong
Mr POON Siu-ping	Ir Dr LO Wai-kwok
Mr Andrew WAN Siu-kin	Mr Jimmy NG Wing-ka
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 CHEUNG Kwok-kwan	Mr LUK Chung-hung
Mr LAU Kwok-fan	Mr Kenneth LAU Ip-keung
Mr Vincent CHENG Wing-shun (34 members)	Mr Tony TSE Wai-chuen

*Against:*

Mr LEUNG Yiu-chung	Mr Charles Peter MOK
Mr CHAN Chi-chuen	Dr Fernando CHEUNG Chiu-hung
Mr CHU Hoi-dick	Mr SHIU Ka-chun
Dr CHENG Chung-tai (8 members)	Mr AU Nok-hin

*Abstained:*

Ms Tanya CHAN  
(1 member)

12. The Chairman declared that the item was approved.

**Item 7 — FCR(2018-19)49  
RECOMMENDATION OF THE PUBLIC WORKS  
SUBCOMMITTEE MADE ON 25 JUNE 2018**

**PWSC(2018-19)25**

**HEAD 703 — BUILDINGS**

**Support** — Infra-government services

**69GI** — Provision of Air Traffic Control Facilities to support the Three Runway System at the Hong Kong International Airport

**70GI** — Provision of Aviation Weather Services Facilities to support the Three-Runway System at the Hong Kong International Airport

**Public safety** — Fire services

**176BF** — Provision of Fire Services Facilities to support the Three-Runway System at the Hong Kong International Airport

**Item 8 — FCR(2018-19)50**

**CAPITAL WORKS RESERVE FUND**

**HEAD 708 — CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT**

**Civil Aviation Department**

**New Subhead** — "Provision of air navigation service equipment to support the Three-Runway System at the Hong Kong International Airport and replace existing aged air navigation service equipment"

13. The Chairman advised that both items 7 and 8 were related to the Three-Runway System ("3RS") at the Hong Kong International Airport ("HKIA"). FC would discuss the two items (i.e. FCR(2018-19)49 and FCR(2018-19)50) together and then vote on them individually.

14. The Chairman advised that FCR(2018-19)49 sought FC's approval of the recommendation made by the Public Works Subcommittee ("PWSC") at its meeting held on 25 June 2018 regarding the proposals in PWSC(2018-19)25 for the upgrading of 69GI—Provision of Air Traffic Control Facilities to support 3RS at HKIA, 70GI—Provision of Aviation Weather Services Facilities to support 3RS at HKIA and 176BF—Provision of Fire Services Facilities to support 3RS at HKIA to Category A at estimated costs of \$1,902.9 million, \$281.5 million and \$2,605.8 million in

money-of-the-day ("MOD") prices respectively for the provision of air traffic control facilities, aviation weather services facilities and fire services facilities to support 3RS at HKIA; whereas FCR(2018-19)50 sought FC's approval of a new commitment of \$2,958 million for the provision of air navigation service ("ANS") equipment to support 3RS at HKIA and replace existing aged ANS equipment.

15. The Transport and Housing Bureau ("THB") had consulted the Panel on Economic Development on the proposals on 28 May 2018.

16. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.

17. At the invitation of the Chairman, Mr Jeffrey LAM, Chairman of the Panel on Economic Development, briefed members on the salient points of the Panel's discussion on the proposals as follows.

18. Mr Jeffrey LAM said that the funding proposals relating to the Government facilities and resources to support 3RS at HKIA were discussed by the Panel on Economic Development on 28 May 2018. Members generally supported the proposals. During the discussion, some members were dissatisfied why it was still necessary for the Administration to spend a large sum of public money to support the operation of 3RS, given the undertaking made by the Hong Kong Airport Authority ("AAHK") to implement 3RS with its own finances. Some members asked whether expenditures related to the procurement of ANS equipment could be further reduced, and what criteria would be adopted by the Civil Aviation Department ("CAD") for setting en-route navigation charges ("ENCs") and air traffic control ("ATC") services charge to be collected from airlines and AAHK to recover the costs of 3RS. There were also members who expressed concern about whether the capacity of 3RS could cope with the future growth in air passenger traffic. Members requested the Administration to further provide supplementary information on those matters after the meeting. The relevant information was circulated to all Members of the Legislative Council ("LegCo") vide LC Paper No. CB(4)1286/17-18(01).

#### Entrustment cost payable to the Airport Authority Hong Kong

19. Mr CHAN Chi-chuen said that he opposed to the construction of 3RS. He noted that the Government would entrust the design and construction of the three proposed projects to AAHK. To this end, the Government would sign an entrustment agreement ("EA") with AAHK, and entrustment cost would be payable to AAHK. The entrustment cost

calculated at 16.5% of the construction costs would be around \$570 million. Mr CHAN Chi-chuen was concerned about the rationale and calculation basis of the entrustment cost, as well as the measures to be taken by the Administration to ensure that AAHK would not make any profit out of it. He held that since 3RS would definitely bring profits to AAHK, AAHK should bear all the expenses associated with the entrustment cost.

20. Mr AU Nok-hin noted that only 12.5% of entrustment cost would be payable for works carried out by the Hong Kong Housing Authority as entrusted by the Administration. He queried why a higher entrustment cost would be payable to AAHK as compared with other government entrustment works in general.

21. Under Secretary for Transport and Housing ("USTH") explained that the entrustment cost for the design and construction of entrusted works under building projects payable to public organizations was about 12.5% in general. Due to the unique nature of the 3RS project, the scope of entrustment works to be carried out by AAHK covered not only project design and management, but also two additional special charges, namely, the "Owner Controlled Insurance Programme in Construction Contracts" for the project (1.3%) and the "Construction support and airport on-costs" (2.7%).

22. Mr CHAN Chi-chuen and Dr CHENG Chung-tai noted that when HKIA at Chek Lap Kok was built, the Administration had paid an entrustment cost of 16.5% to the then Provisional Airport Authority. Dr CHENG Chung-tai was concerned whether the then agreed level of entrustment cost (i.e. 16.5%) was still valid nowadays. Mr CHAN Chi-chuen enquired about the Administration's rationale for setting the "Construction support and airport on-costs" in the entrustment cost at 2.7%.

23. USTH responded that the entrustment cost of 16.5% agreed with the Provisional Airport Authority when building HKIA at Chek Lap Kok was by no means a fixed target; instead, it only served as a reference for determining the level of entrustment cost on this occasion. Having regard to the unique nature of the proposed on-airport works to be carried out, the Administration considered the level of proposed entrustment cost reasonable.

24. Head (Airport Expansion Project Coordination Office), Transport and Housing (Transport), THB ("Head/AEPCO") explained that given the unique geographical constraints of the airport, AAHK must provide an array of temporary supporting infrastructures for the work site and welfare

facilities for the workers at the new reclamation area beside the airport restricted area, including temporary piers, offices for resident site staff of the contractors, temporary drainage and sewerage systems, workers' canteens and clinics, shuttle ferry services, temporary accommodation, etc., to obviate the need for individual contractors to provide such prerequisite basic facilities. Setting aside 2.7% in the proposed entrustment cost as the "Construction support and airport on-costs" was intended to allow the making of centralized arrangements by AAHK.

25. Dr CHENG Chung-tai noted that according to the Administration's estimation, the proposed 69GI project would generate in total about 43 300 tonnes of construction waste; of those, the Administration would reuse about 90% (i.e. about 38 970 tonnes) of the inert construction materials for the 3RS reclamation works, provided that the reclamation works was ongoing and there was no surplus filling materials on site. Dr CHENG asked whether the Administration would charge AAHK for the use of inert construction materials as filling materials; if not, the reasons for that.

26. Project Director 1, Architectural Services Department ("PD1/ArchSD") replied that it was the Administration's policy to encourage the contractors to reuse inert construction materials on-site. Under the existing mechanism, no charge would be levied on filling materials collected by contractors from public filling area. Hence, the Administration encouraged AAHK to maximize the use of inert construction materials as filling materials for the 3RS reclamation works, and the said arrangement did not involve the provision of any benefits to AAHK.

27. Dr Fernando CHEUNG said that under the present item, the Administration would need to make payments to AAHK for insurance, as well as construction support and airport on-cost of the projects. Dr CHEUNG asked whether similar expenses were incurred for the Hong Kong—Zhuhai—Macao Bridge ("HZMB") project; if yes, what the percentage of such expenses was in relation to the project cost. Mr CHAN Chi-chuen was concerned whether it was the usual practice for the Administration to bear expenses of a similar nature.

28. USTH clarified that the HZMB project was not carried out by way of an EA. Hence, payment of on-costs to the trustee for managing the entrusted works was not applicable to the HZMB project. Regarding members' concerns about the entrustment arrangement under the present item, he undertook to provide supplementary information after the meeting for Members' reference.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

29. Head/AEPCO replied that works projects in general rarely had a need for providing similar supporting infrastructures for the work site and welfare facilities for workers at the construction site. Even if some facilities were required, the contractor would include the relevant estimated costs in the tender in advance. In other words, the Government would still need to bear similar expenses. The Administration was still negotiating the contents of EA with AAHK, and the Government would lower the relevant on-costs as much as possible.

30. Regarding the Government's statement that it would lower the relevant on-costs as much as possible, Dr Fernando CHEUNG enquired about the Government's standards in gauging the level of on-costs.

31. Head/AEPCO replied that the Government would examine the relevant estimates submitted by AAHK when assessing individual proposed items, for instance, the length of temporary roads, size requirement of temporary offices, passenger capacity of ferry services, etc. The Government would make reference to such data and negotiate the estimated on-costs with AAHK. As the construction site was located within the new reclamation area beside the airport restricted area, AAHK considered it necessary to provide ancillary facilities for the on-site staff, so as to ensure the smooth implementation of the project without causing any disruption to normal airport operations.

#### Responsibility of project supervision

32. Mr AU Nok-hin expressed concern about the project supervision mechanism and asked when the Administration would reply the questions raised in his letter dated 13 July 2018 on EA and the responsibilities of AAHK as the project manager.

33. USTH replied that the Government expected to give a written reply to the written questions raised by Mr AU Nok-hin earlier within three weeks.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

34. Regarding the entrustment arrangement, Mr Gary FAN was concerned how the Administration would supervise AAHK, in order to avoid recent problems concerning quality of works and supervision in the construction of the MTR Shatin to Central Link. He asked whether the proposed projects would be subject to regulation under the Buildings Ordinance ("the BO"). Ms Claudia MO was concerned about the supervisory roles and responsibilities of THB and AAHK in the proposed projects. She asked whether the responsibility would be shouldered by THB or AAHK in case irregularities were found in the projects.

35. In response, USTH and Head/AEPCO said that:

- (a) it would be difficult to make a direct comparison between 3RS and the MTR Shatin to Central Link as they were entirely different works projects;
- (b) ArchSD would be responsible for supervising government construction projects, while AEPCO of THB would be responsible for coordinating the work of various relevant policy bureaus/departments. During the construction works, ArchSD and AEPCO would closely cooperate with AAHK;
- (c) the relevant government departments and AAHK all had their respective areas of responsibility. In case any incidents happened, the issue of responsibility would have to be determined taking into account the nature of specific incidents and their individual circumstances and could not be generalized; and
- (d) the proposed projects were subject to regulation under the BO. Authorized persons ("APs"), engineers and site supervision staff appointed by AAHK shall be responsible for the design and the quality of construction of the projects.

36. PD1/ArchSD replied that:

- (a) both construction works entrusted by the Government and private construction works were likewise subject to regulation by the Buildings Department ("BD") under the BO. The site plans must be submitted to BD for scrutiny, and the project consultants/APs were likewise subject to supervision by BD; and

- (b) under EA, ArchSD would follow up the projects from three aspects: construction progress, quality of works, as well as cost and budget control. Work would be involved in the three stages as follows:
- (i) in the design stage, the consultant of AAHK must submit the design plans to ArchSD for scrutiny;
  - (ii) before tendering, AAHK must submit the relevant designs and guidelines to ArchSD for scrutiny to ensure that both the standard of works and cost estimates could meet the requirements; and
  - (iii) during construction, monthly meetings would be held for the Government to receive reports from AAHK on the progress of works, as well as to monitor project costs and the quality of works.

37. Mr CHU Hoi-dick asked when AAHK would hand over the new reclamation area to the Government for the proposed projects. Additionally, he was concerned about the measures and monitoring mechanism to be implemented by the Administration in light of predicted ground settlement in the new reclamation area when designing and constructing the relevant facilities, including setting guidelines on the maximum settlement limit and specifying the circumstances under which an instruction to cease works would be issued.

38. General Manager (Engineering, Third Runway), AAHK replied that:

- (a) it was expected that the reclaimed land would be handed over successively starting from early 2019 for commencement of ensuing works, while the provision of additional utilities at the existing North Runway would also commence at the same time; and
- (b) during the design stage, corresponding consideration would be given to the design of works in light of the predicted settlement of the new reclamation area in the next 50 years, for example, providing flexible joints at the connections between buildings and underground ducts to allow greater differential settlement.

He said that AAHK would provide supplementary information after the meeting for Members' reference.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

39. Mr Gary FAN enquired about the progress of negotiation between the Government and AAHK on EA and asked whether upon obtaining funding approval, the Government would provide a copy of EA to LegCo for information to facilitate Members' understanding on the rights and responsibilities of the relevant parties and whether any default penalties had been provided thereunder. Both Dr KWOK Ka-ki and Ms Claudia MO opined that the contents of EA should be made public.

40. In response, USTH and Head/AEPCO advised that the Government was now closely discussing details of individual provisions in EA with AAHK, and good progress had been made. As EA was still in the drafting stage, the Government would gladly receive views and concerns from Members, so that consideration could be given to suitably addressing the same in EA to improve the agreement as a whole. PD1/ArchSD supplemented that consideration would be given to including provisions on default penalties in EA which was being drafted.

#### Estimated project costs

41. Mr AU Nok-hin said that he had previously requested the Government to provide a breakdown of those items in the estimated project costs which related to the construction of the ATC tower, office accommodation and link bridge, yet the Government had only provided a breakdown of the relevant construction costs which lumped together the costs of construction works and building services works in its supplementary paper (LC Paper No. PWSC293/17-18(01)). In this regard, he reiterated his request and sought information about the length of the link bridge and the floor plans of office accommodation in the upper level of the ATC tower.

42. In response, PD1/ArchSD said that:

(a) generally, the costs of construction works and building services works would be calculated together under the project estimates. A breakdown of the relevant costs was as follows:

(i) ATC tower: \$355 million;

- (ii) Office accommodation located at the base of the ATC tower: \$250 million;
  - (iii) link bridge: \$25 million;
- (b) the link bridge was about 30 metres in length; and
- (c) regarding the floors plans of office accommodation, as the project was only at the initial preparation stage currently, the relevant plans would only be prepared later when the project entered the detailed design stage.

43. Dr KWOK Ka-ki noted that 3RS was scheduled for commissioning in 2022. He asked why the relevant expenses would still be incurred until 2028.

44. Head/AEPCO replied that different works items under the projects would be completed in phases. After completion of works, the Government would need to settle the accounts and make payments to the contractors for potential compensation claims. Hence, the estimated expenditures would span across several years after completion of works.

45. Mr Gary FAN and Ms Claudia MO were concerned about the use of the contingencies. Mr FAN asked whether potential compensation claims in future would be met by the Government from the earmarked contingencies.

46. Head/AEPCO replied that compensation claims would be covered by the contingencies, subject to ArchSD's approval that the claims were justified. In the event that the departments concerned requested to modify the design due to operational needs or additional expenses were incurred by an extended construction period due to inclement weather, all such expenses would be met by the contingencies.

47. Mr Gary FAN pointed out that as far as its oversight in cost overrun avoidance was concerned, the Government had once stated that additional expenses of construction projects would be dealt with through a reimbursement approach. In this connection, Mr Gary FAN enquired about the vetting and approval process under the reimbursement approach and whether the Government had the right to disallow the additional expenses.

48. In response, USTH and PD1/ArchSD said that ArchSD and AAHK would jointly monitor the expenses during different stages of the works.

Any additional expenses incurred would be handled according to the principle of reimbursement. For example, additional expenses might arise if design modifications were requested by the Government as a result of some sudden circumstances. If AAHK considered it necessary to add/delete/modify certain items of works, AAHK must submit the same to ArchSD for vetting and approval, with a view to ensuring that the relevant addition/deletion/modification was necessary and within budget before it could be proceeded with.

49. Dr Fernando CHEUNG noted that the 3RS project was undertaken by AAHK with self-raised funding rather than public money. Dr CHEUNG was concerned whether 3RS and the proposed facilities would be converted from public assets into AAHK's corporate assets in future should AAHK become a listed company or private enterprise.

50. USTH replied that in accordance with the requirements of the International Civil Aviation Organization ("ICAO"), the government facilities under the present funding proposal were indispensable to support 3RS. All those facilities and equipment would be owned, operated, repaired and maintained by the Government, and they would not be transferred to become AAHK's assets. AAHK, being a public organization, must conduct its operation and business according to prudent commercial principles. The Government had no intention to launch an initial public offering of AAHK for the time being.

#### Procurement and tendering of equipment

51. Mr Kenneth LEUNG expressed support for the funding proposals relating to the Government facilities, equipment and resources required to support 3RS at HKIA. Regarding the procurement of ATC facilities, aviation weather services facilities and ANS equipment, Mr Kenneth LEUNG and Mr CHAN Chi-chuen were concerned about the contents of the tender documents to be drafted, as well as the Administration's assessment criteria, for example, weighting between tender price and technical requirements, past performance and reputation of the bidding contractors, whether the bidding contractors would bear the additional expenses incurred by project delays or cost overruns, etc. Mr Kenneth LEUNG requested the Administration to provide a paper to account for the details.

52. In response, Deputy Director-General of Civil Aviation (2) ("DDGCA(2)") said that:

- (a) tendering exercises would be conducted in accordance with

the Government's Stores and Procurement Regulations, including drafting the contents of the tender documents and setting the assessment criteria. That said, the weighting between tender price and technical requirements of individual contracts could vary, and the Government would provide written supplementary information in this regard after the meeting;

- (b) as facilities and equipment in many different areas were required to be procured, the actual number of contracts involved had yet to be decided at this stage. Subject to FC's funding approval, the Government would consider whether some contracts could be bundled together; and
- (c) on the monitoring of cost overruns or project delays, the Government would generally make payments to the contractors by phases taking into account the progress of works as a means of progress and cost monitoring. Also, the contracts would contain standard provisions on how project delays would be handled.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

53. Mr CHAN Chi-chuen enquired about the following:

- (a) why it was necessary for the Government to make additional payments to Raytheon Company at the time when the Air Traffic Management System ("ATMS") was procured;
- (b) whether the Government had learnt from the experience in the procurement of ATMS from Raytheon Company and implemented improvement measures accordingly; and
- (c) whether Raytheon Company was also a supplier of the systems/equipment proposed for procurement, and whether the company could submit bids for the relevant contracts.

54. Mr Kenneth LEUNG and Dr KWOK Ka-ki were concerned whether the systems/equipment proposed for procurement would be connected to the existing ATMS, and whether their compatibility and interconnection would be a factor for consideration in the procurement

process. Mr Kenneth LEUNG asked whether the existing ATMS could handle the increasing air traffic volume after the commissioning of 3RS.

55. In response, DDGCA(2) said that:

- (a) Autotrac III ("AT3"), being a complicated ATMS with a unique background, was different from the equipment proposed for procurement. Having learnt from past experience, the Government would implement improvement measures to strengthen the administration of the tendering and procurement process when acquiring new ANS equipment, for example, conducting more market research, conducting site visits, attending more major international ANS equipment exhibitions and conventions, exchanging views with the staff of overseas civil aviation administration authorities, etc.;
- (b) the ANS equipment proposed for procurement was not related to ATMS of AT3 but ancillary systems such as radars, etc. As the interface between the new radar system and ATMS was governed by international standards, the systems would be mutually compatible and operable even if they were supplied by different providers;
- (c) after CAD switched to the new ATMS, there were occasional operational problems during the inaugural stage of the new ATMS, but the system was now operating smoothly by and large. Moreover, the new system could cope with the anticipated growth in air traffic volume upon the commissioning of 3RS; and
- (d) when the Administration selected the contractors through open tenders, any companies could participate in the tender exercises so long as they were qualified. The Government would also engage experienced expert consultants to provide independent advice and assessment on procurement matters.

56. Dr Helena WONG said that Members belonging to the Democratic Party were concerned about aviation safety. She asked about the repair and maintenance responsibility as well as expected serviceable life of the new ANS equipment to support 3RS, and whether the new surveillance radars proposed for installation would cover areas in the vicinity of Hong Kong, such as Shenzhen, Guangzhou, etc.

57. In response, DDGCA(2) and Chief Electronics Engineer (Projects), CAD said that:

- (a) CAD, and not AAHK, would be responsible for the repair and maintenance of ANS equipment;
- (b) the expected serviceable life of individual ANS equipment would vary, and the surveillance radar system proposed for procurement was expected to have a serviceable life of 15 to 20 years; and
- (c) the surveillance radars covering about 250 nautical miles in radius would be used for the surveillance of aircraft traffic within the Hong Kong Flight Information Region. The Government would provide further information on the coverage of the radars after the meeting for Members' reference.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

58. Dr Helena WONG noted from the discussion paper submitted by the Government that pending the commissioning of the new ATC tower by end 2024, 3RS scheduled for commissioning in 2022 would be under the control of an interim ATC tower. She was concerned whether the existing ATMS would be used by the interim ATM tower. As the new Third Runway Passenger Building would block part of the interim ATC tower's view, Dr Helena WONG asked whether the new ATC tower could be completed and commissioned earlier to avoid the interim ATC tower's view being blocked, to the detriment of aviation safety.

59. In response, DDGCA(2) said that:

- (a) AAHK would be responsible for constructing the interim ATC tower and providing the necessary equipment. CAD would closely liaise with AAHK to ensure that the relevant equipment was up to CAD's requirements;
- (b) ArchSD would closely liaise with AAHK to ensure a smooth interface in the use of the interim ATC tower and the new ATC tower throughout the construction and commissioning of the latter; and

- (c) even if part of the interim ATC tower's view was blocked over a certain period of time, the interim ATC would be installed with other ancillary equipment to support air traffic controllers, for example, using surveillance cameras to enhance the visual capabilities of air traffic controllers, in order to safeguard air traffic safety.

60. Dr KWOK Ka-ki noted from the discussion paper submitted by the Government that the cost of procuring fire services facilities was over \$2.6 billion. He asked about the serviceable life of the new fire services facilities and whether fire services vehicles would also be procured. He also asked whether data collected by the new weather services facilities would be opened for public use.

61. In response, Assistant Director of Fire Services (Headquarters) said that:

- (a) according to the international standards of ICAO, fire services vehicles should reach the site within a response time of not exceeding two minutes in case of any emergencies. Hence, it was necessary to construct two airside fire stations and one landside fire station to provide support services in case any incidents happened on the third runway. The two new airside fire stations would be provided in strategic locations to ensure that fire services vehicles could reach the site within two minutes after being called;
- (b) fire services vehicles and the relevant facilities could be used for a long time. The need for providing additional new fire station(s) would only be considered if major changes were made to the runway design in future; and
- (c) to tie in with the provision of new fire services facilities, fire services vehicles would be procured at an estimated cost of about \$228 million.

62. Assistant Director of the Hong Kong Observatory (Aviation Weather Services) replied that like other meteorological data of the Hong Kong Observatory ("HKO"), meteorological data collected by HKO's new weather services facilities at 3RS were also open data which could be accessed by members of the public online.

Air traffic control service related charges

63. Mr AU Nok-hin said that criticisms had been made in the Director of Audit's Report on the problem of overdue ATC related charges. In this regard, Mr AU sought information on the following:

- (a) the amount of overdue ENCs, the extent of the default problem since 2009 and whether there was any sign of improvement; and
- (b) the details and the number of cases where legal actions had been taken by the Administration against defaulting airlines for overdue ENCs.

64. DDGCA(2) replied that since 2014-2015, CAD had proactively implemented the recommendations made by the Public Accounts Committee of LegCo in the light of the Director of Audit's Report and taken effective follow-up actions. Apart from taking actions to recover the overdue amount from overseas airlines, CAD had also taken the initiative to liaise with the local civil aviation authority for assistance. Regarding the amount of overdue ENCs as well as the details of legal actions taken, the Government would provide supplementary information after the meeting.

[*Post-meeting note:* The Chinese version of the supplementary information provided by the Administration was circulated to members vide LC Paper No. FC331/17-18(01) on 18 September 2018.]

65. Mr AU Nok-hin expressed concern about the review of ATC charges. In this regard, Mr AU enquired about the following:

- (a) whether CAD would review ENCs to ensure cost recovery;
- (b) whether the cost of the new ATC tower would be adopted as a factor of consideration when reviewing ATC charges; and
- (c) whether consideration would be given to collecting the service charge from AAHK only, so as to achieve the aim of cost recovery as soon as possible.

66. In response, DDGCA(2) said that:

- (a) in terms of recovering the cost of the new ATC tower, it

would primarily be achieved through ATC services charge collected from AAHK, rather than ENCs. As overflying aircrafts had not taken off/landed at HKIA, AAHK did not have any information related to those overflying aircrafts. Hence the Administration could not collect ENCs from AAHK; and

- (b) the new ATC tower was a works project, rather than an equipment for procurement. In line with general principles, the development cost would be amortized evenly over 40 years and included in the costs of the provision of ANS. The Government would also review the principles of amortization from time to time.

67. Mr Martin LIAO noted that under the "user pays" principle, the costs for CAD to provide ANS would be recovered from airlines through ENCs and from AAHK through ATC services charge. In this connection, Mr LIAO asked what the Government's expected timeframe was to achieve full cost recovery, and whether the levy of such charges was conducive to maintaining HKIA's competitiveness internationally.

68. In response, DDGCA(2) said that:

- (a) in general, the cost would be amortized according to the following two principles: the cost of works projects would be amortized evenly over 40 years, while the cost of equipment for procurement would be amortized evenly over 20 years. The evenly amortized cost would be included in the costs of the provision of ANS, and such costs would be recovered through ATC services charge collected from AAHK. The actual amounts to be charged would depend on the air traffic landing/taking off at the airport. As for overflying aircrafts which did not take off/land at HKIA, ENCs would be collected from individual airlines; and
- (b) when setting the charges to be collected from individual airlines, including landing charges, parking charges, terminal building charges, etc., the Administration would also take into account a basket of other factors, in addition to ATC services charge collected by CAD from AAHK. Of those, competitiveness would be a very important factor of consideration to ensure that HKIA's competitiveness internationally would not be undermined.

69. At 10:58 am, the Chairman said that as the item had already been discussed for more than one hour by FC and two hours by PWSC, he considered that the item had been thoroughly scrutinized. The Chairman advised that he would put the two items to vote separately after all members who had indicated their intention to speak had done so.

70. At 11:06 am, the Chairman ordered that the meeting be suspended. The meeting resumed at 11:11 am.

Motion proposed by a member under paragraph 37A of the Finance Committee Procedure

71. At 11:11 am, members voted on whether an FCP 37A motion proposed by Mr CHAN Chi-chuen should be proceeded with forthwith. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that members had decided not to proceed with the motion forthwith.

Voting on FCR(2018-19)49

72. At 11:21 am, the Chairman put item FCR(2018-19)49 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that 40 members voted in favour of and 8 members voted against the item. The votes of individual members were as follows:

*For:*

Mr Abraham SHEK Lai-him	Prof Joseph LEE Kok-long
Mr WONG Ting-kwong	Mr CHAN Hak-kan
Mr WONG Kwok-kin	Mr Paul TSE Wai-chun
Mr Frankie YICK Chi-ming	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Ms Alice MAK Mei-kuen	Dr KWOK Ka-ki
Mr KWOK Wai-keung	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 Jimmy NG Wing-ka	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	Dr Pierre CHAN
Mr CHEUNG Kwok-kwan	Mr HUI Chi-fung

Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr Kenneth LAU Ip-keung	Mr KWONG Chun-yu
Mr Vincent CHENG Wing-shun (40 members)	Mr Tony TSE Wai-chuen

*Against:*

Ms Claudia MO	Mr CHAN Chi-chuen
Dr Fernando CHEUNG Chiu-hung	Mr CHU Hoi-dick
Mr SHIU Ka-chun	Dr CHENG Chung-tai
Mr Gary FAN Kwok-wai (8 members)	Mr AU Nok-hin

73. The Chairman declared that the item was approved.

Voting on FCR(2018-19)50

74. There being no further questions from members, the Chairman put item FCR(2018-19)50 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that 40 members voted in favour of and 8 members voted against the item. The votes of individual members were as follows:

*For:*

Mr Abraham SHEK Lai-him	Prof Joseph LEE Kok-long
Mr WONG Ting-kwong	Mr CHAN Hak-kan
Mr WONG Kwok-kin	Mr Paul TSE Wai-chun
Mr Frankie YICK Chi-ming	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Mr Kenneth LEUNG
Ms Alice MAK Mei-kuen	Dr KWOK Ka-ki
Mr KWOK Wai-keung	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 Jimmy NG Wing-ka	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	Dr Pierre CHAN
Mr CHEUNG Kwok-kwan	Mr HUI Chi-fung
Mr LUK Chung-hung	Mr LAU Kwok-fan
Mr Kenneth LAU Ip-keung	Mr KWONG Chun-yu
Mr Vincent CHENG Wing-shun (40 members)	Mr Tony TSE Wai-chuen

*Against:*

Ms Claudia MO	Mr CHAN Chi-chuen
Dr Fernando CHEUNG Chiu-hung	Mr CHU Hoi-dick
Mr SHIU Ka-chun	Dr CHENG Chung-tai
Mr Gary FAN Kwok-wai	Mr AU Nok-hin
(8 members)	

75. The Chairman declared that the item was approved.

**Item 9 — FCR(2018-19)51**

**HEAD 152 — GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMERCE, INDUSTRY AND TOURISM BRANCH)**

**Subhead 000 — Operational Expenses**

76. The Chairman advised that the item sought FC's approval of the creation of one permanent Administrative Officer Staff Grade C ("AOSGC") post in the Tourism Commission, Commerce and Economic Development Bureau ("CEDB") (Commerce, Industry and Tourism Branch) designated as Assistant Commissioner for Tourism (4) ("AC(T)4"). While the Government's original proposal was to create a supernumerary post, the proposal was subsequently changed into the creation of a permanent post at the request of some members of the Establishment Subcommittee ("ESC"). The Government had accounted for such a change to ESC members vide an information paper (ECI(2018-19)5).

Usage and operation of the Kai Tak Cruise Terminal

77. Mr CHU Hoi-dick expressed concern about the usage of the Kai Tak Cruise Terminal ("KTCT"). He pointed out that when applying funding for KTCT's construction, the Government had projected that KTCT could cope with a daily passenger throughput of 9 200 to 16 800 visitors. If calculating on the said basis, KTCT should be able to handle about 3 000 000 visitors per annum. In this connection, Mr CHU Hoi-dick enquired about the number of visitors to be handled by KTCT per annum should it be operating in full capacity.

78. In response, Under Secretary for Commerce and Economic Development ("USCED") and Deputy Commissioner for Tourism ("DC for T") said that:

- (a) the operation of a cruise terminal was different from that of a pier for ordinary ferry services. When berthing at a cruise terminal, each cruise ship would stay at least half day to one day, while some cruise ships might stay even longer. Apart from the loading and unloading of passengers, cruise ships at berth would also need to replenish their supplies. Hence, as far as the capacity of a cruise terminal was concerned, the maximum number of passengers it could handle per hour during the loading and unloading of passengers would be calculated, rather than assuming that passengers would be handled by the cruise terminal around the clock throughout the year; and
- (b) back in the earlier years when considering the construction of KTCT, the Government had projected that the number of ship calls and cruise passenger throughput in Hong Kong as a whole would range from 181 to 258 and from 560 000 to 1 000 000 respectively by 2023. At present, the number of calendar days with one or more than one cruise ship at berth at KTCT was 161.

79. Dr CHENG Chung-tai said that in 2017, the usage rate of KTCT was only 26% with the annual passenger throughput standing at about 1 000 000. He held that the usage of KTCT was still on the low side. Dr CHENG asked whether the proposed AC(T)4 permanent post would be responsible for boosting the usage of KTCT and enhancing its promotion. While acknowledging that KTCT was an important tourism infrastructure, Ms Claudia MO held that the Government should conduct a review to seek improvements and boost its usage.

80. In response, USCED said that:

- (a) the major objective of KTCT was to drive ship calls to Hong Kong. Over the past four years, the number of ship calls had been increasing steadily;
- (b) with the commissioning of major cross-boundary transport infrastructure such as the Hong Kong Section of the Guangzhou—Shenzhen—Hong Kong Express Rail Link and the Hong Kong—Zhuhai—Macao Bridge, it was expected that more visitors from the Greater Bay Area would be attracted to join cruise trips in Hong Kong. The Government would continue to step up publicity and promotion in this regard; and

- (c) the Government, the Hong Kong Tourism Board and the Travel Industry Council of Hong Kong would jointly organize a tourism convention under the theme of the Belt and Road Initiative and the Greater Bay Area development in December this year, during which Hong Kong would discuss with nearby cities/economies the development of multi-destination tourism products. One of the featured products would be cruise trips.

81. Mr AU Nok-hin considered it inappropriate for the Government to illustrate KTCT's performance by the number of ship calls and cruise passenger throughput. Mr AU noted that the Director of Audit had pointed out various problems in the operation of KTCT in his report in 2017. He asked whether the proposed AC(T)4 permanent post would monitor the problems in the operation of KTCT, such as following up on water leakage/seepage cases, lifts/escalators fault cases, etc. Mr CHAN Chi-chuen considered that the Administration should disclose statistics relating to the operation of KTCT, such as the occupancy rate of shops, patronage, number of complaints, number of lifts fault cases, etc.

82. USCED replied that one of the major duties of AC(T)4 was to monitor and review the performance of the terminal operator of KTCT. Over the past year, there was a marked improvement in the number of water leakage/seepage cases and lifts/escalators fault cases at KTCT. DC for T supplemented that the number of water leakage/seepage cases at KTCT had dropped from 146 in 2016 to 45 in 2017, while the number of lifts/escalators fault cases had dropped from 64 in 2016 to 21 in 2017.

#### Measures to drive more patronage to the Kai Tak Cruise Terminal

83. Mr Wilson OR noted that KTCT was positioned to attract cruise ships and their passengers to Hong Kong and then to provide cruise passengers with efficient connection services to other tourist attractions. Mr OR opined that such a position should be adjusted. The Government should formulate specific short, medium and long term measures to drive more patronage to KTCT, thereby improving its operating environment. Mr Wilson OR asked whether performance indicators in this regard would form part of the duties of the proposed AC(T)4 permanent post.

84. Mr HO Kai-ming said that there was a Chinese restaurant inside KTCT which could hold banquets of 100 tables, while the Energizing Kowloon East Office of the Development Bureau was planning to operate a weekend flea market at a nearby site of KTCT. Such measures were

seemingly not targeted towards cruise passengers. He opined that instead of merely serving as an immigration control point, KTCT should be a tourist attraction in the district. Mr HO Kai-ming also noted that earlier this year, major shore events of the Volvo Ocean Race had been held at the Runway Park next to KTCT, driving quite a number of visitors to that area. In this regard, Mr HO Kai-ming requested the Government to elaborate on KTCT's positioning. He also enquired about the indicators for hosting major events at KTCT.

85. In response, USCED said that:

- (a) KTCT was similar to many cruise terminals in other countries in terms of their mode of operation. However, KTCT was not positioned like the Ocean Terminal. Instead of functioning as a shopping mall, KTCT was primarily geared towards attracting cruise ships and their passengers to Hong Kong and then providing cruise passengers with efficient connection services to other tourist attractions. The Administration would monitor the performance of KTCT through different targets, such as the number of ship calls per annum, the number of cruise passengers handled by KTCT, etc. Separately, while the hosting of non-cruise events at KTCT could attract patronage there, it would be difficult to set targets therefor because it was not a major function of KTCT;
- (b) major duties of AC(T)4 would include conducting overseas publicity for Hong Kong's cruise tourism in different levels (including international platforms), having regard to the development of Hong Kong and its surrounding areas, so as to attract cruise ships and their passengers to Hong Kong;
- (c) the Government had all along maintained liaison with different departments/organizations on the matter, and AC(T)4 would continue to take up the relevant liaison work and encourage more groups to host events at KTCT/Runway Park, especially on days with no ship calls (for example, an exhibition of the Jetstream 41 fixed-wing aircraft was held at the Runway Park the day before). The tourism trade would also be encouraged to bring more tour groups to KTCT in order to boost its usage; and
- (d) with various developments in the vicinity of KTCT, including residential developments, hotels, office buildings, etc.,

coming on stream in the coming years, the people flow and the vibrancy of the area would be enhanced.

86. Mr YIU Si-wing expressed support for changing the proposed supernumerary post into a permanent post. He noted that while a site adjacent to KTCT had been designated as the Tourism Node, the site had so far been left vacant. Mr YIU asked whether the proposed AC(T)4 post would have a role to play in promoting the use of the said site.

87. USCED responded that one of the functions of AC(T)4 was to conduct liaison for promoting and encouraging the use of KTCT for hosting events by more groups.

88. Ms Claudia MO considered that the Government should review the measures taken to attract more people to KTCT. Take for example the exhibition of the Jetstream 41 fixed-wing aircraft just mentioned by the Government. She believed that perhaps due to insufficient publicity, many people might not know about the said event.

89. USCED replied that the Jetstream 41 fixed-wing aircraft would be displayed at the Runway Park for a long-term public exhibition starting from the day before, and members of the public could still attend the exhibition in the days to come. The Government would step up publicity to attract more people to KTCT.

90. Mr AU Nok-hin pointed out that despite the increasing cruise passenger throughputs between 2013 and 2017, he was of the view that the figures were on the low side. As far as he knew, the per capita spending of both overnight and same-day cruise passengers had been declining in the past few years. He opined that the Government should publish the latest figures of cruise passenger throughput and the per capita spending of visitors in 2018. Separately, Mr AU considered that apart from increasing people flow, the Government should also introduce measures to boost per capita spending of visitors.

91. USCED replied that the Government understood the Member's concern. The Government would strive to provide assistance to shop tenants at KTCT by improving the operating environment and responding to their demands. That said, it was not the Government's policy for cruise passengers to stay and spend inside KTCT, and shops at KTCT were mainly intended to provide convenience to waiting cruise passengers.

92. Mr CHAN Chi-chuen noted that when some Members requested changing the originally proposed supernumerary AC(T)4 post into a

permanent post when the proposal was discussed by ESC, their intention was for the Government to improve the usage and transport connectivity of KTCT more proactively, thereby increasing people flow and optimizing the use of the site. But after changing its proposal to create a permanent post instead, the Government now merely emphasized that KTCT was positioned to attract cruise ships and their passengers to Hong Kong and then to provide cruise passengers with efficient connection services to other tourist attractions. Mr CHAN Chi-chuen maintained that AC(T)4 should assist in the formulation of policies to improve the operating environment at KTCT.

93. In response, USCED said that:

- (a) one of the major duties of AC(T)4 was to oversee the performance of the terminal operator. When assessing the terminal operator's performance, consideration would be given to the number of ship calls at KTCT. The terminal operator had met the projected target in that regard. In addition, the Administration would also take into account whether KTCT could provide cruise passengers with efficient connection services to other tourist attractions; and
- (b) in terms of increasing people flow, AC(T)4 would continue to liaise with other bureaux/departments to ensure the coordination between KTCT and the entire Kai Tak Development Area ("KTDA"). With various developments in the vicinity of KTCT, including residential developments, hotels, office buildings, etc., coming on stream in the coming years, the people flow and the vibrancy of the area would be enhanced.

94. Mr HO Kai-ming said that if the Government regarded KTCT as an immigration control point provided with connecting transport facilities, KTCT should fall under the purview of the Security Bureau and the Transport Department. In this regard, Mr HO requested the Administration to clarify the responsibilities of CEDB and the purpose of creating the permanent post of AC(T)4. Dr Fernando CHEUNG said that given the Government's view that the number of ship calls and cruise passenger throughput had both achieved the projected targets, he queried the need for the Government to create the said permanent post. Mr LEUNG Yiu-chung requested the Administration to clarify whether the responsibilities of the said permanent post would include improving the operating environment at KTCT.

95. In response, USCED said that:

- (a) one of the responsibilities of CEDB was to promote multi-destination cruise trips, so that more visitors would be attracted to use the cruise terminal, while AC(T)4 would be responsible for overseeing the operation of KTCT, and overseeing the operation and development of the Hong Kong Disneyland Resort ("HKDL") as both facilities were of vital importance to the local tourism industry and Hong Kong's economy as a whole;
- (b) KTCT was comparable to Marina Bay Cruise Centre in Singapore in terms of the number of ship calls and cruise passenger throughput. Although the number of ship calls and cruise passenger throughput at KTCT had both achieved the projected targets, it would be important to sustain its development. The Government would continue to proactively promote the development of the cruise industry and Hong Kong's tourism industry as a whole;
- (c) in terms of improving the operating environment at KTCT, the Government had all along maintained close liaison with the terminal operator. For example, shop tenants would consider setting up temporary pop-up stores during the days with ship calls so as to provide more commercial activities in the terminal building and bring convenience to cruise passengers. It was worth noting that KTCT did not function primarily as a shopping mall. Shops inside KTCT were intended to bring convenience to waiting cruise passengers, and they did not form a major part of the cruise industry's overall development; and
- (d) the Government would continue to drive and facilitate the hosting of more non-cruise events at KTCT by interested parties on the days with no ship calls, with a view to bringing more people and vibrancy to KTCT.

#### Transport connectivity of the Kai Tak Cruise Terminal

96. Mr HO Kai-ming, Mr Wilson OR, Ms Claudia MO, Mr AU Nok-hin, Mr CHAN Chi-chuen, Mr KWONG Chun-yu and Mr YIU Si-wing expressed concern about the inadequate transport connectivity of KTCT. Mr CHAN Chi-chuen and Mr KWONG Chun-yu asked whether AC(T)4 would be responsible for improving the transport connectivity of

KTCT (such as extending the operating hours and increasing the frequency of shuttle bus services) to facilitate access by the public to KTCT. Mr YIU Si-wing asked whether the proposed post would take part in transport planning for the entire KTDA, with a view to improving the transport connectivity of KTCT.

97. In response, USCED said that:

- (a) road construction and widening works were being undertaken by the Government to connect with KTCT and its surrounding areas. Upon completion of those works, the transport connectivity of KTDA would be further improved and KTCT would be increasingly accessible by the general public; and
- (b) regarding the transport connectivity between KTCT and KTDA, AC(T)4 would maintain liaison with other departments and public transport service providers, with a view to improving the transport connectivity of KTCT.

Monitoring the operation and development of the Hong Kong Disneyland Resort

98. Noting that the Phase 1 expansion and development of HKDL had yet to be completed, Dr Fernando CHEUNG asked how AC(T)4 would take forward the Phase 2 development of HKDL.

99. Noting that some local and Dutch organizers were planning to develop a flower-themed garden at the site reserved for the Phase 2 development of HKDL ("Phase 2 site"), Mr YIU Si-wing asked whether AC(T)4 would identify other organizations to put the Phase 2 site for short-term uses and monitor the use of public funds by HKDL in the next few years.

100. In response, USCED said that:

- (a) AC(T)4 would continue to monitor and review the performance of HKDL, monitor the progress of the Phase 1 expansion and development of HKDL and explore the further development of HKDL (including the Phase 2 development);
- (b) the Government welcomed any proposals for tourism initiatives which could help put the Phase 2 site into gainful short-term uses that were compatible with the land use zoning of the site, so as to further exploit the recreation,

Action

entertainment and tourism positioning in the vicinity of HKDL. So far, the Government had yet to receive any concrete development proposal for the flower-themed garden or the relevant application for short-term tenancy;

- (c) HKDL had posted earnings before interest, taxes, depreciation and amortization (i.e. EBITDA) for the past eight consecutive fiscal years ("FYs"), with net profit recorded for three consecutive FYs from 2012 to 2014 when new attractions were being launched to attract patronage. HKDL was now actively taking forward the Phase 1 expansion and development plan to bring in new attractions and offerings progressively from 2018 to 2023 in order to raise the attractiveness of HKDL; and
- (d) both HKDL and KTCT were important tourism infrastructures in Hong Kong, playing a crucial role in attracting tourists and high value-added visitors from all over the world and bringing considerable economic benefits and employment opportunities to Hong Kong. In view of the development of Hong Kong's surrounding areas, AC(T)4's work in maintaining and reinforcing the inherent advantages of the two facilities were especially important.

Arrangement of scrutiny of this item

101. At 12:26 pm, the Chairman advised that a dozen or so items were still awaiting scrutiny by FC. As the present item had already been discussed for an hour by FC and three hours by ESC, he considered that the item had been thoroughly discussed. The Chairman advised that he would put the item to vote after all members who had indicated their intention to speak had done so.

Voting on FCR(2018-19)51

102. At 12:48 pm, the Chairman put item FCR(2018-19)51 to vote. At the request of members, the Chairman ordered a division, and the division bell was rung for five minutes. The Chairman declared that 17 members voted in favour of and 15 members voted against the item. The votes of individual members were as follows:

*For:*

Mr WONG Ting-kwong  
Mr YIU Si-wing

Mr Frankie YICK Chi-ming  
Mr MA Fung-kwok

Mr CHAN Han-pan	Dr Elizabeth QUAT
Mr Martin LIAO Cheung-kong	Mr POON Siu-ping
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr Holden CHOW Ho-ding	Mr SHIU Ka-fai
Mr Wilson OR Chong-shing	Ms YUNG Hoi-yan
Mr LAU Kwok-fan	Mr Kenneth LAU Ip-keung
Mr Tony TSE Wai-chuen	
(17 members)	

*Against:*

Mr LEUNG Yiu-chung	Mr WU Chi-wai
Mr Charles Peter MOK	Mr CHAN Chi-chuen
Dr Fernando CHEUNG Chiu-hung	Dr Helena WONG Pik-wan
Mr Alvin YEUNG	Mr CHU Hoi-dick
Mr LAM Cheuk-ting	Ms Tanya CHAN
Mr HUI Chi-fung	Dr CHENG Chung-tai
Mr KWONG Chun-yu	Mr Gary FAN Kwok-wai
Mr AU Nok-hin	
(15 members)	

103. The Chairman declared that the item was approved.

### Rearranging the order of agenda items

104. At 12:49 pm, Permanent Secretary for Financial Services and the Treasury (Treasury) said that taking into account the progress of the present FC meeting, the Administration proposed that the order of agenda items be rearranged so that items with no request for separate voting by Members, i.e. items 11, 12, 13 and 14 on the agenda, be dealt with first before proceeding to item 10 and the remaining items on the agenda. The proposal was aimed at optimizing the use of the remaining meeting time of the day to complete deliberation on as many items as possible.

105. At the Chairman's enquiry, no member indicated opposition to the Administration's proposal to rearrange the order of agenda items. The Chairman then said that he approved the Administration's proposal of rearranging the order of agenda items.

106. Mr AU Nok-hin said that while it was his original intention to request for separate voting on item 13, i.e. FCR(2018-19)56, the request was not made eventually due to some administrative reasons. He thus requested that the matter be put on record.

**Item 11 — FCR(2018-19)41  
RECOMMENDATION OF THE ESTABLISHMENT  
SUBCOMMITTEE MADE ON 26 JUNE 2018**

**EC(2018-19)7**

**HEAD 46 — GENERAL EXPENSES OF THE CIVIL SERVICE  
Subhead 006 — Recoverable salaries and allowances (Companies  
Registry Trading Fund)**

107. The Chairman advised that the item sought FC's approval of the recommendation made by ESC at its meeting held on 26 June 2018 regarding the proposal in EC(2018-19)7 for the creation of one permanent post of Registry Manager in the Companies Registry to head the operation of the new Trust and Company Service Providers Registry set up to implement a new regulatory regime for trust or company service providers. No member had requested that the recommendation be put to vote separately at the FC meeting.

**Voting on FCR(2018-19)41**

108. The Chairman put item FCR(2018-19)41 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

**Item 12 — FCR(2018-19)44  
RECOMMENDATION OF THE ESTABLISHMENT  
SUBCOMMITTEE MADE ON 26 JUNE 2018**

**EC(2018-19)14**

**HEAD 33 — CIVIL ENGINEERING AND DEVELOPMENT  
DEPARTMENT  
Subhead 000 — Operational Expenses**

109. The Chairman advised that the item sought FC's approval of the recommendation made by ESC at its meeting held on 26 June 2018 regarding the proposal in EC(2018-19)14 for the creation of two permanent posts in the Civil Engineering and Development Department to take forward and manage technical studies, and site formation and infrastructure works associated with public housing developments on a long-terms basis. No member had requested that the recommendation be put to vote separately at the FC meeting.

Voting on FCR(2018-19)44

110. The Chairman put item FCR(2018-19)44 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

**Item 13 — FCR(2018-19)56**

**RECOMMENDATION OF THE ESTABLISHMENT  
SUBCOMMITTEE MADE ON 26 JUNE 2018**

**EC(2018-19)8**

**HEAD 63 — HOME AFFAIRS DEPARTMENT**

**Subhead 000 — Operational Expenses**

111. The Chairman advised that the item sought FC's approval of the recommendation made by ESC at its meeting held on 26 June 2018 regarding the proposal in EC(2018-19)8 for the creation of one supernumerary AOSGC post in the Home Affairs Department to take forward the review of the Building Management Ordinance (Cap. 344) and related initiatives. No member had requested that the recommendation be put to vote separately at the FC meeting.

112. Mr Tony TSE declared that he was the Chairperson of the Property Management Services Authority ("PMSA"). Mr Frankie YICK and Mr CHAN Han-pan declared that they were Members of PMSA.

Voting on FCR(2018-19)56

113. The Chairman put item FCR(2018-19)56 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

**Item 14 — FCR(2018-19)47**

**RECOMMENDATION OF THE PUBLIC WORKS  
SUBCOMMITTEE MADE ON 27 JUNE 2018**

**PWSC(2018-19)27**

**HEAD 703 — BUILDINGS**

**Environmental Hygiene — Burial grounds, columbaria and crematoria  
20NB — Reprovisioning of Fu Shan Public Mortuary at Sha Tin**

114. The Chairman advised that the item sought FC's approval of the recommendation made by PWSC at its meeting held on 27 June 2018 regarding the proposal in PWSC(2018-19)27 for the upgrading of 20NB—Reprovisioning of Fu Shan Public Mortuary at Sha Tin to Category A at an estimated cost of \$1,038 million in MOD prices. No member had requested that the recommendation be put to vote separately at the FC meeting.

115. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.

Voting on FCR(2018-19)47

116. The Chairman put item FCR(2018-19)47 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved.

**Item 10 — FCR(2018-19)45**

**RECOMMENDATION OF THE ESTABLISHMENT  
SUBCOMMITTEE MADE ON 26 JUNE 2018**

**EC(2018-19)11**

**HEAD 155 — GOVERNMENT SECRETARIAT: INNOVATION  
AND TECHNOLOGY COMMISSION**

**Subhead 000 — Operational Expenses**

117. The Chairman advised that the item sought FC's approval of the recommendation made by ESC at its meeting held on 26 June 2018 regarding the proposal in EC(2018-19)11 for the creation of one permanent AOSGC post, to be designated as Assistant Commissioner (Infrastructure) ("AC(Infrastructure)'), in the Innovation and Technology Commission ("ITC") to take forward policy initiatives to spearhead innovation and technology ("I&T") development in Hong Kong.

Duties of the proposed new post

118. Mr AU Nok-hin asked whether the duties of the proposed post of AC(Infrastructure) would include keeping in view the progress of works and the use of public funds in relation to the Hong Kong—Shenzhen Innovation and Technology Park, boosting the occupancy rate of the Hong Kong Science Park ("HKSP") and preventing any private subletting of HKSP premises by tenants.

119. Commissioner for Innovation and Technology ("CIT") replied that the Hong Kong—Shenzhen Innovation and Technology Park did not form part of the duties of the proposed AC(Infrastructure) post. Instead, the proposed post was responsible for overseeing the operation of the Hong Kong Science and Technology Parks Corporation ("HKSTPC") in relation to HKSP and industrial estates ("IEs"), as well as overseeing the development of physical technological infrastructure, such as the Advanced Manufacturing Centre and the Data Technology Hub in the Tseung Kwan O IE, the Science Park Expansion Programme and the InnoCell. At present, the occupancy rate of HKSP was as high as 90%. Dedicated staff had been deployed by HKSTPC to monitor the use of HKSP premises by the tenants to ensure that they were genuinely engaged in research and development ("R&D"). Regarding earlier reports about cases of subletting subdivided units in IEs, inspections conducted by HKSTPC in conjunction with the Lands Department had found no situation of subletting as reported.

#### Two research clusters

120. Regarding the Administration's proposal to establish two research clusters, i.e. the research clusters on healthcare technologies and on artificial intelligence/robotics technologies, Mr Gary FAN enquired about the Government's justification for promoting robotics technologies.

121. CIT responded that robotics technologies had a wide range of applications from surgeries, advanced manufacturing, education to construction works. At the same time, good progress had been achieved by local universities and R&D institutions in the development of robotics technologies.

122. Mr CHAN Chi-chuen asked whether the Administration would formulate specific work targets for the two research clusters for the sake of monitoring their usage.

123. CIT replied that under the Government's plan, around four to five laboratories in each cluster would be admitted in the first year. With the number of laboratories gradually increasing over the years, it was expected that around 10 laboratories would be operating in each cluster, making up a total of 20 laboratories. By then, around 1 300 to 1 4000 people would be working in the clusters if each laboratory had a headcount of 60 to 70 R&D staff. The Administration believed that even if no ratio was set between the number of local and overseas staff, many local R&D personnel would be working in the research clusters as the laboratories operating

therein must conduct collaborative projects or set up laboratories jointly with local universities/R&D institutions.

124. Mr CHU Hoi-dick was concerned whether the proposed AC post or ITC would formulate practice guidelines on I&T R&D for reference by local I&T companies, so as to prevent individual R&D projects from stepping over the bottom line of morality and ethics in respect of their aim or the commercial application of R&D results.

125. CIT pointed out that it was her belief that no unethical issues were involved in any projects currently undertaken by either local universities or R&D institutions with the support of the Innovation and Technology Fund. She understood the Member's concern, and the Government would consider suitably incorporating the Member's view into the governance framework of the two research clusters in respect of undertaking R&D work and the commercialization of R&D results.

#### Infrastructure Division

126. Mr CHAN Chi-chuen noted from the paper ESC159/2017-18(01) submitted by the Government to ESC that the estimate on annual operating expenditure of the proposed Infrastructure Division ("ID") was \$18,346,000. Mr CHAN Chi-chuen asked why the expenditure on promotion and publicity was included in the operating expenditure of this executive department.

127. CIT replied that the new ID would steer and monitor the development of the two research clusters and HKSTPC. In particular, publicity and promotion efforts would be required to attract top-notch R&D teams from around the world to set up office in the two research clusters, such as the printing of introductory leaflets on the research clusters. Hence, the expenditure on promotion and publicity was included in the budget of ID.

#### Voting on FCR(2018-19)45

128. There being no further questions from members, the Chairman put item FCR(2018-19)45 to vote. The Chairman was of the view that the majority of the members present and voting were in favour of the item, and he declared that the item was approved. Mr CHAN Chi-chuen indicated his intention to abstain from voting on the item.

Action

Other matters

129. At 12:59 pm, the Chairman ordered that the meeting be extended for 15 minutes.

130. The meeting ended at 1:10 pm.

Legislative Council Secretariat

14 January 2019