

立法會
Legislative Council

LC Paper No. CB(4)488/17-18

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by the Administration)

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Panel on Economic Development

Minutes of meeting
held on Monday, 27 November 2017, at 10:15 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon James TO Kun-sun
Hon Starry LEE Wai-king, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon CHAN Chun-ying
Hon LUK Chung-hung
Hon Jeremy TAM Man-ho

Members attending : Hon HO Kai-ming
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Member absent : Hon WONG Ting-kwong, GBS, JP

Public Officers attending : Agenda item III

Mr Wallace LAU, JP
Deputy Secretary for Transport and Housing
(Transport) 4

Captain Victor LIU, JP
Deputy Director-General of Civil Aviation (1)

Mr Alan SHUM
Assistant Director-General of Civil Aviation (Air
Services and Safety Management)

Captain Samson LAU
Assistant Director-General of Civil Aviation (Flight
Standards)

Agenda item IV

Mr Joseph LAI, JP
Permanent Secretary for Transport and Housing
(Transport)

Mr Raymond CHENG
Head (Airport Expansion Project Coordination
Office)

Mr Wallace LAU, JP
Deputy Secretary for Transport and Housing
(Transport) 4

Agenda item V

Dr Bernard CHAN, JP
Under Secretary for Commerce and Economic
Development

Mr Aaron LIU
Deputy Commissioner for Tourism

Mr George TSOI
Assistant Commissioner for Tourism (4)

Related organization : Agenda item III
Hong Kong Express Airways Limited

Mr ZHONG Guo-song
Executive Chairman

Mr Jonathan HUTT
Director, Commercial

Mr Roger LEE
Director, Quality, Safety and Security

Clerk in attendance : Ms Shirley CHAN
Chief Council Secretary (4)5

Staff in attendance : Ms Shirley TAM
Senior Council Secretary (4)5

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Miss Mandy LUI
Clerical Assistant (4)5

Action

I. Information papers issued since the last meeting

(LC Paper No. CB(4)36/17-18(01) — Letter from Hon LUK Chung-hung dated 11 October 2017 requesting the Panel to

discuss a proposed Member's Bill to amend the Electricity Ordinance (Cap. 406) (Chinese version only)

- LC Paper No. CB(4)45/17-18(01) — Letter from Hon Holden CHOW Ho-ding dated 12 October 2017 requesting the Panel to discuss the enforcement situation of the Trade Descriptions Ordinance (Cap. 362) and related manpower arrangements (Chinese version only)
- LC Paper No. CB(4)98/17-18(01) — Letter from Dr Hon CHIANG Lai-wan dated 24 October 2017 on withdrawal of membership (Chinese version only)
- LC Paper No. CB(4)99/17-18(01) — Letter from Hon Mrs Regina IP LAU Suk-yee dated 24 October 2017 on withdrawal of membership (Chinese version only)
- LC Paper No. CB(4)99/17-18(02) — Letter from Hon CHAN Han-pan dated 24 October 2017 on withdrawal of membership (Chinese version only)
- LC Paper No. CB(4)99/17-18(03) — Letter from Hon CHEUNG Kwok-kwan dated 24 October 2017 on withdrawal of membership (Chinese version only)
- LC Paper No. CB(4)109/17-18(01) — Letter from Hon Abraham SHEK Lai-him dated 25 October 2017 on withdrawal of membership (English version only)

- LC Paper No. CB(4)147/17-18(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from October 2015 to September 2017
- LC Paper Nos. CB(4)161/17-18(01) — Submission from families of victims of the vessel collision incident near Lamma Island dated 30 October 2017 requesting the Panel to discuss the "Report of the Transport and Housing Bureau's Investigation into Staff Conduct in the Marine Department in relation to the Vessel Collision Incident near Lamma Island on 1 October 2012" (Chinese version only)
- LC Paper No. CB(4)200/17-18(01) — Letter from Hon YIU Si-wing dated 14 November 2017 requesting the Panel to discuss the item on "Enhancing the development of green tourism" (Chinese version only)
- LC Paper No. CB(4)222/17-18(01) — Further letter from Hon LUK Chung-hung dated 15 November 2017 requesting the Panel to discuss a proposed Member's Bill to amend the Electricity Ordinance (Cap. 406) (Chinese version only)

Members noted the above papers issued since the last regular meeting.

II. Items for discussion at the next meeting

- (LC Paper No. CB(4)244/17-18(01) — List of outstanding items for discussion)

2. Members agreed to discuss the following items at the next regular meeting scheduled for Tuesday, 12 December 2017 at 4:00 pm –

- (a) Regulation of unmanned aircraft systems; and
- (b) Annual tariff reviews with the two power companies.

III. Incident of flight cancellation of Hong Kong Express Airways

(LC Paper No. CB(4)244/17-18(02) — Administration's paper on incident of large-scale flight cancellation of Hong Kong Express Airways

LC Paper No. CB(4)1647/16-17(01) — Letter from Hon Holden CHOW Ho-ding dated 4 October 2017 proposing the Panel to discuss the flight cancellation issues of Hong Kong Express Airways (Chinese version only))

Presentation by the Administration and related organization

3. At the invitation of the Chairman, Deputy Secretary for Transport and Housing (Transport) 4 ("DSTH4") briefed members on the latest development of the incident of large-scale flight cancellation by Hong Kong Express Airways ("HKE") in the peak travel season in early October 2017, the Government's follow-up actions, and the regulatory role of the Civil Aviation Department ("CAD") on operations of airlines. Details were set out in LC Paper No. CB(4)244/17-18(02).

4. With the aid of the powerpoint presentation material, Mr ZHONG Guo-song, Executive Chairman of HKE briefed members on the details of the incident, the problems in HKE's internal management and corporate governance revealed through the incident, as well as the series of improvement measures to be implemented by HKE to raise its service quality during the six-month "consolidation period" designated by HKE from November 2017 to April 2018. Details were set out in LC Paper No. CB(4)291/17-18(01).

(Post-meeting note: The powerpoint presentation material provided by HKE was issued to members vide LC Paper No. CB(4)291/17-18(01) on 27 November 2017.)

Declaration of interest

5. Mr Paul TSE declared that he was an independent non-executive director of a freight forwarding company.

Discussion

The incident of flight cancellation by HKE and follow-up actions

6. Mr Holden CHOW noted that CAD was verbally informed by HKE in mid-August that all of its safety and emergency and procedures ("SEP") trainers would leave the company shortly. In mid-September, HKE confirmed in writing with CAD that the current safety training of the crew had resumed and guaranteed that the flight operations would not be affected. Based on the above considerations, CAD believed that flight safety and flight operations of HKE would not be affected. However, the incident of large-scale flight cancellation by HKE occurred in October 2017 in spite of HKE's confirmation made above. In this regard, Mr CHOW queried the reasons for CAD to accept HKE's explanations made in mid-September, and considered that more should have been done by CAD between mid-August and late September 2017 so as to avoid the incident from happening.

7. Mr LUK Chung-hung shared a similar concern as Mr Holden CHOW and doubted why CAD had believed that HKE could resolve the problems arising from the departures of all its SEP trainers in mid-September. He also queried if any HKE staff had concealed any information from CAD during the course or did not make an accurate judgment of the situation which finally led to the incident. He considered that disciplinary action should be taken to the relevant HKE staff if that was the case.

8. Deputy Director-General of Civil Aviation (1) ("DDGCA1") advised that the departures of four SEP trainers of HKE in August 2017 came to CAD's attention through CAD's regular monitoring mechanism, and that CAD had been following up on the issue proactively. In response to the sudden and unusual cancellation of a scheduled assessment for an SEP trainer by HKE in mid-August, CAD called for a meeting with HKE on 17 August 2017 to look into the reasons. Not until early September could HKE's management furnish CAD with the detailed information such as the exact departure dates of the resigned SEP trainers. In mid-September, HKE notified CAD in writing that HKE had formally filled the vacancies in the safety training department and the newly recruited trainers were being arranged to undergo relevant internal training. Upon completion of the training, HKE would file applications to

CAD for approval. HKE also confirmed that the recurrent safety training of the crew had resumed and guaranteed in writing that the flight operations would not be affected. As such, CAD had reasonable grounds at that time to believe that flight safety and flight operations of HKE would not be affected.

9. Mr Holden CHOW enquired about the number of passengers affected by the incident, and sought information on the arrangements for or the recommendations made by HKE to the affected passengers.

10. Mr ZHONG Guo-song of HKE advised that a total of 2 857 passengers were affected by the incident. Among these passengers, 379 of them were provided with full refunds, 1 172 changed their flights/destinations with HKE, 1 063 passengers took other flights to the same destinations by other airlines, and 243 of them made their own arrangements.

11. Mr James TO was of the view that the development of low-cost carrier in Hong Kong should be encouraged to make Hong Kong an important aviation centre. Furthermore, noting the figures on the arrangements made to the affected passengers by HKE, Mr TO expressed confidence in HKE's capability and efforts. He hoped that HKE could learn a lesson from the incident, and considered that there was room for both CAD and HKE to improve the timing in informing the public of the cancellation of flights.

12. Mr ZHONG Guo-song of HKE advised that after the incident, HKE had designated the six-month "consolidation period" for the company to implement a series of measures to improve its governance. The increase in new destinations, number of flights and the number of aircraft for new services for HKE would be suspended within the period until CAD was satisfied that HKE had implemented the improvement measures effectively.

13. DSTH4 advised that there should be basic trust between the regulatory body and the parties being regulated. The Administration would make further decisions regarding HKE's expansion in relation to new destinations, number of flights and the number of aircraft for new services, subject to satisfactory implementation progress of HKE's improvement measures in the coming six months. HKE would be allowed to operate new destinations and flights only when CAD was satisfied with the implementation of the improvement measures.

14. Mr CHAN Chun-ying noted that HKE would implement a series of improvement measures to raise its quality of service during the six-month "consolidation period", and that it would provide regular reports to CAD on the implementation progress of the improvement measures in the said period. He referred to the practice of the banking industry that third-party experts would be

engaged by the relevant regulatory body in assessing the feasibility of the enhancement measures involving major changes proposed by the bank concerned. He suggested that similar practice of engaging third-party experts in assessing the feasibility of the improvement measures to be implemented by HKE could be adopted.

15. DDGCA1 advised that appropriate expertise was available within CAD to assess and monitor the implementation of HKE's improvement measures. He further advised that information provided by HKE to CAD in the past two months had shown HKE's progress in implementing the improvement measures.

16. Ms Claudia MO considered the incident a rare one, and that CAD should have intervened at an earlier stage to avoid the incident from happening. She disagreed that there was a need to engage third-party experts to look into the incident since appropriate expertise should be available in CAD for such purpose. Given that CAD was aware of the departures of all the SEP trainers of HKE in August 2017, and that it had the expertise to assess the situation before the incident happened, Ms MO queried if there was dereliction of duty on the part of CAD officials regarding the incident. She also sought information on the measures to be devised to avoid the recurrence of similar incidents.

17. DDGCA1 advised that CAD immediately took follow-up actions proactively with HKE when it knew about the sudden and unusual cancellation of a scheduled assessment for an SEP trainer by HKE in mid-August. CAD had also requested HKE to submit in writing detailed information and resolutions about the matter. DSTH4 added that CAD had been communicating with HKE during the course of the matter, and received the written confirmation from HKE in mid-September that flight safety and flight operations of the company would not be affected. CAD, as a regulator, would endeavor to ensure airlines' compliance with relevant aviation safety requirements and to ensure airlines' delivery of their services according to the relevant regulatory conditions. In this regard, CAD was not in the position to intervene in the internal management and corporate governance issues, for which the airlines should be responsible.

18. Mr YIU Si-wing considered the large-scale cancellation of flights by HKE right before the long holiday of the Golden Week abrupt. The incident worried passengers further with HKE's failure in giving the public an explanation promptly. He urged HKE to review the relevant aspect for improving its services, and devise a timetable for implementing improvement measures relating to ground staff, flight operations and flight cancellations in future. He considered such measures important for the development of low-cost carrier in Hong Kong.

19. Mr Jonathan HUTT, Director, Commercial of HKE advised that HKE had proactively taken actions to enhance its service quality. Such actions included improving the services provided by HKE's call centre so that it could be reached by customers more directly; developing more self-management tools with passengers which facilitated them to handle any hiccups encountered in their journeys in a faster and pain-free way; and reaching out to relevant government bodies (e.g. the Consumer Council) to understand the public's perception. He further advised that these measures were supported by HKE's management and there was a dedicated timeline to achieve the above within the "consolidation period".

Operation of HKE

20. Mr Holden CHOW was concerned about the current manpower of SEP trainers of HKE. Mr ZHONG Guo-song of HKE advised that there were currently five SEP trainers in the safety training department of HKE. He further advised that the current ratio of SEP trainer to cabin crew at HKE complied with the key performance indicator agreed by CAD. DDGCA1 supplemented that the minimum manning ratio of cabin crew to passengers on each flight as stipulated in the Air Navigation (Hong Kong) Order 1995 (Cap. 448C) was 1:50, and an additional requirement that each floor level emergency exit of an aircraft should be manned by at least one cabin crew was imposed on airlines by CAD.

21. Noting the departures of all HKE's SEP trainers within a short time in August 2017, Mr LUK Chung-hung considered it important for HKE to formulate measures to prevent occurrence of similar problems relating to HKE's corporate governance and manpower deployment revealed through the incident. He relayed the views from the relevant labour unions that communication between staff and management was most effective in resolving the conflicts between the two parties.

22. Mr ZHONG Guo-song of HKE recognized that problems relating to internal management and risk assessment existed in HKE. In this regard, the board of HKE had implemented a series of measures to address the problems and boost staff's sense of belonging and morale after the incident. Such measures included replacing the management of the company, changing the contract term of frontline staff from three-year to permanent, early issuance of cabin crew's rosters, and meeting staff for enhanced communication etc..

23. Referring to the letter from the Express and Airlines Pilots Association ("E&APA") to the Panel on Economic Development ("the Panel") dated

26 November 2017 (LC Paper No. CB(4)293/17-18(01)), the Deputy Chairman enquired if CAD was aware of the situations outlined in the letter, in particular the "contract compliance" action taken by HKE pilots since June 2017, and E&APA's request for meeting HKE's management for resolving the disputes. The Deputy Chairman expressed concern that the pilots' "contract compliance" action might affect HKE's services in the coming Christmas holiday. In this connection, he sought information on the actions to be taken to resolve the "contract compliance" action so as to avoid any impact that might be brought to passengers.

24. DDGCA1 advised that CAD had just noted the letter raised by the Deputy Chairman. It would look into the matter as appropriate after gathering further information on the matter.

25. Mr ZHONG Guo-song of HKE advised that HKE's management would meet with the company's pilots on 28 November 2017 to listen to their views and requests. HKE's management was looking forward to resolving the disputes with the pilots by meeting. Sharing a similar concern as the Deputy Chairman, the Chairman requested to have further information on the progress of the matter in order to address members' and the public's concern about the impact on HKE's services.

(Post-meeting note: The Administration's/HKE's written response was issued to members vide LC Paper No. CB(4)413/17-18(01) on 27 December 2017.)

26. As regards the letter from E&APA to the Panel, Mr Paul TSE opined that more information, such as the composition of the Association, was required before deciding on the appropriate follow-up actions.

27. Mr Jeremy TAM referred to the letter from E&APA to the Panel, and informed the meeting that he would move a motion urging HKE to better communicate with its labour unions for resolving any disputes by negotiation.

Regulation over airline operations

28. Mr CHAN Chun-ying noted that CAD might step up its monitoring on the air operator with unscheduled inspections if required. In this connection, he sought information on the number of unscheduled inspections conducted by CAD on HKE and other airlines in the past.

29. DDGCA1 undertook to provide the relevant information after the meeting. Other than the unscheduled inspections, he supplemented that CAD

would conduct routine inspections on air operators to ensure their safe operations. These inspections included flight inspections, inspections on maintenance, documents inspections, training inspections, inspection visits at out-stations, and inspections on examiners etc..

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)413/17-18(01) on 27 December 2017.)

30. Mr CHAN Chun-ying noted that neither the International Civil Aviation Organization Annex VI nor Cap. 448C mandated a standard for calculating the ratio of standby crew or the minimum number of the overall cabin crew of an airline. In this connection, he enquired if CAD would set the minimum requirement on the ratio of the relevant standby staff members for a flight, so as to facilitate early intervention by CAD when problems arose. In response, DDGCA1 advised that whilst there was a statutory minimum manning ratio of cabin crew to passengers on each flight, it was the responsibility of air operators, taking into account their own actual operations and characteristics, to make available sufficient number of cabin crew (including that of standby crew) to operate a flight.

31. Mr YIU Si-wing noted that HKE had designated a six-month "consolidation period" for the company to implement the improvement measures regarding the incident. HKE would only be allowed to operate new destinations and flights when CAD was satisfied that HKE had implemented the improvement measures effectively. In this connection, he enquired if CAD would formulate the standards in handling similar incidents in future based on the experience of this incident.

32. DDGCA1 advised that the improvement measures raised by HKE were specific to the problems arising from its internal management and corporate governance. CAD would continue to monitor the operations of other airlines through its regular inspection mechanism.

33. Mr Paul TSE considered that the operations of full-service airlines and low-cost carriers were quite different due to the difference in their ticket prices, the latter being lower. In this regard, he sought CAD's views on whether the short notice before cancellation of flights by low-cost carriers was more acceptable than by full-service airlines. Mr TSE also enquired if there were any other low-cost carriers in Hong Kong that required CAD's further monitoring.

34. DDGCA1 advised that CAD applied the same regulatory and safety

standards for all aircraft and airlines, regardless of whether the airline was a full-service one or a low-cost carrier. He added that only HKE branded itself a low-cost carrier among the local airlines.

35. Ms Starry LEE said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the development of low-cost carrier in Hong Kong, which would enhance competition in the aviation industry by providing more choices to consumers. Since new developments had been seen in the aviation industry in Hong Kong, namely the lower air ticket prices due to keener competition among airlines, increasing pressure for airlines to control cost, and more diversified requests from employees of airlines, Ms LEE enquired if CAD would adjust its inspection mechanism, in particular in respect of aviation safety and service quality of airlines, with regard to these new developments.

36. DSTH4 asserted that aviation safety should never be compromised, regardless of whether the airline was a full service carrier or a low-cost carrier. Given the insufficient number of standby cabin crew for contingency during the long holiday in early October, HKE decided to cancel flights to ensure aviation safety. DSTH4 further advised that as far as the financial situation of airlines was concerned, in considering air operators' applications for renewing their licences every five years, the Air Transport Licensing Authority would take into consideration, among other things, the finances of the airlines concerned according to established mechanism. He advised that CAD would oversee the progress of HKE in implementing the improvement measures in the six-month "consolidation period".

37. The Chairman was of the view that imposing penalties on the airline concerned was ineffective in avoiding the recurrence of similar incidents. Rather, he considered the governance of airlines and inspection by the relevant government departments more effective means. Besides, he supported the development of low-cost carrier in Hong Kong which made possible small and medium enterprises, start-up enterprises as well as the public to travel at a lower cost. In this regard, he urged the Administration to discuss with the airlines, in particular low-cost carriers, on striking a balance between air fares and service quality for the benefit of the travelling public.

38. DSTH4 advised that as there were plenty of choices of airlines in the Hong Kong market, airlines inevitably had to raise their service quality in order to compete for customers. The Administration had been prepared to introduce policies that helped create a suitable environment for the development of airlines in Hong Kong as a whole. DDGCA1 added that CAD would continue to ensure that airlines operating in Hong Kong complied with the stipulated requirements in respect of aviation safety.

Cancellation of flights by airlines

39. Mr Jeremy TAM was concerned that flight cancellations would affect both passengers and the arrangement of slots at the Hong Kong International Airport ("HKIA"). In this regard, Mr TAM sought information on the cancellation of flights by local airlines.

40. Assistant Director-General of Civil Aviation (Air Services and Safety Management) ("ADGCA") advised that the management of slots at HKIA followed the relevant requirements stipulated by the International Air Transport Association ("IATA"). There was a regular mechanism for CAD to monitor flight cancellations by airlines, and that the airline concerned was required to inform CAD of flight changes, including that of slots as soon as possible.

41. ADGCA further advised that flight cancellations by airlines in recent months stood at 1% to some 3% of all flights at HKIA. DSTH4 supplemented members with the statistics of flight cancellations by four local airlines in IATA Winter Season 2016 and IATA Summer Season 2017. In IATA Winter Season 2016, the percentages of flight cancellation by Cathay Pacific Airways, Cathay Dragon, Hong Kong Airlines and HKE were 0%, 0.01%, 0.7% and 1.11% respectively. The statistics of the four airlines in IATA Summer Season 2017 were respectively 0.01%, 0.12%, 0.04% and 0.7%. He further drew members' attention that such figures had excluded flights that were suspended by airlines under such circumstances usually no tickets would have been sold for these flights.

42. Noting the figures on flight cancellation by the four local airlines, Mr Paul TSE enquired how the performance in respect of flight cancellation by local airlines compared with the low-cost carriers in the world. He also asked if HKE's handling of the incident was within the expected performance of other low-cost carriers in the world.

43. DSTH4 advised that the situation of flight cancellation of local airlines was not serious according to CAD's statistics. He supplemented the Panel with the statistics on flight cancellation by low-cost carriers in other countries as at August 2017 at HKIA for members' reference. The rate of flight cancellation by a Singaporean low-cost carrier stood at 27.9%, another Thai low-cost carrier at 11.1% and a Mainland low-cost carrier was at 2.3%. HKE ranked the fourth, following the three carriers mentioned above.

Motion

44. Mr Jeremy TAM moved the following motion –

"本會要求民航處協調香港快運管理層與機師工會及空中服務員工會盡快會面，以解決過去一直被漠視的勞工問題，避免工業行動影響香港航空中心地位。"

(Translation)

"This Panel requests that the Civil Aviation Department play a coordinating role in facilitating the management of Hong Kong Express Airways to meet with its Pilots Union and Flight Attendants Union expeditiously to resolve the long-neglected labour issues, so as to avert industrial action which may affect Hong Kong's status as an aviation centre."

45. The Chairman ruled that the motion was directly related to the agenda item under discussion. Members agreed that the motion should be dealt with at the meeting.

46. The Chairman put the motion to vote. Eight members voted for the motion, no members voted against the motion, and two members abstained from voting. The Chairman declared that the motion was carried.

(Post-meeting note: The Administration's response to the motion was issued to members vide LC Paper No. CB(4)414/17-18(01) on 27 December 2017.)

IV. Proposed retention of three supernumerary directorate posts in the Airport Expansion Project Coordination Office under the Transport and Housing Bureau

(LC Paper No. CB(4)244/17-18(03) — Administration's paper on proposed retention of three supernumerary directorate posts in the Airport Expansion Project Coordination Office under the Transport Branch of Transport and Housing Bureau)

Presentation by the Administration

47. At the invitation of the Chairman, Permanent Secretary for Transport and Housing (Transport) ("PSTH(T)") briefed members on a proposal to retain three supernumerary directorate posts in the Airport Expansion Project Coordination Office ("AEPCO") ("the three posts") under the Transport Branch of the Transport and Housing Bureau, which would lapse on 1 April 2018, for seven years up to 2024-2025. The three posts were one Principal Government Engineer ("PGE") (D3), one Administrative Officer Staff Grade C ("AOSGC") (D2) and one Chief Engineer ("CE") (D1). The post-holders would continue monitoring the work of the Airport Authority Hong Kong ("AAHK") and coordinating with relevant parties the implementation of the Three-Runway System ("3RS") project at HKIA until its full commissioning targeted in end 2024. Details were set out in LC Paper No. CB(4)244/17-18(03).

Discussion

Staffing of AEPCO

48. Mr WU Chi-wai noted that the three posts of AEPCO had been created since 2012 to assist the work of AAHK in taking forward the 3RS project. He cast doubt on the necessity to retain the same staffing structure of AEPCO since the project had been underway. He considered that the staffing establishment of AEPCO should be suitably adjusted, given that the tasks of AEPCO in relation to the monitoring of Environmental Impact Assessment ("EIA")-related works, project design, procurement and administration of construction works, as well as the implementation of financial arrangement proposal for the project had been following up by other Government departments and AAHK.

49. Mr LUK Chung-hung enquired about the justification for retaining all the three posts for seven years. Given that the staffing requirements might vary over various stages of the 3RS project, he suggested that the three posts might be continued for a shorter duration and extended in future when necessary.

50. Mr YIU Si-wing opined that to facilitate Members' consideration of the proposal, the Administration should review the duties of the three posts in accordance with the latest progress of the 3RS project.

51. PSTH(T) explained that while AAHK was responsible for the implementation of the 3RS project, the Government had a key and clear stake in ensuring the smooth and proper implementation of the project to maintain Hong Kong's competitiveness as an international aviation hub, as well as the

long-term economic and sustainable development of Hong Kong. Further, given the immense investment involved, it was in the interest of the Government to ensure and facilitate a proper and timely implementation of the project with due regard to cost-effectiveness, fit-for-purpose and value-for-money. The public also expected the Government to closely monitor and scrutinise AAHK's implementation of the project in view of its scale, cost and complexity. AEPCO had been playing a vital role on this matter since its establishment, and it was essential to retain the three posts to continue their work.

52. On the duration of the three posts, PSTH(T) explained that the 3RS project involved various important aspects in different stages. Currently the project was at a key stage where a number of mega construction works or design-and-build contracts for the 3RS project either had commenced or were about to commence. It was thus necessary to retain PGE (D3) to lead the AOSGC (D2) and CE (D1) in AEPCO to continue providing the requisite policy and technical steer in taking forward the 3RS project in the coming seven years. In fact, in response to Members' enquiry in 2015 about the sufficiency of AEPCO's manpower resources, the Government had undertaken to review the overall manpower requirement of AEPCO closer to 2018 based on a prudent approach. After critically assessing the overall manpower requirement of AEPCO, the Government proposed the retention of the three posts for the next seven years.

53. Mr Jeremy TAM noted that AEPCO would continue to have some non-directorate staff in its establishment. Concerning the adequacy of the staffing resources of AEPCO, he enquired about the overtime work situation of these staff, in particular whether overtime allowance was provided as well as the level of such allowance.

54. PSTH(T) replied that there were circumstances that staff of AEPCO might need to work overtime. Nevertheless, the staff at officer level or above in AEPCO such as engineers were not entitled to overtime allowance. In particular situation, they might be compensated by time-off-in-lieu for their overtime work. Nevertheless, the current staffing proposal was considered suitable by the Government.

Responsibilities of AEPCO

55. Ir Dr LO Wai-kwok considered it essential to retain the three posts of AEPCO as their duties amid the construction of 3RS would be more complex and challenging. For example, it was necessary for the office to coordinate and monitor the proper implementation of the environmental mitigation and enhancement measures for full compliance with the conditions of the

Environmental Permit. AEPCO also played a central role in coordinating input from relevant Government bureaux/departments in planning and developing schematic design of government facilities in relation to 3RS. He was concerned how AEPCO would play its role effectively to provide facilitation in relation to the detailed design and construction of the 3RS project.

56. PSTH(T) responded that AEPCO would coordinate the interface issues between Government departments and AAHK throughout the project implementation. For example, it would facilitate AAHK's understanding of the requirements of relevant departments, and ensure that the 3RS project would be carried out efficiently and in full compliance with the relevant statutory requirements, administrative procedures and technical standards. It would also facilitate discussion between Government departments and AAHK when necessary, with a view to ensuring the smooth and proper implementation of the 3RS project.

57. Mr Holden CHOW considered it important to retain AEPCO for overseeing the 3RS project. In particular, he urged AEPCO to closely monitor AAHK's implementation of the relevant financial arrangements to avoid cost overrun.

58. Sharing a similar concern, Mr LUK Chung-hung stressed that the 3RS involved immense investment and the public might be required to bear the consequences in case of cost overrun. He enquired about the measures put in place by AEPCO to avoid cost overrun of the project.

59. PSTH(T) explained that monitoring AAHK's cost control of the project was one of the major duties of AEPCO. Given that more than 100 contracts, each involving substantial contract value, would need to be procured in the coming years, AEPCO would provide advice on the preparation of tender documents and formulation of contract procurement strategy with particular focus on claims avoidance and mechanism for dispute resolution. He assured members that AEPCO would strive to play its role effectively in this regard.

Admin

60. Mr WU Chi-wai considered that to ensure a smooth and proper implementation of the project, an effective monitoring mechanism was of utmost importance. To this end, he requested the Administration to provide information on its monitoring mechanism to ensure that the delivery of the 3RS project would be within the expected time and budget.

61. In relation to the 3RS' financial arrangements, Mr YIU Si-wing considered that AEPCO could play a mediating role between AAHK and the travel trade in handling matters arising from the collection of the Airport Construction Fee ("ACF").

62. PSTH(T) said that AEPCO worked closely with AAHK on the introduction of ACF. Taking into account the views of the public and the Government, AAHK had reduced the charging levels of the ACF scheme to the current ones. If any matters arose in the course of ACF implementation, AEPCO could facilitate the discussion of the travel trade with AAHK. In response to Mr YIU Si-wing's suggestion about exploring the need of the fourth runway at HKIA, PSTH(T) said that AAHK would assess and plan for HKIA's long-term needs on a regular basis.

63. Mr LUK Chung-hung also expressed concern about the safety matters of the 3RS construction works. He considered that AEPCO should oversee the safety precautions adopted by AAHK to ensure the safety of construction workers involved in this mega project. In response, PSTH(T) assured members that AEPCO paid due regard to this matter and had been monitoring relevant measures by AAHK in its administration of construction works of the project.

64. Mr Holden CHOW remarked that the 3RS project would create some 140 000 jobs and it was expected that residents in Tung Chung could be benefited from this initiative. As the existing transport network in Tung Chung was inconvenient and could hardly support the resultant demand, he called on the Administration to consider the feasibility of providing a regional railway linkage between Tung Chung, the Hong Kong Boundary Crossing Facilities and the Airport Island to facilitate people traveling between Tung Chung and the airport.

65. PSTH(T) said that to facilitate Tung Chung residents to work at HKIA, upon the Government's and AAHK's efforts, both the franchised bus and shuttle bus services provided for people working at HKIA had been enhanced. The Government and AAHK would continue their work on this matter. On Mr Holden CHOW's suggestion, PSTH(T) said that issues relating to the transport infrastructure on Lantau required careful studies and comprehensive consideration in the long run.

Conclusion

66. The Chairman concluded that the Panel was generally supportive of the proposal. He also requested the Administration to take note of members' views on relevant matters.

V. Proposed retention of one supernumerary post of Administrative Officer Staff Grade C in the Tourism Commission of Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)

(LC Paper No. CB(4)244/17-18(04) — Administration's paper on retention of a supernumerary directorate post in the Tourism Commission)

Presentation by the Administration

67. At the invitation of the Chairman, Under Secretary for Commerce and Economic Development ("USCED") briefed members on the proposed retention of a supernumerary directorate post of Administrative Officer Staff Grade C (D2) (designated as Assistant Commissioner for Tourism (4) ("AC(T)4")) in the Tourism Commission ("TC") for three years. The post-holder was responsible for promoting cruise tourism in Hong Kong and overseeing and coordinating the development and operation of the Kai Tak Cruise Terminal ("KTCT"), as well as overseeing and monitoring the operation of the Hong Kong Disneyland Resort ("HKDL"), including its future expansion and development projects. USCED also updated Members on the latest performance of cruise tourism in Hong Kong, including the performance of KTCT. Details were set out in LC Paper No. CB(4)244/17-18(04).

Discussion

Vibrancy of KTCT

68. Ir Dr LO Wai-kwok expressed concern about the lack of visitors at KTCT as compared with that of the Ocean Terminal ("OT"). He pointed out that OT was always crowded with people because shopping and commercial facilities were available in the vicinity. He enquired if the Administration had any comprehensive plan to boost the visitor flow of KTCT upon commissioning of the surrounding developments in Kai Tak so as to maximize the usage of the terminal. He also raised concern about the absence of the Commissioner for Tourism at the meeting to explain the staffing proposal.

69. Mr WU Chi-wai expressed reservation on the staffing proposal and considered the creation of the post ineffective in driving the development of KTCT. He stressed that there was a shortage of visitors at KTCT despite the increase in the number of ship calls. He further said that there was only a small area in OT designated for immigration and customs purpose but the design

of KTCT was not the case. With the limited space for commercial activities at KTCT, cruise passengers were unlikely to spend time at the terminal and local residents were not attracted to go there. As a result, the terminal was almost empty during the days when there was no cruise ship at berth, and the shops there had experienced challenges in their business. To justify the staffing proposal, he requested the Government to provide a comprehensive plan with concrete measures to drive visitor flow and improve business prospects of KTCT.

70. USCED advised that as an important infrastructure for developing Hong Kong into a regional cruise hub, the main purposes of KTCT were to enable berthing of cruise ships and for facilitating smooth embarkation/disembarkation of cruise passengers. KTCT was equipped with necessary passenger clearance and baggage handling facilities to accommodate simultaneously two largest international cruise ships in the world which could not be berthed at OT. In fact, the terminal operator was exploring measures to boost visitor flow, and a new family-themed restaurant would be opened shortly on the rooftop of KTCT to attract local family visitors. In addition, some pop-up stores were set up temporarily during some ship call days to provide more commercial activities in the terminal building. Depending on the market response, the Government could facilitate the setting up of more pop-up stores at KTCT. If necessary, the Government might, subject to technical constraints, consider exploring the feasibility and viability of providing more commercial areas at KTCT and make necessary application to the Town Planning Board as appropriate.

71. Mr HO Kai-ming was dissatisfied with the performance of AC(T)4 post-holder who, in his opinion, had failed to co-ordinate the development of KTCT. He pointed out that although this post had been created for years in TC to oversee KTCT's operation, the terminal had only been used as an immigration control point instead of a popular tourist attraction of Hong Kong. Furthermore, the Kwun Tong District Council had recently put forward a number of suggestions to energize the terminal, but there was no concrete response to these suggestions from the Government.

72. Deputy Commissioner for Tourism ("DCT") said that significant progress had been made in promoting cruise tourism in Hong Kong. With the joint efforts of the Government, the Hong Kong Tourism Board, the terminal operator and the travel trade, and the confidence that cruise lines had in the Hong Kong market, the number of ship calls and cruise passenger throughput in Hong Kong as a whole in 2017 would both achieve the projected performance by 2023 as estimated by the Government when considering the construction of KTCT.

73. DCT added that the cruise operation area and the ancillary commercial area of KTCT were currently operated on commercial basis by a terminal operator appointed through open tender. The Government had been overseeing the performance of the terminal operator, and had requested the operator to make improvements in certain aspects, including the utilization rate and leasing situation of KTCT. In the past four years, the utilization, leasing situation and vehicular flow arrangements of KTCT had shown continuous improvements. The Government would continue to monitor the performance of the terminal operator to ensure the optimal use of the facilities of KTCT and its orderly operation.

74. Mr YIU Si-wing expressed support for the staffing proposal. He considered that both the HKDL and KTCT projects had been in smooth operation and thus the AC(T)4 post should be tasked with more concrete responsibilities apart from project monitoring and facilitation. He pointed out that even though KTCT was currently operated by an operator through leasing arrangement, the post concerned should take a more proactive role in enhancing visitor flow and increasing usage of KTCT so as to maximize the effectiveness of land use.

75. Mr Jeremy TAM said that KTCT was rather desolate and unattractive to the public even for family-goers who frequently visited the nearby Kai Tak Runway Park. Though the opening of a new family-themed restaurant might help attract more visitors to the terminal, the Administration should consider providing more parent-child activities and facilities in the vicinity to enhance its attractiveness and draw visitors to the area.

76. The Chairman observed that KTCT was left idled when there was no ship call, especially in summer. He urged the Government to lay down concrete plan and measures to make the terminal a prominent landmark of Hong Kong. In addition to the retail and catering businesses, ancillary activities should also be arranged in the vicinity to create synergy and boost visitor flow.

77. Ms Starry LEE was disappointed at the Administration's lack of specific policy to solve the problem of low patronage and utilization of KTCT. Given the high construction cost and the prime location of KTCT, the public had a high expectation on the economic benefits that could be brought by it. She called on the Administration to formulate a comprehensive plan to attract patronage and develop KTCT into a popular tourist attraction. She also suggested that the terminal or its surrounding area could be used as embarkation and disembarkation points for harbour cruises.

78. USCED replied that the Government had urged the terminal operator to

step up efforts to attract more non-cruise events, particularly when there was no cruise operation at the terminal, and that nearly 50 events (including some with high participation) had been arranged in the past years. The Leisure and Cultural Services Department was also encouraged to collaborate with the travel trade to arrange more activities at the Kai Tak Runway Park and the KTCT Park. With concerted efforts, the major shore events of the global yacht competition known as "Volvo Ocean Race" would be held at the Kai Tak Runway Park in 2018. He added that as the number of ship calls at KTCT would increase to some 190 in 2017, there had been fewer slots for non-cruise events during the year.

79. Dr Elizabeth QUAT was dissatisfied with the Administration's performance in developing KTCT having regard to the visitor flow and utilization of the terminal. To boost its vibrancy and create job opportunities, she suggested that signature performances combining lighting and dancing could be staged in KTCT and its surrounding areas on a regular basis to showcase the features of Victoria Harbour and local culture. Such kind of activities had been successful in being developed into must-go attractions for tourists in other destinations.

80. USCED said that the Government would be happy to consider practical and effective measures and suggestions to boost the vibrancy of KTCT. DCT added that to liven up the Kai Tak area, the Chief Executive had announced in the 2017 Policy Address an initiative to be taken forward by the Development Bureau which would select suitable non-profit-making organizations to operate a weekend flea market on a site at the tip of the former Kai Tak Airport runway, pending land disposal for the Kai Tak Tourism Node project in the long run.

Connectivity of KTCT

81. Ms Starry LEE enquired about the measures adopted by the Government to improve transport connectivity of KTCT. She also suggested that inbound visitors and coaches could be diverted from congested areas in Hong Kong to KTCT and its surrounding areas.

82. USCED said that TC had been working closely with the Transport Department ("TD") on improving the transport connectivity of KTCT. At the request of TC through TD, the transport service operators had strengthened the services of green minibus and franchised bus, both of which had been providing daily services for KTCT. Separately, at the high-level tourism coordinating meeting chaired by the Financial Secretary, specific measures had been underpinned on this subject, such as (i) expediting the works of Kai Tak Road D3 (Metro Park section), which linked KTCT with Kowloon Bay and the

vicinity, with a view to commencing construction works in 2018; and (ii) introducing a new bus route to connect KTCT and Kowloon Tong as early as in the first half of 2018. Upon the commissioning of the relevant road infrastructure, the connectivity of KTCT would be further enhanced and it would only be a five-minute drive from KTCT to the precinct of the Kai Tak Station of the upcoming Shatin to Central Link by the new road.

83. Mr HO Kai-ming considered that the current minibus and franchised bus services to KTCT were unsatisfactory. He urged the Administration to improve the transport connectivity to the terminal and suggested the Administration consider the consolidation of some ferry services in the nearby regions to connect Kai Tak.

84. Mr Holden CHOW indicated that the Democratic Alliance for the Betterment and Progress of Hong Kong had proposed introducing water taxi service to connect KTCT. This proposal would provide an additional choice of transport modes to access KTCT and provide tourists with harbour tour service of more flexible schedule. He asked about the progress of implementing this proposal with a view to enhancing the connectivity as well as the visitor flow of KTCT.

85. USCED said that ferry service connecting Kwun Tong, North Point and the Kai Tak Runway Park Pier had been introduced to improve the transport connectivity of KTCT. With a view to enhancing the tourism characteristics of Victoria Harbour and harbourfront promenades, the Government had been exploring the provision of water taxis serving locations with major tourist attractions within Victoria Harbour, e.g. Central, West Kowloon, Kai Tak and Tsim Sha Tsui. The Government would gauge market views and interests on this proposal and would update the Panel in due course.

86. Noting that the Administration had earmarked a site close to KTCT for the development of a cross-boundary heliport, Mr Jeremy TAM enquired whether the Government's recent plan to provide a heliport for the use of the Government Flying Service in the vicinity would have impact on the provision of cross-boundary helicopter service at KTCT. The Administration agreed to provide a written response on this matter.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)406/17-18(01) on 22 December 2017.)

(At 12:40 pm, the Chairman directed that the meeting be extended for 10 minutes.)

Disneyland project

87. Mr Holden CHOW raised concern on how the post in question would assist in overseeing the operation and development of HKDL, and asked whether HKDL would provide concessionary offers to local residents so as to achieve the target total attendance of 9 million in Fiscal Year 2025 as projected under the HKDL's expansion and development plan.

88. USCED explained that the experience in HKDL's operation demonstrated that continuous introduction of new offerings and attractions was effective in driving the attendance and business of HKDL. Hence, a development cadence had been designed under HKDL's expansion and development plan to roll out new attractions and offerings almost every year from 2018 to 2023 in a continuous and progressive manner to sustain the excitement and visitation desire throughout a longer period of time. The proposed retention of the AC(T)4 post would continue to closely monitor and scrutinize HKDL's performance, with a view to achieving the projected attendance level.

89. Mr YIU Si-wing raised concern about the recent staff layoff by HKDL. Given that the Government had heavily invested in the HKDL project with an aim to promote economic development and create employment opportunities, the public had a high expectation on HKDL in fulfilling its corporate social responsibility. As HKDL was owned by the Hongkong International Theme Parks Limited, a joint venture of the Government and The Walt Disney Company, he urged the AC(T)4 post-holder to play a more proactive role in steering the decisions of the joint-venture including the provision of more concessionary offers to locals in future.

90. USCED said that the construction works of HKDL's expansion and development plan was expected to create about 3 500 jobs, and another 600 full-time equivalent jobs could be provided in HKDL after completion of the plan. In relation to the suspension of the fireworks show for carrying out the construction works of the plan, the management company of HKDL had tried to re-deploy the relevant staff and would eventually need to dismiss eight staff of the fireworks team. The management company had maintained close communication with the affected staff and would provide them with appropriate severance packages. According to his understanding, the Hong Kong Disneyland Cast Members' Union had indicated to the public that the case had been satisfactorily concluded.

Conclusion

91. The Chairman said that the Panel acknowledged the Government's efforts in increasing the number of ship calls and passenger throughput at KTCT. While a majority of members did not object to the Administration's staffing proposal, members expressed serious concerns about the low usage and visitor flow of KTCT which undermined the economic benefits that the terminal could achieve. In this regard, the Administration was requested to provide further information regarding the strategies and comprehensive plan to liven up KTCT, including measures to (i) attract patronage and develop KTCT into a popular tourist attraction; (ii) enhance business activities of KTCT; (iii) improve transport connectivity of KTCT; and (iv) maximize the use of KTCT surrounding areas with a view to diverting inbound visitors and coaches from congested areas in Hong Kong, and how the post-holder of AC(T)4 could assist in taking forward the strategies and initiatives.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)406/17-18(01) on 22 December 2017.)

VI. Any other business

92. There being no other business, the meeting ended at 12:59 pm.