

立法會
Legislative Council

LC Paper No. CB(4)1582/17-18
(These minutes have been seen
by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of meeting
held on Monday, 25 June 2018, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Alvin YEUNG (Deputy Chairman)
Hon James TO Kun-sun
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, 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
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 absent : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon WONG Kwok-kin, SBS, JP
Dr Hon Elizabeth QUAT, BBS, JP

Member attending : Hon HUI Chi-fung

Public Officers attending : Agenda item IV

Transport and Housing Bureau

Ms Angela LEE
Deputy Secretary for Transport and Housing
(Transport) 5

Marine Department

Ms Maisie CHENG, JP
Director of Marine

Mr WONG Sai-fat
Deputy Director of Marine

Mr LAI Chi-tung
Assistant Director/Port Control

Agenda item V

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Mr Joe WONG, JP
Commissioner for Tourism

Mr Aaron LIU
Deputy Commissioner for Tourism

Miss Maggie CHOW
Assistant Commissioner for Tourism

Related organizations

: Agenda item V

Hongkong and Shanghai Hotels, Limited

Mr Martyn SAWYER
Group Director, Properties

Peak Tramways Company, Limited

Ms May TSANG
General Manager

Mr Mark LOMAS
Project Director

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

Staff in attendance : Mr Bonny LOO (Agenda items IV and V)
Assistant Legal Adviser 4

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

Opening remarks

Mr Alvin YEUNG, Deputy Chairman of the Panel, informed members that he would chair the meeting as Mr Jeffrey LAM, Chairman of the Panel, was unable to attend the meeting.

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)1236/17-18 — Minutes of meeting held on 26 March 2018)

2. The minutes of meeting held on 26 March 2018 were confirmed.

II. Information papers issued since the last meeting

(LC Paper Nos. — Letter from Hon Jeremy TAM
CB(4)1152/17-18(01) and Man-ho dated 25 May 2018
CB(4)1285/17-18(01) requesting further information
on the major construction
works contracts awarded by the
Airport Authority Hong Kong
for the three-runway project at
the Hong Kong International
Airport (Chinese version only)
and the Administration's
response

LC Paper No. CB(4)1181/17-18(01) — Administration's paper on
tables and graphs showing the
import and retail prices of
major oil products from May
2016 to April 2018

LC Paper No. CB(4)1196/17-18(01) — Competition Commission's
response to the letter from the
Chairman of the Panel dated 16
May 2018 concerning the
investigation practices of the
Commission as set out in
LC Paper No.
CB(4)1101/17-18(01) (English
version only)

LC Paper Nos. — Letters from the Clerk of the
CB(4)1260/17-18(01), (02) and (03) Panel to the Administration on
discussion of 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 and the Administration's consolidated response)

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

Discussion on 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" ("the Report")

4. Mr James TO reiterated his request that the Panel should hold a closed meeting to discuss the redacted version of the Report. He considered that such discussion was of utmost importance to facilitate Members of the Legislative Council ("LegCo") in fulfilling their duties and to follow up on various fundamental deficiencies and shortfalls as identified in the Report. In order to facilitate Members' discussion in confidence as required by the Administration, Mr TO suggested that arrangements could be made for Members to:

- (a) peruse the redacted Report in a venue ("Venue") at the LegCo Complex shortly (say, half an hour or an hour) before the scheduled commencement of the closed meeting; and
- (b) sign the confidentiality undertaking as requested by the Administration upon entry to the Venue.

5. Opposing to the proposal, Ir Dr LO Wai-kwok considered it unnecessary to conduct a closed door meeting to discuss the Report further as investigation on the incident had been completed and relevant criminal proceedings had also been concluded.

6. Sharing a similar view, Mr Frankie YICK said that the Government had taken disciplinary actions against some officials involved in the incident and adopted measures to prevent future occurrence of similar incidents and enhance marine safety.

7. Mr YIU Si-wing considered it more important for LegCo Members to face the future and focus on monitoring the Government's regulatory regime on local vessels with a view to enhancing safety at sea in the long term.

8. Mr Jeremy TAM said that although issues concerning the legal liabilities of the incident should be left to be judged by the court, this Panel should discuss the procedures and practices adopted by the Marine Department ("MD") in relation to the incident.

9. Mr WU Chi-wai was of the view that discussing the Report would help Members gain a better understanding of MD's shortfalls in staffing and management which would facilitate Members' scrutinizing of MD's staffing proposals in future.

10. Mr Charles MOK expressed dissatisfaction with the Administration's delay in providing the necessary assistance to enable Members' discussion of the Report. To address Members' concerns that there might be hidden matters involved, he considered that the Government should accede to Mr James TO's request as early as possible.

11. Referring to the Administration's previous reply that it might need to seek legal advice on detailed arrangements for holding of a closed meeting to discuss the Report, Mr Holden CHOW requested the Administration to provide a copy of the relevant legal opinion to the Panel as soon as possible.

12. The Deputy Chairman instructed the Clerk to follow up with the Administration on members' views.

(Post-meeting note: Letter from the Clerk to the Administration and the Administration's response on this subject were circulated to members vide LC Paper Nos. CB(4)1388/17-18(01) and (02) on 17 July 2018.)

III. Items for discussion at the next meeting

(LC Paper No. CB(4)1252/17-18(01) — List of outstanding items for discussion

LC Paper No. CB(4)1252/17-18(02) — List of follow-up actions)

13. Members agreed to discuss the following items at the next regular meeting scheduled for Tuesday, 17 July 2018 at 4:30 pm –

- (a) Update on the tendering system for petrol filling station sites and follow-up to the auto fuel study conducted by the Competition Commission; and

- (b) Proposed creation of one supernumerary post of Senior Principal Executive Officer in the Tourism Commission in support of setting up the Travel Industry Authority.

IV. Proposed amendments to the Pilotage Ordinance (Cap. 84) and the Pilotage (Dues) Order (Cap. 84D)

(LC Paper No. CB(4)1252/17-18(03) — Administration's paper on proposed amendments to the Pilotage Ordinance (Cap. 84) and the Pilotage (Dues) Order (Cap. 84D)

LC Paper No. CB(4)1252/17-18(04) — Paper on the Pilotage Ordinance (Cap. 84) and Pilotage (Dues) Order (Cap. 84D) prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

14. At the invitation of the Deputy Chairman, Deputy Secretary for Transport and Housing (Transport) 5 ("DSTH5") briefed members on the proposal to amend the Pilotage Ordinance (Cap. 84) ("the Ordinance") and the Pilotage (Dues) Order (Cap. 84D) ("the Order") to establish three pilot boarding stations in Mirs Bay and to set the pilotage dues for the provision of pilotage services in the region. Details of the briefing were set out in LC Paper No. CB(4)1252/17-18(03).

Discussion

The legislative proposal and pilotage services in Hong Kong

15. Mr Jeremy TAM noted that the then Pilotage Advisory Committee ("PAC") decided to exempt vessels transiting Mirs Bay from the pilotage requirement in 1998, and that such decision was now found to be without legal backing. Mr TAM questioned if it was the fault of the then Director of Marine in having made such a decision.

16. In response, Director of Marine ("D of M") advised that MD had been reviewing its work procedures under the reform within MD since 2013.

During the course of reviewing the work procedures concerning pilotage, the said problem regarding the exemption was identified. Since some MD staff concerned had already retired, the department could only trace the course of the matter through examining the relevant documents. While no information in the documents showed any relevant legal advice at the time when the exemption was granted, the legal advice obtained at present confirmed that there was no legal backing to such exemption. In this connection, MD now sought to rectify the problem as soon as practicable.

17. Mr Jeremy TAM asked if any accidents had occurred in Mirs Bay waters in the past 20 years when pilotage was not required in the vicinity. He stressed that the Administration should be responsible for making compensation to the parties concerned had any accidents resulted from the wrong decision of exempting pilotage in Mirs Bay. D of M advised that during the period, there was only one incident when a vessel knocked against a buoy which had caused no serious injuries nor marine pollution. The incident was a minor one according to MD's record, and that no ship(s) required any repair after the incident.

18. Mr James TO considered it unsatisfactory that the exemption to the pilotage requirement in Mirs Bay granted by the then PAC in 1998 was without legal backing. In this regard, he urged D of M to review comprehensively the work procedures of MD to see if there were any other similar problems, and rectify the problems as soon as possible if so identified. In case such rectifications were required, Mr TO requested that the Administration should update LegCo on the progress in taking forward such work.

19. Mr Steven HO considered it not ideal that the exemption without legal backing had been granted for so many years, and urged the Administration to rectify the problem as soon as possible. He asked if any similar incidents where decisions without proper legal backing were discovered, and if so, about the progress in making the relevant rectifications. In response, DSTH5 advised that no other similar incidents had been identified up to then in the on-going review process of MD, and that MD would seek to rectify the problem now identified as soon as practicable.

20. Mr Steven HO remarked that details of the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") development had yet to be announced by the Central Government. He suggested that the Administration should set the dues level and scope of the pilotage services in Mirs Bay after details relating to port and maritime development under the Bay Area development were announced.

21. Mr Frankie YICK shared a similar view. He queried if it was necessary for the Administration to impose the pilotage requirement at Mirs Bay now, given the keen competition from neighbouring ports like Nansha; the relatively light marine traffic in Mirs Bay; and that no serious marine accidents had ever happened in the Mirs Bay area. He also relayed the worry of shipping companies that vessels might have to spend time waiting for pilots if there were not enough pilots to provide the pilotage services. Such wait would increase the operating cost of the shipping companies.

22. DSTH5 advised that the Administration attached great importance to maintaining cooperation with neighbouring regions. Taking into account marine safety and the relevant legal requirements, pilotage services should be made available and implemented in the Mirs Bay area as soon as possible. Such policy would not affect the cooperation of Hong Kong and other Bay Area cities in terms of port and maritime development.

23. Mr LUK Chung-hung sought information on the mechanism for setting the level of pilotage dues. Mr Steven HO sought further information on how the pilotage services of Hong Kong compared with the ones available in the neighbouring regions, in particular the dues level and the number of pilot boarding stations. He considered the information useful in determining whether the pilotage services in Hong Kong were competitive with those in the neighbouring regions.

24. D of M advised that the dues level as well as the qualifications and experience of licensed pilots were stipulated in the Ordinance and the Order. She advised that the qualifications and experience of licensed pilots were in line with the international standards as stipulated by the International Maritime Organization in the relevant guidelines. As regards the dues level, determination of the pilotage dues entailed a process of negotiation between the service users and service providers. The proposed dues level was then considered and approved by PAC before being introduced into LegCo for consideration.

25. Deputy Director of Marine supplemented that pilotage dues included the standard dues and additional dues. He referred to the estimated pilotage due of about \$35,000 per service in Mirs Bay for a vessel of about 100 000 gross tonnage, and advised that the amount had included the standard due of a basic fixed charge of \$4,700 per applicable vessel plus a charge depending on the gross tonnage of the vessel which ranged from \$0.055 to \$0.07 per ton. Calculation of the additional due was based on the location where pilots boarded and disembarked, as well as the distance which pilotage was required. As far

as pilotage in Mirs Bay was concerned, additional charge was estimated with reference to the pilotage dues at Tolo Harbour, plus the dues chargeable for a distance of around 8 nautical miles between Shek Ngau Chau and Crooked Island and the cost for using tugboats for boarding and disembarkation of pilots.

26. Ir Dr LO Wai-kwok said that to his understanding, Mirs Bay covered the waters of both Hong Kong and Shenzhen. If pilotage was made compulsory on the Hong Kong side of the waters now, it would mean that respective pilots from Hong Kong and Shenzhen would have to board and disembark the ship alternatively within a short time when the ship plied through Mirs Bay. In his opinion, it would cause much inconvenience for the ship as well as the pilots concerned. Therefore, Ir Dr LO suggested that the Administration should explore more convenient arrangements for vessels concerned, such as mutual recognition of professional qualifications between the pilots in Hong Kong and Shenzhen, riding on the advantage of the Bay Area development. As pilotage services were provided through the use of advanced technology in some overseas ports, he also urged the Administration to explore such technologies with a view to providing greater convenience to parties concerned.

27. DSTH5 replied that the Administration was aware of the trade's advocacy for mutual recognition of qualifications of pilots in the long run. The Administration was open to and would consider any proposals that would enhance efficiency and facilitate the work of the trade. She said that as a pre-requisite to any new proposals, the pilots concerned should be familiar with the conditions and environment of the Hong Kong waters as required by the relevant legislation. D of M added that according to overseas experience, pilots from the two regions concerned should receive relevant training and be familiar with the conditions in both waters in order to implement mutual recognition of qualifications.

28. Mr WU Chi-wai foresaw that the demand for licensed pilots would increase following the rectification that pilotage was now required in Mirs Bay. He was therefore concerned if the number of licensed pilots in Hong Kong could cater for the increase in service demand. He also sought information on the number of licensed pilots currently available and their classification, and whether new talents were attracted to join the industry.

29. Assistant Director/Port Control of MD ("AD of M") advised that there were currently 107 licensed pilots in Hong Kong. Among them, 95 were Class I pilots and 12 were Class II pilots. He further advised that to become a licensed pilot in Hong Kong, one should be a master who could operate an ocean-going vessel ("OGV"). In order to be qualified as an intending pilot, the candidate should pass the relevant physical and eyesight tests as well as an

interview by PAC. An intending pilot then had to undergo apprenticeship lasting from six to 12 months, during which the apprentice would undergo training including the one relating to berthing and unberthing. Upon completion of the apprenticeship, the apprentice could be registered as a Class II pilot after passing an examination held by PAC. Pilots were required to accumulate the required experience stipulated in the relevant legislation for advancement from one class to the next. It would take around six years for a pilot to advance to a Class I pilot. AD of M supplemented that Class II pilots were subdivided into Class IIA to IIF, subject to the experience acquired by the pilots.

30. Noting that licensed pilots should be OGV masters, Mr LUK Chung-hung was worried that there would be a shortage of pilots due to a lack of promotion opportunities in local shipping companies for seafarers to become OGV masters. He also expressed concern that the manpower shortage of pilots would be worsened when a wave of retirement set in. In this connection, he urged the Administration to formulate long-term measures to ensure an adequate supply of licensed pilots.

31. Mr WU Chi-wai noted that visiting ships of 3 000 gross tonnage or over were required to be under the pilotage of licensed pilots within the waters of Hong Kong. Given the technological advancements and enhanced knowledge of fairways among vessel crew, he enquired if the Administration would consider lowering the qualifications required of licensed pilots and imposing the pilotage requirement on ships of larger gross tonnage so that the demand for licensed pilots would be decreased.

32. AD of M advised that on top of the 107 licensed pilots available, three intending pilots were currently undergoing training, and that the Hong Kong Pilots Association ("HKPA") would be recruiting four more intending pilots soon. He further advised that since visiting ships were getting bigger, the number of ship calls had decreased given the same volume of container throughput. As a result, the demand for pilotage services had also decreased. He concluded that the above factors would allow HKPA's deployment of pilots to provide pilotage services in Mirs Bay waters.

33. Mr Frankie YICK urged the Administration to explore the feasibility of using virtual pilot and of imposing the pilotage requirement on ships of larger gross tonnage in order to reduce the demand for pilotage services. He also urged the Administration to explore other safe and money-saving options for the provision of pilotage services in Mirs Bay. Mr LUK Chung-hung suggested that the Administration should jointly conduct research on autopilot technologies with local universities.

34. D of M replied that the development of technologies like virtual pilot was not yet mature for allowing imposition of the pilotage requirement on ships of larger gross tonnage. The Administration would keep in view the development of relevant technologies overseas, and consider adopting them in Hong Kong as and when appropriate.

35. Mr James TO urged the Administration to review and upgrade the necessary technologies in relation to pilotage. As regards the pilotage requirement at Mirs Bay, Mr TO considered that what might affect the shipping companies most was the time ships had to spend waiting for pilots. In this regard, he deemed it necessary for applying technologies as appropriate to relieve the demand for pilotage services. D of M clarified that there was no need for visiting ships to wait for pilots since these vessels should tender Pre-Arrival Notification to the Vessel Traffic Centre of MD not less than 24 hours before their entry into the Hong Kong waters. Pilotage services, if required, would have to be reserved by that time.

Port development

36. Mr Frankie YICK expressed concern about the competitiveness of the Hong Kong Port and the development of Hong Kong's shipping industry. He said that although the Central Government did not continue with relaxing the cabotage restrictions in Mainland ports after negotiation by the Hong Kong Special Administrative Region Government, the local shipping industry was still facing other challenges. As regards the application made by the Hong Kong Liner Shipping Association to the Competition Commission for a block exemption order ("BEO") covering both vessel sharing agreements ("VSAs") and voluntary discussion agreements ("VDAs"), he considered that the decision of the Competition Commission to grant the BEO covering VSAs only instead of both VSAs and VDAs would affect the shipping industry adversely. He also pointed out that the air draft restriction at Tsing Ma Bridge had stopped large vessels from calling at the Kwai Tsing Container Terminals from the western waters of Hong Kong, and the pilotage requirement at Mirs Bay would increase the cost of vessels calling at the Hong Kong Port from the eastern waters of Hong Kong. He considered that all the above matters had adversely affected the competitiveness of the Hong Kong Port.

37. Taking into account the keen competition from neighbouring ports like Nansha and Yantian, Mr YIU Si-wing considered it important for the Administration to formulate a clear and sustainable plan for port development so as to maintain Hong Kong's status as a world-renowned transportation centre. He sought details of such a plan for the coming 10 to 20 years, in particular in

respect of manpower, the use of technologies, as well as mutual recognition of qualifications.

38. DSTH5 advised that the Manpower Development Committee under the Hong Kong Maritime and Port Board was established to, among other things, formulate manpower strategies, initiatives and programmes to support Hong Kong's maritime and port development. She further advised that certain schemes under the Maritime and Aviation Training Fund ("MATF") had been launched to encourage talents to work on OGVs. Incentives such as financial subsidies would continue to be provided to eligible talents.

39. Mr YIU Si-wing maintained that few improvements in Hong Kong's port and maritime industry were seen, regardless of the measures the Administration had devised. He urged the Administration to step up efforts in this respect.

40. Ms Alice MAK affirmed the importance of ensuring navigation safety by imposing the pilotage requirement. However, pointing out that Hong Kong's global ranking in container throughput had been on the decline over the past years, she criticized the Transport and Housing Bureau for not having a comprehensive policy for the development of logistics industry in Hong Kong, in particular for the shipping industry. In this connection, she enquired about the measures to be devised by the Administration to facilitate the long term development of the port and maritime trade in Hong Kong.

41. DSTH5 advised that the Administration attached great importance to the development of the Hong Kong Port and the logistics industry. Efforts had been made to address the strong competition from neighbouring ports, in particular in nurturing local maritime talents. She elaborated that new programmes to attract new talents and youngsters to join the maritime industry had been introduced under MATF. Enhancements had been made to port ancillary facilities as well as the development of port back-up land in order to improve efficiency and facilitate the operation of shipping liners. She remarked that although there was a drop in Hong Kong's ranking among the busiest container ports in the world, the Hong Kong Port still maintained a high throughput of 20 million Twenty-foot Equivalent Units per year.

V. Proposed granting of second ten-year operating right to Peak Tramways Company Limited ("PTC") under Peak Tramway Ordinance (Cap. 265) and the granting of additional land requested by PTC for the purpose of its upgrading plan in relation to the grant of the second ten-year operating right; and proposed amendments to Peak Tramway Ordinance (Cap. 265) and Peak Tramway (Safety) Regulations (Cap. 265A)

(LC Paper No. CB(4)1252/17-18(05) — Administration's paper on operating right of the peak tramway commencing 1 January 2026

LC Paper No. CB(4)1252/17-18(06) — Paper on the peak tramway prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and the related organizations

42. At the invitation of the Deputy Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the upgrading plan of the Peak Tramways Company Limited ("PTC") in support of its application for the second ten-year operating right of the peak tramway under the Peak Tramway Ordinance (Cap. 265) ("PTO"). Subject to the Chief Executive in Council ("CE-in-C")'s decision on the granting of the second ten-year operating right, it was necessary to grant additional land to PTC in relation to its upgrading plan, increase the maximum capacity of tramcars, and make technical amendments to PTO and its subsidiary legislation. With the aid of the powerpoint presentation material, Mr Martyn SAWYER, Group Director, Properties of Hongkong and Shanghai Hotels, Limited ("HSH"), introduced the details of PTC's upgrading plan costing some \$650 million. Details of the PTC's upgrading plan and the legislative amendments consequential to the plan were set out in LC Paper No. CB(4)1252/17-18(05).

(Post-meeting note: The powerpoint presentation material provided by PTC was issued to members vide LC Paper No. CB(4)1292/17-18(01) on 29 June 2018.)

Discussion

Second ten-year operating right of the peak tramway

43. Ir Dr LO Wai-kwok expressed support for the granting of a further 10-year operating right of the peak tramway to PTC so as to encourage it to

make investment in enhancing the peak tramway facilities while making a reasonable return. He was of the view that the peak tramway should have been upgraded earlier having regard to its important status as a popular attraction to tourists and a part of the collective memory of Hong Kong people.

44. Mr CHAN Chun-ying expressed support for the granting of the second ten-year operating right of the peak tramway to PTC which would encourage PTC to improve the peak tram service. As regards PTC's request for additional government land for implementing the upgrading plan, he asked what instrument would be used by the Government for granting such land. He also asked if PTC would be charged a premium for the additional land granted and the expected financial benefits brought to PTC after the upgrade.

45. Mr Holden CHOW supported the granting of the second ten-year operating right of the peak tramway to PTC. He considered it essential to enhance the facilities of the peak tramway given that it was an important tourism and recreational facility in Hong Kong. He also raised concern about the cost paid by PTC for use of the additional government land.

46. Mr Andrew WAN sought clarification on whether PTC would generate extra income in addition to that on the peak tram service from the additional government land granted, such as the operation of vending machines or other businesses on such land.

47. SCED said that under the existing charging mechanism imposed on the current operating right of the peak tramway, PTC had to pay the Government a consideration calculated at 12% of the total annual revenue of peak tramway operation in the year for the occupation and use of government land for the operation of the peak tramway. Given that the additional land requested by PTC was essential to cater for its operational needs in relation to using larger tramcars and platforms, no additional consideration would be charged on PTC in this regard. If PTC generated extra income as a result of the additional land granted by the Government, such income would also be counted towards PTC's total annual revenue of which the Government would receive 12%.

48. In response to Mr HUI Chi-fung's enquiry, SCED said that the current charging mechanism was agreed by the Government and PTC in late 2015 for the operating right commencing in 2016. Under the current charging mechanism, the Government had received some \$15 million as the premium paid by PTC in 2017, while the premium paid by PTC for the last 10-year operating right up to 2013 was over \$30 million. In other words, the adoption of the current charging mechanism had increased the Government's revenue.

49. Commissioner for Tourism added that the Administration would ensure that public safety would be adequately safeguarded and, in particular, any building works to be conducted on such land would be subject to the proper scrutiny of the Building Authority under the Buildings Ordinance (Cap. 123).

50. Mr HUI Chi-fung considered that the grant of the second 10-year operating right of the peak tramway to PTC in addition to the current 10-year operating right since 2016 was too favourable to PTC as such arrangement would allow PTC to operate the peak tramway for a total of 20 years under the "ten-plus-ten-year" arrangement. He sought further information about the basis and consideration for the Government adopting such an arrangement, and enquired whether the Government could charge a higher consideration in case PTC made a much higher profits due to the grant of additional land.

51. SCED explained that the "ten-plus-ten-year" arrangement was discussed and approved by LegCo in 2015. CE-in-C might exercise her power under section 2B(5) and (6) of PTO to grant such arrangement if PTC could satisfy CE-in-C that it was committed to and had the ability to undertake an upgrading plan conducive to maintaining the peak tramway as an important tourism and recreational facility. Moreover, a reasonable duration of the operating right would ensure the viability of PTC's planned investment on the facility upgrade. In fact, PTC had indicated its plan to apply for a further 10-year operating right with a submission of its upgrading plan, after the grant of the current operating right commencing on 1 January 2016.

52. Mr Frankie YICK supported the granting of the second ten-year operating right of the peak tramway to PTC to facilitate its upgrading plan which would address the queuing problem at the terminus of the peak tramway. He recalled that when LegCo discussed the "ten-plus-ten-year" arrangement in 2015, he had suggested lengthening the period of each operating right of the peak tramway to 15 years so as to encourage PTC to make further investment on enhancing the peak tram service.

53. Mr Andrew WAN noted that the land lease of the terminus site of the Peak, expiring in 2031, would be extended on basically the existing terms by four years to end-2035, so that the expiry of the lease could tally with the end date of the second ten-year operating period. Concerning whether the terms of the extension of land lease were in the public interest, he asked when the Lands Department would determine the land premium for such an extension. SCED advised that such matter would be determined nearer the time of expiry of the land lease based on the prevailing land policy so as to better reflect the then market value.

54. Mr YIU Si-wing supported granting the second ten-year operating right of the peak tramway to PTC with a view to encouraging its investment in improving the peak tramway system. However, he was concerned if the Government would impose any control on the peak tram fares to avoid PTC unreasonably escalating the fare levels to cover the upgrading costs. He also urged the Government to closely monitor PTC's operation of the peak tram service to ensure a satisfactory performance.

55. SCED replied that the fares of the peak tram had been de-regulated since 1980s as it had become a tourism and recreational facility rather than a mode of public transport. It was more appropriate for market forces to decide the fares of the peak tram given its commercial nature. Under PTO, provisions were available to regulate the construction and works in relation to the tramway so as to address the safety matters.

56. Ms Claudia MO considered that the granting of additional land to PTC at no cost was too favourable to PTC given that it could set the fares of the peak tram on its own without government intervention. She asked if there were any precedent cases in which the Government had made similar favourable deals with commercial parties. SCED advised that the arrangement for the operation of Ngong Ping 360, which was also a tourist attraction operated by a commercial enterprise, might be somewhat similar to the one for the peak tram.

57. Referring to the long history of the peak tramway, Ms Claudia MO stressed that the historical features and unique characteristics of the facility should be suitably preserved throughout the renovation and upgrading works. Sharing a similar view, Mr Andrew WAN pointed out that the historical features of the peak tramway were important elements to attract tourists.

58. Mr Martyn SAWYER of HSH said that PTC attached great importance to preserving the heritage elements of the peak tramway and thus had established a historical gallery at the Lower Terminus to showcase the history of the facility. He informed members that the design of the new tramcars would be modern classic.

Arrangements during service suspensions

59. Mr SHIU Ka-fai expressed support for the PTC's upgrading plan which would shorten the waiting time for peak tram service at the two termini. He enquired about the details of the upgrading works, including the service suspensions and alternative public transport services.

60. Mr Martyn SAWYER of HSH explained that PTC would adopt a phased approach to upgrade the peak tram system, so as to minimize the time of suspending the service and resultant inconvenience caused to passengers. Under the phased approach, the peak tram service would be suspended for two short periods with around seven months in total. He added that as the upgrading plan involved a significant amount of complex construction works, service suspensions were unavoidable. In fact, the current plan was the most effective approach and caused the least inconvenience to passengers.

61. Mr Andrew WAN pointed out that service suspension was rarely occurred in other means of public transport during their upgrading works. He requested PTC to provide further information to justify the necessity of the service suspensions and to explore if there were any alternative approaches. Ms Claudio MO also shared a similar view.

62. Mr Mark LOMAS, Project Director of PTC explained that PTC had been working to maintain intact the peak tram service as far as possible. It planned to firstly relocate the boarding and alighting platform some 70 metres uphill so as to make room for constructing a larger Lower Terminus. The related works would be carried out from early 2019. After completion of the temporary boarding platform, there would be a short period of service suspension for around two months for construction of a temporary alighting platform, and modification of the existing peak tram system for operation of the temporary platform. After completion of the temporary platform and arrangements, the peak tram service would resume while the remaining parts of the Lower Terminus including ticket hall, waiting area, and the existing terminus in St. John's Building would undergo construction/renovation. The second period of service suspension was expected to last for around five months, when the existing tramcars, systems and haulage equipment were replaced with new ones.

63. Ir Dr LO Wai-kwok considered that in view of the complexity of the upgrading works, service suspensions of the peak tram were unavoidable.

64. Mr Holden CHOW was concerned about the transport arrangement to facilitate the public access to the Peak during the suspension periods. Sharing a similar concern, Mr CHAN Chun-ying enquired if PTC had already reached consensus with other road-based public transport operators to ensure that alternative public transport services would be sufficiently available.

65. Mr Martyn SAWYER of HSH advised that PTC had always maintained a close liaison with relevant road transport operators. During the suspension periods arising from the upgrading works, existing bus and minibus services would be strengthened. In response to Mr SHIU Ka-fai's enquiry,

Mr SAWYER said that an additional bus route would be provided during the suspension periods.

66. SCED supplemented that the Government noted members' concern about the service suspensions of the peak tram and the resultant impact on passengers. The Government would closely monitor PTC's liaison with relevant parties in this regard. He was confident that as a commercial enterprise, PTC would strive to compress the suspension periods as far as practicable to reduce loss. Meanwhile, the suspension of peak tramway, which was an iconic tourism facility in Hong Kong, might inevitably reduce the number of visitors going to the Peak.

67. In response to Mr Paul TSE's suggestion of providing free shuttle bus service to the Peak during the suspension periods, SCED considered it unnecessary as there were other means of public transport to meet the demand.

Other recommendations

68. Given that the peak tramway was rather popular among tourists and local people, Mr Christopher CHEUNG suggested that PTC should consider providing public toilets at the Lower Terminus for use by the passengers in need.

69. Mr Martyn SAWYER of HSH advised that there were insufficient space for providing public toilets at the Lower Terminus. In any case, PTC's staff would direct passengers in need to use the public toilets available at the nearby park and sports facilities managed by the Leisure and Cultural Services Department. He also remarked that the waiting time at the Lower Terminus would be significantly reduced after the upgrading works.

70. Mr Frankie YICK urged PTC to ensure that the upgrading works could be completed in time so as to solve the queuing problem at the termini. In the meantime, he suggested that the Government might consider setting up a marquee at the Lower Terminus for sheltering passengers. He also urged the Government to, in collaboration with the Transport and Housing Bureau and Police, combat the problem of and increase relevant penalties against taxi drivers overcharging tourists in the vicinity of the Lower Terminus.

71. To facilitate passengers' access to the Lower Terminus, Mr Christopher CHEUNG suggested that PTC should consider providing free shuttle bus service to pick up passengers from major areas in Central to the Lower Terminus. Mr Martyn SAWYER of HSH advised that there was a bus route 15C operating from City Hall to the Lower Terminus. According to a survey conducted on

passengers, 55% of the respondents actually preferred to walk from the Lower Terminus to downtown when they returned from the Lower Terminus.

72. Mr Paul TSE appreciated the Administration's efforts in consulting LegCo about the upgrading plan of PTC before making a recommendation to CE-in-C on the granting of the second ten-year operating right of the peak tramway to PTC. He considered it a good practice to strengthen the cooperation between the Administration and LegCo. In relation to PTC's upgrading plan, he suggested that the Administration might consider greening up the area along the tram track up to the Peak.

73. Mr Martyn SAWYER of HSH advised that PTC would make efforts to improve the landscaping of the peak tramway when taking forward the facility upgrade. SCED remarked that lots of indigenous and subtropical plants had been planted along the tram track.

74. In response to Mr Paul TSE's suggestion to build a footbridge across the Garden Road to ensure passengers' safe access to the Lower Terminus, SCED said that footbridges had been built in the vicinity to serve the purpose.

(At 12:42 pm, the Deputy Chairman directed that the meeting be extended for 15 minutes.)

75. Expressing support for PTC's upgrading plan, Dr Junius HO suggested that the Government might consider building a hillside escalator link from the Bank of China Tower to the Lower Terminus, or even to the Peak, to enhance passengers' accessibility by making reference to the construction of the Centre Street Escalator Link.

76. SCED said the Government had been exploring various proposals to construct escalator links to foster a pedestrian-friendly environment. It would consider Dr Junius HO's suggestion having regard to the public interest and the strategies for tourism development.

77. In response to Mr Holden CHOW's request for providing discounted peak tram rides to local people, Mr Martyn SAWYER of HSH advised that PTC had been offering discounts to senior passengers up to 60% off of the normal fare. Passengers could also enjoy savings by using monthly passes.

Conclusion

78. The Deputy Chairman concluded that the Panel noted the PTC's upgrading plan and was generally supportive of the granting of the second ten-year operating right of the peak tramway to PTC.

VI. Any other business

79. There being no other business, the meeting ended at 12:52 pm.

Council Business Division 4
Legislative Council Secretariat
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