# 立法會 Legislative Council

## LC Paper No. CB(1)2030/99-00

(These minutes have been seen by the Administration and cleared by the Chairman)

Ref: CB1/PL/ES/1

## Legislative Council Panel on Economic Services

## Minutes of meeting held on Monday, 22 May 2000, at 10:45 am in the Chamber of the Legislative Council Building

Members present	:	Hon James TIEN Pei-chun, JP (Chairman) Hon Fred LI Wah-ming, JP (Deputy Chairman) Hon Kenneth TING Woo-shou, JP Hon Eric LI Ka-cheung, JP Dr Hon David LI Kwok-po, JP Dr Hon LUI Ming-wah, JP Hon CHEUNG Man-kwong Hon CHEUNG Man-kwong Hon HUI Cheung-ching Hon Christine LOH Hon ChaN Kam-lam Dr Hon Philip WONG Yu-hong Hon WONG Yung-kan Hon Howard YOUNG, JP Hon Mrs Miriam LAU Kin-yee, JP Hon FUNG Chi-kin
Members absent	:	Hon David CHU Yu-lin Hon LEE Wing-tat Hon MA Fung-kwok Hon SIN Chung-kai Hon LAU Chin-shek, JP

Public officers Attending

#### : For Agenda Item IV

Economic Services Bureau

Mr Stephen S K IP, JP Secretary for Economic Services

Ms Maria KWAN, JP Deputy Secretary for Economic Services (1)

Miss Rachel CHAN Principal Assistant Secretary for Economic Services (C)

Mr K T LI Principal Assistant Secretary for Economic Services (Financial Monitoring)

#### For Agenda Item V

#### Economic Services Bureau

Mr Stephen S K IP, JP Secretary for Economic Services

Mr Arthur HO Deputy Secretary for Economic Services (2)

#### **Civil Aviation Department**

Mr Albert LAM Director of Civil Aviation

#### For Agenda Item VI

Economic Services Bureau

Mr Stephen S K IP, JP Secretary for Economic Services

Mr Arthur HO Deputy Secretary for Economic Services (2) Attendance by Invitation : For Agenda Item IV

Shell Hong Kong Ltd.

Mr Robert YOUNG Director

Mr Andy KU General Manager – Commercial

Ms Irene HAO Public Affairs Manager

Caltex Oil Hong Kong Ltd.

Mr PANG Xiao-fei Chairman of Caltex Greater China Ltd.

Mr YUEN Ming-kwong General Manager – Commercial Marketing HK/China & Retail S. China

**ExxonMobil** 

Mr Raymond WONG Communications Manager

Miss Peggy WU HK Industrial & Wholesale Manager

#### For Agenda Item VI

Airport Authority

Mr Billy LAM Chief Executive Officer

Mr Richard A SIEGEL Deputy Chief Executive Officer

Mr Raymond LAI Finance Director

**Clerk in attendance** : Mr Andy LAU Chief Assistant Secretary (1)2

Staff in attendance	:	Ms Alice AU
		Senior Assistant Secretary (1)5

Ι	Confirmation of minutes and matters arising				
	(LC Paper No. CB(1)1439/99-00	- Minutes of meeting held on 27 March			
		2000; and			
	LC Paper No. CB(1)1631/99-00	- Draft Panel report to be presented to Council)			

The minutes of meeting held on 27 March 2000 were confirmed.

2. <u>Members</u> noted the draft Panel report to be presented to the Legislative Council meeting on 14 June 2000. The <u>Chairman</u> advised that any suggestions for amendment from members should be conveyed to himself or the Clerk before then.

II	Information papers issued since last meeting					
	(LC Paper No. CB(1)1248/99-00	- Tables and graphs showing the import and retail prices of major oil products from February 1998 to January 2000;				
	LC Paper No. CB(1)1310/99-00	- The Hong Kong and China Gas Company Limited's Supplemental Agreement to the Information and Consultation Agreement;				
	LC Paper No. CB(1)1419/99-00	- Tables and graphs showing the import and retail prices of major oil products from March 1998 to February 2000; and				
	LC Paper No. CB(1)1461/99-00	- Proposed Creation of a Permanent Post of Chief Controller of Post in the Hong Kong Post Office)				

3. <u>Members</u> noted the above information papers issued since last meeting.

IIIItems for discussion at the next meeting scheduled for 9 June 2000<br/>(LC Paper No. CB(1)1630/99-00(01) - List of outstanding items; and<br/>LC Paper No. CB(1)1630/99-00(02) - List of follow-up actions)

4. The <u>Chairman</u> reminded members that as the Legislative Council would have a heavy meeting schedule towards the end of the term in June, the next meeting of the Panel would be held on Friday, 9 June 2000 at 10:45 am. <u>Members</u> agreed that the item on "Study of Interconnection and Competition in the Electricity Supply Sector in Hong Kong" would be discussed. The <u>Chairman</u> also invited members to forward any suggested item(s) for discussion at the next meeting to the Clerk after the meeting.

<u>Action</u>

#### **IV** Retail price of industrial diesel

(LC Paper No. CB(1)1630/99-00(03) - Information paper provided by the Administration)

5. The <u>Chairman</u> advised that a complaint had been lodged by the textile bleaching and dyeing industry on the high retail price of industrial diesel which was the major fuel used in daily operation. A submission from the Hong Kong Association of Textile Bleachers, Dyers, Printers and Finishers Ltd. (Chinese version only) was tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)1659/99-00(01).

6. At the invitation of the Chairman, the <u>Principal Assistant Secretary for</u> <u>Economic Services (C)</u> (PAS for ES(C)) briefed members on the pricing mechanism and state of competition in the supply of industrial diesel, as well as the import and storage requirements for light diesel oil as set out in LC Paper No. CB(1)1630/99-00(03) provided by the Administration. Members' discussion on related concerns was summarized in the following paragraphs.

## Price of industrial diesel

7. <u>Mrs Miriam LAU</u> asked whether the retail price of industrial diesel had indeed been increased from \$1.1 to \$2 per litre within a year, as claimed by the Association in paragraph 1 of its submission. <u>Mr Raymond WONG of ExxonMobil</u> replied that relevant information had already been provided to Economic Services Bureau (ESB), which would have a good understanding of the company's situation. He further said that as an American company and in accordance with the Anti-Trust Law, ExxonMobil was not allowed to discuss with its competitors on any matters relating to the operation, business and particularly pricing of the company. As such, he and his colleague would have to withdraw from the meeting.

8. In reply to Mrs LAU's enquiry, the <u>Principal Assistant Secretary for Economic Services (Financial Monitoring)</u> drew members' attention to the Annex of the Administration's paper and explained that in terms of import price of industrial diesel, the average price in December 1998 was about \$0.66 per litre and according to the latest information available, the import price in March 2000 was about \$1.65 per litre.

#### Market competition

9. Considering that the major cause for complaint of the textile bleaching and dyeing industry was in fact similar to the observations made by the Consumer Council (CC) in its earlier study on the Hong Kong motor gasoline, diesel and LPG markets, i.e. inequitable changes in retail prices in relation to import prices, as well as inadequate competition and monopolistic practices in the market which led to unreasonably high profitability level of the oil companies, <u>Mr CHEUNG Man-kwong</u> asked whether the Administration acknowledged that such problems also existed in the industrial diesel market.

10. In reply, the Secretary for Economic Services (SES) said that the Administration was also concerned with the issues involved. In fact, following the study report of CC, a Competition Subcommittee had been established under the Energy Advisory Committee to look into competition-related issues in the energy sector. It was hoped that a series of measures aimed at promoting competition in the fuel markets, such as more flexibility in making available filling station sites to facilitate market entry, could be announced in the near future. In order to have a better understanding of the industry's situation, the Competition Subcommittee had also been examining cost and profit data provided by major oil companies in Hong Kong. The Administration was of the view that such data would give a better idea of the cost structure and profitability levels of oil companies in relation to their Hong Kong operations, and thus increase transparency. Hence, a paper detailing the findings from analysis of the data would be presented to the Panel next month for members' consideration. With such data, members and the public could decide for themselves whether the profitability level of oil companies was reasonable. As regards the difference between the retail and import prices of petroleum products, SES advised that the situation had been closely monitored by ESB. With the agreement of the Census and Statistics Department to expedite the process of furnishing relevant data to ESB, the efficiency of such monitoring efforts could be enhanced.

11. <u>Mr CHEUNG</u> was dissatisfied that the Administration had failed to give a definite answer to his question. He opined that by adopting an evasive attitude, the Administration had failed to respond to the difficulties encountered by the textile bleaching and dyeing industry in the procurement of industrial diesel at a reasonable price. Instead, the Administration should adopt a more proactive approach to tackle the problems with the petroleum product market at root and come up with practical measures to help small-and medium-sized factories. Even though light diesel oil could be imported by holders of Special Import Licence (SIL) or their associates from other countries, it was difficult, if not impossible, for end-users to comply with the specified licensing requirements such as the provision of a licensed warehouse capable of storing not less than 500 kilolitres of oil.

12. While acknowledging the member's concern, <u>SES</u> said that rather than going into details about a particular phenomenon of the industry, the Administration was of the view that it would be best to enhance the transparency of the operation of the oil companies to enable the public to make their judgement. He further explained that the specific requirements for SIL were never intended to be restrictive as they were necessary for safeguarding public safety.

13. Referring to the application procedure for a SIL, the <u>Chairman</u> enquired whether an applicant had to obtain specific permission from the Government for land to build the storage facilities. In response, <u>PAS for ES(C)</u> said that the Customs and Excise Department would examine an application for a licensed warehouse in consultation with the Fire Services Department and the Planning/Lands Departments to ensure that the specified fire safety and land use requirements were satisfied.

14. <u>Mr Kenneth TING</u> asked if the requirements for SIL were readily made known to a prospective applicant. <u>PAS for ES(C)</u> advised that all requirements were open to the public and the Fire Services Department had prepared general guidelines on the basic requirements for storage facilities of dangerous goods. However, in view of the different circumstances involved in each application, particularly the location of the licensed warehouse, it would be very difficult to lay down a set of rigid rules that could be applied to all cases. Interested parties could ask for detailed information from the departments concerned.

15. <u>Mr LI Wah-ming</u> queried whether restrictive practices would be used by oil companies to prevent holders of SIL from obtaining supply of industrial diesel. <u>Mr</u> <u>Robert YOUNG of Shell Hong Kong Ltc. (Shell)</u> replied that such would not be the case as the market was totally open. <u>Mr YUEN Ming-kwong of Caltex Oil Hong Kong Ltd. (Caltex)</u> also said that there was absolutely no barrier to any party interested in obtaining supply. At the Chairman's request, <u>SES</u> agreed to provide additional information on the six holders of SIL including their source of supply, to facilitate members' understanding on whether the industrial diesel market had been monopolized.

(*Post-meeting note*: The requested information was subsequently circulated to members vide LC Paper No. CB(1)1780/99-00(01).)

16. Pointing out that a huge difference of about 150% was consistently maintained between the list price and import price of industrial diesel as shown in the Annex, <u>Mr</u> <u>LI Wah-ming</u> asked whether it could be taken to mean that the oil companies were pocketing unreasonably high profits. His observation was shared by <u>Mr CHAN</u> <u>Kam-lam</u> and <u>Mr HUI Cheung-ching</u> who were concerned about the measures to be taken by the Administration to ensure that the price of industrial diesel was kept at a reasonable level.

In reply, <u>SES</u> reiterated that the Administration shared members' concern about 17. the matter and different measures had been taken to enhance the transparency of the market and ensure that the price level was effectively monitored. He further said that as explained in paragraph 5 of the paper, oil companies would normally offer a discount off the list price and it was the Administration's understanding that such discounts could be very substantial. Given that the retail price quoted by the Association was in the range of \$2/litre and that the import price was \$1.65/litre, he believed that members could draw their own conclusion regarding the price level from the figures presented. Mr Robert YOUNG of Shell agreed that for industrial users, list price was not a very meaningful indicator as the customers were in a strong position to negotiate the contract price with their supplier. If they were not satisfied with the price or the service, they could readily approach other oil companies. In view of keen competition, there were cases where a discount of \$2 per litre was offered by oil companies for customers ordering 100 000 to 200 000 litres. At times when there was a drop in import price, oil companies would offer greater discount to the

customers out of their own accord even though there was no change in the list price. <u>Mr PANG Xiao-fei of Caltex</u> assured members that as an American company governed by the Anti-Trust Law, Caltex did not have any discussion with other oil companies in fixing the price and that there was no monopoly situation in the market. Without disclosing the exact profit margin, he further said that the industrial diesel business in Hong Kong was indeed not very profitable and Caltex maintained its small share of industrial diesel business mainly for the sake of customer relationship.

18. Given the Administration's claim that the market had been closely monitored and the oil companies' statement that the business was not profitable at all, with the textile bleaching and dyeing industry lamenting about the high prices, <u>Mr LUI Mingwah</u> opined that it would be very difficult to get down to the root of the problem. Hence, he suggested that the oil companies be invited to meet with members separately to give information about their profit margins and discount rates. In this regard, <u>Mr YOUNG of Shell</u> said that except for contracts obtained through open tender such as those with the Government for which the tender prices were made known publicly, details of the supply contract were essentially commercially sensitive information which could not be disclosed. However, he assured members that the price of industrial oil in Hong Kong was indeed very competitive compared to those charged in other countries. At the request of Mr Kenneth TING, <u>SES</u> agreed to provide information on the Government contract prices on industrial diesel.

(*Post-meeting note*: The requested information was subsequently circulated to members vide LC Paper No. CB(1)1780/99-00(01).)

19. <u>Mr YOUNG of Shell</u> went on to explain that generally speaking, the profitability of oil companies would depend on the number of large customers they had. Although the profit margin would be higher for small customers, large customers would bring about economies of scale which was essential in bringing down operating cost. Given that the market was so dynamic, oil companies might sometimes sell at a loss to maintain their market share.

## Other concerns

20. Quoting that the price of industrial oil supplied to fishing vessels was about \$360 for 200 litres while the same was sold for about \$280 to vessels smuggling industrial diesel to the Mainland, <u>Mr WONG Yung-kan</u> was concerned that discounts given by oil companies might indirectly encourage such illegal smuggling activities.

21. In response, <u>Mr Andy KU of Shell</u> said that industrial diesel was sold by oil companies to dealers or customers based on market price and all selling price was set by the market since competition was very keen. In addition, <u>Mr YOUNG of Shell</u> advised that due to current market situation, marine business was mostly conducted through dealers. As there was a great demand for industrial diesel for marine use, keen competition was invariably involved. Moreover, speaking in terms of business, although prices did fluctuate, it would be quite unusual to have such a great price

difference on the same day because the buyers would negotiate prices with different oil companies every day and those who charged a higher price would lose out on business. <u>SES</u> also said that the Administration was concerned about the smuggling activites and enforcement action by the Customs and Excise Department and Marine Department had been strengthened.

22. <u>Mrs Miriam LAU</u> asked whether the Administration had any plans to lower the sulphur content of industrial diesel; and if so, what the estimated increase in price would be. In reply, <u>SES</u> advised that the subject matter fell under the purview of the Environment and Food Bureau. <u>Mrs LAU</u> was not satisfied and insisted on a reply to her question. <u>SES</u> responded that the matter was currently being examined by the Administration and he undertook to provide a written response after the meeting. At Mrs LAU's further request, <u>SES</u> also agreed to provide information on the local consumption of industrial diesel and motor diesel in 1999. In supplement, <u>Mr</u> <u>YOUNG of Shell</u> advised that if the sulphur content was to be lowered from the present level of 0.5% to 0.05% as adopted for motor diesel, the price would be increased by 10 cents or so at the most.

(*Post-meeting note*: The requested information was subsequently circulated to members vide LC Paper No. CB(1)1780/99-00(01).)

23. Concluding discussion on the matter, the <u>Chairman</u> suggested that oil companies should consider whether more pricing information could be made available to Members and the public directly in order to improve the transparency of market operations.

## V Aviation safety

(LC Paper No. CB(1)1630/99-00(04) - Information paper provided by the Administration)

24. While relaying the positive comments given by some pilots on the standard of air traffic control (ATC) in Hong Kong, <u>Mr Howard YOUNG</u> asked how the figure of 0.0031%, which was the number of air traffic incidents out of the total number of aircraft movements handled, compared with the international standard. The <u>Director of Civil Aviation (DCA)</u> replied that no such standard was available from the International Civil Aviation Organization or the International Air Transport Association. Moreover, his enquiries with the aviation authorities in neighbouring countries revealed that such statistics on the occurrence of air traffic incidents were often regarded as sensitive information which would not be disclosed.

25. Responding to Mr YOUNG's further question on the reporting of air traffic incidents by pilots, <u>DCA</u> said that apart from statutory requirements on mandatory occurrence reporting applicable to all local pilots and airlines, incidents that foreign pilots reported to their respective regulatory authorities would invariably be referred to the Civil Aviation Department (CAD) for further investigation.

26. In reply to Mr Kenneth TING's enquiry, <u>DCA</u> confirmed that most incidents involving missed approaches were caused by errors attributed to flight crew rather than ATC personnel.

27. Referring to the 28 air traffic incidents recorded since the opening of the Hong Kong International Airport in July 1998 in which 15 were caused by inappropriate directions given by ATC personnel, <u>Mr LI Wah-ming</u> was concerned whether it represented a deterioration in aviation safety standard as compared with the Kai Tak Airport and asked whether there was any difference in the operation of ATC staff in the new airport.

28. In reply, <u>DCA</u> said that there were 9 incidents involving a loss of standard separation in Kai Tak while 13 such incidents were recorded in Chek Lap Kok. He explained that while there was no major difference in the mode and standard of operation of ATC staff in the two airports, account had to be taken for different ATC procedures required for the new airport in Chek Lap Kok given its proximity to neighbouring airports in the Pearl River Delta area. Also, in respect of flight path and ATC arrangements, there were more complicated with the two-runway operation. Given such considerations and the comparatively new operating environment, he was of the view that there was no deterioration in aviation safety standard. However, <u>DCA</u> assured members that CAD was committed to providing ATC services of the highest standard in order to ensure a safe, orderly and expeditious air traffic service, and a reporting mechanism was in place to require ATC staff to report any air traffic incidents even if they were of a minor nature.

29. Responding to further questions from Mr LI and the Chairman, <u>DCA</u> explained that although all the air traffic control officers who had worked in Kai Tak were transferred to the new airport, CAD had to recruit new staff from overseas countries to cope with the increased workload due to increased flight movements and there were currently 96 expatriate staff in the establishment. Thus, there was in fact a relatively higher percentage of new recruits working in a new environment, but that did not mean that the new staff were not up to standard. Of the 13 incidents involving a loss of standard separation, both old and new staff were involved.

30. In this respect, <u>Mr CHEUNG Man-kwong</u> enquired about the work pattern of ATC staff on duty. <u>DCA</u> advised that in their daily operation, individual officers would be responsible for their own area of work, with immediate supervisors rendering help as and when necessary. Thus it would be of utmost importance to have adequate training for ATC staff so that they were competent enough to discharge their duties on their own.

31. <u>Mr CHEUNG</u> was also concerned about the possible serious consequence of collision that might occur had such incidents not been timely rectified and asked whether the rectification measures were manually or systematically triggered off. <u>DCA</u> replied that in cases of Predicted Conflict Alert, a warning would be

automatically given by the radar system to the concerned ATC staff. Moreover, the Traffic Alert and Collision Avoidance System in aircraft would also be activated to alert the pilot. Rectification measures would then be taken accordingly. In this respect, <u>Mr CHEUNG</u> suggested that regular reviews should be conducted to ensure the effectiveness and efficiency of the rectification procedures. While noting the suggestion, <u>DCA</u> assured members that all applicable systems and technologies in relation to surveillance and collision avoidance had been adopted in Hong Kong.

32. <u>SES</u> said that the Administration shared members' concerns on aviation safety and ESB had been monitoring the operation of ATC system. It was satisfied that CAD had adopted a serious and proactive approach in reviewing the air traffic incidents that had occurred and consequent to its investigation, additional measures in areas of staff training, management and supervision, as well as equipment improvement were adopted for the overall enhancement of ATC operations. With a proper system in place, ESB would continue to work closely with CAD to ensure that all necessary steps were taken to minimize the number of air traffic incidents.

## VI An update on Hong Kong International Airport

(LC Paper No. CB(1)1630/99-00(05) - Information paper provided by the Airport Authority)

33. At the invitation of the Chairman, the <u>Chief Executive Officer of the Airport Authority (CEO/AA)</u>, presented members with an update on recent developments as well as important initiatives underway at the Hong Kong International Airport (HKIA), as set out in the paper provided by the Airport Authority (AA) (LC Paper No. CB(1)1630/99-00(05)).

## Airport Operations

34. <u>Mr CHEUNG Man-kwong</u> sought an explanation from AA regarding claims about lax immigration control at HKIA. <u>CEO/AA</u> explained that in cases where a passenger had been refused entry by his destination country and subsequently sent back to Hong Kong, the airline concerned would be required to notify the Immigration Department for necessary follow-up actions. To the best of his knowledge, no reports had ever been received by AA on cases involving non-compliance by airlines. As regards the handling of forged travel documents, the <u>Deputy Secretary for Economic Services (2) (DS for ES(2))</u> advised that press reports on alleged cases were being investigated by the Security Bureau.

35. Responding to Mr CHEUNG's further enquiry about criticisms on airport security, the <u>Deputy Chief Executive Officer of AA</u> replied that there were indeed some shortcomings with the security system on the opening of the airport, which had to be covered by guards at various security posts. However, with the Access Control System becoming fully operational, the manpower initially deployed for the purpose had since then been redeployed to other security roles. Reviews had been carried out

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and AA had all confidence in the effective operation of the system. In supplement,  $\underline{CEO/AA}$  said that according to the United States Government's aviation safety regulatory body, the Federal Aviation Administration, the overall security at HKIA was

## Customer Service

excellent.

Mrs Miriam LAU gladly noted the high overall satisfaction level recorded at the 36. four customer surveys and asked whether commendation letters had been received by CEO/AA replied that about 70 commendation letters were received by AA in AA. March, the majority of which were about the excellent facilities provided in the Passenger Terminal Building (PTB) and the friendly service of airport staff while the design of the PTB was the subject of high praises in the other letters. Responding to Mrs LAU's further enquiry about the areas in which further improvements were necessary from the customer's point of view, CEO/AA said that complaints had been received regarding toilet facilities, the establishment of non-smoking areas, inadequate signage for water fountains and non-provision of free short stay parking. The Chairman also remarked that toilet facilities at the airport still left much to be desired. In reply, <u>CEO/AA</u> assured members that AA would continue to work on those areas so as to provide an even higher standard of service. Regarding the choice, availability and food quality of restaurants in the airport, <u>CEO/AA</u> advised that AA would actively take up the matter with the concerned operators.

37. <u>Mr Kenneth TING</u> pointed out that comments had been made by the tourist industry about the automated people mover (APM) trains failing to provide a speedy transport for passengers from the aircraft gates at the remote end of the concourse to the processing terminal during peak times in the afternoon. <u>CEO/AA</u> replied that notwithstanding the performance target of APM trains operating every four minutes, the service was upgraded to three minutes at peak times. AA had been closely monitoring the situation and as the APM trains were not operating at full capacity at most of the time, consideration was now being given to run the trains in a circular mode to improve efficiency. In the long run, additional train car units might be required in consideration of passenger demand. At the request of the Chairman, <u>CEO/AA</u> undertook to provide details of the measures to be taken by AA in this regard.

38. Responding to Mr Howard YOUNG's enquiry about landscape improvement at HKIA, <u>CEO/AA</u> said that notwithstanding the inherent geographical and operational constraints, every effort had been made to enhance the environment of the airport island. A \$50 million landscape improvement works programme was launched in March 2000 which involved the planting of more than 2 million trees, scrubs and seedlings.

#### Retail and Commercial

39. In reply to the Chairman's enquiry, <u>CEO/AA</u> said that AA would welcome any

<u>Action</u>

proposal from the Hong Kong Aircraft Engineering Company (HAECO) for expanding its aircraft maintenance services in Hong Kong.

40. <u>Mr LI Wah-ming</u> enquired about the variation in the number of Mainland visitors as shown in paragraph 14 and Annex 5 of the paper. <u>CEO/AA</u> clarified that transit passengers were excluded from the breakdown of passengers by market in Annex 5, whereas the figures set out in paragraph 14 of the paper included these passengers, making Mainland China the place from which most visitors originated.

41. Pointing out that Mainland China visitors were also those with the highest average spending on airport shopping and dining, <u>Mr HUI Cheung-ching</u> further asked about the measures to be taken to cater for their needs. <u>CEO/AA</u> responded that AA had kept a close watch on the shopping and dining requirements of the passengers and would continue to review and revise, if necessary, the trade mix at its premium retail and catering complex in the PTB to meet customer expectations and preferences.

## HKIA – Passenger and Air Cargo Hub

42. Referring to the growing popularity of HKIA as a hubbing destination, <u>Mr</u><u>Howard YOUNG</u> enquired about the measures to be taken by AA to facilitate transit passengers. <u>CEO/AA</u> replied that as a first step, AA was planning to carry out, in association with the Hong Kong Tourist Association, a customer survey on transit passengers in order to have a better understanding of the profile and needs of this category of passengers. Afterwards, AA would explore various means to facilitate these passengers, including rationalization and expansion of existing facilities to shorten the transfer time for the passengers, and improvements to commercial facilities in the PTB that could better cater for their needs. Responding to a further enquiry from Mr YOUNG, <u>CEO/AA</u> said that discussions had also been held by AA with airlines to work out ways that could shorten the minimum connecting time required, especially in the handling of luggages.

43. Mr LI Wah-ming enquired about the benefits brought by the recent conclusion of air services arrangement between the Mainland and Hong Kong. In reply, <u>DS for ES(2)</u> said that a major target of the arrangement was to allow equal opportunities for expansion of air services by airlines of the Mainland and Hong Kong and its aviation partners. Following the conclusion of the arrangement, new air links could be developed between Hong Kong and Mainland cities both in terms of the operation of additional flights on existing routes and the introduction of new routes, subject to the expansion plans of the airlines concerned. Apart from increasing passenger traffic, it would also provide more bellyhold capacity for air cargo, thus helping to help attract more air cargo to route through Hong Kong and to further develop Hong Kong into an international and regional air cargo hub.

## VII Any other business

44. Noting that this would be the last Panel meeting attended by Mr Stephen IP as SES, the <u>Chairman</u> thanked Mr IP on behalf of the Panel for his continuous support and contribution to the work of the Panel over the past few years.

45. There being no other business, the meeting ended at 12:45 pm.

Legislative Council Secretariat 6 September 2000