立法會
Legislative Council

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Legislative Council
Panel on Economic Services

Minutes of meeting held on
Monday, 24 January 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 David CHU Yu-lin
Hon LEE Wing-tat
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, JP
Hon MA Fung-kwok
Hon CHEUNG Man-kwong
Hon Christine LOH
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon Howard YOUNG, JP
Hon Mrs Miriam LAU Kin-yee, JP
Hon FUNG Chi-kin

Members absent : Hon Kenneth TING Woo-shou, JP
Dr Hon LUI Ming-wah, JP
Hon HUI Cheung-ching
Dr Hon Philip WONG Yu-hong
Hon WONG Yung-kan
Hon LAU Chin-shek, JP

Public officers Attending : **For Agenda Item IV**

Economic Services Bureau

Ms Maria KWAN, JP
Acting Secretary for Economic Services

Mr Howard LEE
Principal Assistant Secretary for Economic Services (Economic Services)

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

Planning and Lands Bureau

Mr Gary YEUNG
Principal Assistant Secretary for Planning and Lands

Lands Department

Mr J S CORRIGALL
Deputy Director of Lands

Electrical and Mechanical Services Department

Mr S Y WONG
Assistant Director / Gas and General Legislation

Mr Thomas FU
Chief Engineer / Gas Production and Supply

Mr John FLOYD
Chief Engineer / Gas Utilization

For Agenda Item V

Economic Services Bureau

Ms Maria KWAN, JP
Acting Secretary for Economic Services

Mr Arthur HO
Deputy Secretary for Economic Services(2)

Mr Richard LUK
Principal Assistant Secretary
for Economic Services (New Airport)

Civil Aviation Department

Mr Albert LAM
Director of Civil Aviation

Mr R J ADCOCK
Assistant Director of Civil Aviation (Air Services)

Mr Stephen KWOK
Chief Operations Officer (Air Services)

Attendance by Invitation : **For Agenda Item IV**

Consumer Council

Mrs CHAN WONG Shui
Chief Executive

Mr Ron CAMERON
Head of Trade Practices Division

Caltex Oil Hong Kong Limited

Mr Albert KWOK
General Manager - Retail Business Unit

Mr Daniel HWANG
Manager - LPG Marketing, HK/S. China

Shell HK Ltd.

Mr Robert YOUNG
Director

Ms Irene CHAN
Public Affairs Manager

Esso Hong Kong Ltd

Mr Kelly S K LAI
HK Industrial & Wholesale Manager

Miss Grace P N WONG
Public Affairs / A&P Officer

Mobil Oil HK Ltd.

Mr Raymond WONG
Manager - Communications

China Resources Petrochems (Group) Co. Ltd

Mr Frankie BAO
Director, Vice President

Ms Y M WONG
Senior Manager, LPG Business

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

Staff in attendance : Ms Sarah YUEN
Senior Assistant Secretary (1)4

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I Confirmation of minutes and matters arising

LC Paper No. CB(1)845/99-00 - Minutes of meeting held on 8 October 1999

LC Paper No. CB(1)826/99-00 - Minutes of meeting held on 30 November 1999

The minutes of the meetings held on 8 October 1999 and 30 November 1999 were confirmed.

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II Information papers issued since last meeting

LC Paper No. CB(1)710/99-00 -	Updated membership list of the Panel
LC Paper No. CB(1)719/99-00 -	Information paper from the Administration entitled "Tourist District Enhancement - Pilot Scheme in the Central and Western District"
LC Paper No. CB(1)744/99-00 -	A coloured site plan of the "Tourist District Enhancement - Pilot Scheme in the Central and Western District"
LC Paper No. CB(1)781/99-00 -	Information paper from the Administration entitled "Proposed Creation of a Permanent Post of Assistant Director of the Hong Kong Observatory"
LC Paper No. CB(1)819/99-00 -	Information paper from the Administration entitled "West Tuen Mun Port Development Feasibility Study"

2. Members noted the above information papers issued since the last meeting. The Chairman also drew members' attention to the financial proposal in relation to the "West Tuen Mun Port Development Feasibility Study" which would be shortly put to the Public Works Subcommittee for consideration.

3. In response to Mr Howard YOUNG's enquiry as to whether the issue on the allocation of radio spectrum fell within the purview of the Economic Services Panel and whether an information paper could be sought from the Administration, the Chairman advised that the subject matter would be more appropriate to be dealt with by the Information Technology and Broadcasting (ITB) Panel. Mr SIN Chung-kai also advised that an information paper on this subject had been forwarded to the ITB Panel earlier. The Chairman added that if members wished to ask for information on a particular subject under the purview of the Economic Services Bureau, they might convey their requests to the Clerk for follow up.

III Items for discussion at the next meeting scheduled for 28 February 2000

LC Paper No. CB(1)835/99-00(01) -	List of outstanding items
LC Paper No. CB(1)835/99-00(02) -	List of follow-up actions

4. Members agreed to discuss the following items at the meeting scheduled for

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28 February 2000 -

(a) Hong Kong Disneyland;

(b) Interconnection and competition in the electricity supply sector; and

(c) Terminal handling charge.

5. To facilitate monitoring, Mr SIN Chung-kai suggested that the Administration should be requested to highlight milestones or key developments in the Hong Kong Disneyland project and to provide regular progress report having regard to the milestones of the project.

Overseas visits

6. The Chairman reminded members that each year, funds would be earmarked for overseas duty visits by committees. He then invited members to indicate any plan for the Panel to conduct such visits during the remaining months of the current LegCo session (i.e., up to 30 June 2000). In response, Mrs Miriam LAU proposed that consideration could be given to conducting visits in the next term to study overseas logistic centres and ports, including their supporting transport services. Mr David CHU, on the other hand, suggested that members might consider conducting a visit to the Mainland to study the implications of China's accession to the World Trade Organization.

IV Hong Kong Motor Gasoline, Diesel and LPG Markets

LC Paper No. CB(1)835/99-00(03) -	Executive Summary of the findings and recommendations of Consumer Council's Study of Motor Gasoline, Diesel and LPG Markets in Hong Kong
LC Paper No. CB(1)835/99-00(04) -	Information paper provided by the Administration
LC Paper No. CB(1)878/99-00(01)	Further submission from the Consumer Council restricted to members only
LC Paper No. CB(1)878/99-00(02)	Submission from Shell Hong Kong Limited

Meeting with the Consumer Council

7. At the Chairman's invitation, Mrs CHAN WONG Shui of the Consumer

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Council (CC) briefed members on the findings and recommendations of CC's study report on Energizing the Energy Market. Characterizing the captioned markets as oligopolies, the study found the oil products industry to be highly concentrated and largely vertically integrated (import, wholesale and retail by same company), with three oil companies holding over 70% of the piped and wholesale cylinder liquefied petroleum gas (LPG) market, 80% of the diesel market and 90% of the motor gasoline market. The industry was characterized by relatively small total demand for the products under study, limited growth opportunities and barriers to entry such as the need to achieve economies of scale in storage and retail.

8. Mrs CHAN WONG Shui advised members that it was noted in the study report that Hong Kong had one of the highest retail prices in the world for the petroleum products under study. As regards the public's concern over the uniform pump price and the question whether it was the result of industry collusion, given the limitations in data and information collection, the study could find no direct evidence of explicit collusion (i.e. a cartel) among the oil companies in Hong Kong to fix prices. However, even in the absence of a cartel, an oligopoly market could lead to cooperative behavior based on tacit understanding, which might emerge when the few firms in the market recognized their mutual interdependence and realized that it was not in their interests to constantly drive prices down to marginal cost levels. A typical characteristic of an oligopoly market could be that prices were uniform and above their competitive levels. In the case of Hong Kong, she had observed price discounts based on loyalty schemes. However, there was no guarantee that these forms of competition would be strong or would indeed persist.

9. Mrs CHAN WONG Shui advised that in the report, CC had put forward recommendations to bring about changes in the structure of the market and the conduct of market participants. They focused on three objectives:

(a) encouraging entry by new operators, through addressing issues relating to site retailing and storage which affected wholesale supply;

(b) inducing price competition, through the provision of more information to consumers and by changing the retail environment; and

(c) improving government oversight, through a more focussed approach in devising a long term strategy, and better coordination with regard to regulatory and policy activities.

10. Mrs CHAN WONG Shui briefly introduced the 11 recommendations as contained in the report. The Chairman also referred members to the study report for details of the recommendations.

11. Mr Howard YOUNG enquired whether CC had examined if the octane level of gasoline in Hong Kong was higher than necessary so as to justify a higher price of gas products. He also highlighted the lack of octane level indication for Hong Kong's

gasoline. In response, Mrs CHAN WONG Shui reported that CC had not conducted any study on the relationship between the actual vehicle requirement and the octane level of gasoline in Hong Kong. However, it had conducted studies to ascertain if the octane levels claimed for different petrol products were accurate and whether they contained any carcinogens.

12. In response to the Deputy Chairman's comment that the present tendering system for filling stations favoured large oil companies, Mrs CHAN WONG Shui pointed out that should there be an Energy Commission, the situation would improve. She also stressed the importance of price information boards in promoting competition.

Meeting with oil companies

Pricing of motor gasoline and diesel

13. Mr Robert YOUNG of Shell Hong Kong Limited (Shell) said that Shell had issued a press release earlier, setting out the company's stance on CC's report and the 11 specific recommendations made therein. As such, he would not repeat the same at the meeting. He, however, said that the retail prices of oil products in Hong Kong were not high as compared with other overseas countries. He pointed out that the Study had been based on 1998 figures and could not reflect the latest situation. Further, it was not appropriate to use the pump prices instead of the discounted prices as the basis for comparison. Owing to the keen competition among petrol station operators, various forms of price discounts, promotions, product differentiation and other special offers were offered. Finally, fuel duty, land cost, set-up and operating costs together represented a high proportion of the total retail price. Whilst Shell had always supported the principles of free market economy and competition, it had reservations on some of the recommendations put forward by CC, especially the one on scrutinizing site ownership. He further stressed that having regard to the great increase in fuel import price in 1999, Shell's pump price was already very competitive, and hence, savings arising from stopping the practice of giving away "free" tissues and bottled water could not lead to reductions in pump price. Instead, he urged the Government to reduce Government duty by stages to enable oil companies to reduce the retail price and narrow the price difference between Hong Kong and Guangdong Province.

14. Noting from CC's report that discounts off the pump price were significantly greater than they appeared and a significant portion of unit cost would seem to be either used up in promotional cost, Mrs Miriam LAU urged oil companies to adjust their prices downwards to directly benefit consumers instead of offering discounts which could be stopped at any time. In response, Mr Albert KWOK of Caltex Oil Hong Kong Limited (Caltex) stressed that Caltex's prices were already very competitive and could hardly be reduced further. In fact, although crude price had tripled over the past 14 months, Caltex had refrained from increasing pump prices. Mr Frankie BAO of China Resources Petrochems (Group) Co. Ltd. (China Resources), on

the other hand, stressed that China Resources had all along been able to offer competitive prices to consumers and would reduce its pump prices as soon as cost went down. Mr Robert YOUNG of Shell pointed out that the promotional costs already represented that part of the profits foregone by the oil companies in relation to the implementation of promotional giveaways as part of the overall competition strategy of individual companies and they could not be saved to bring about further price reductions as suggested by Mrs LAU.

Transparency

15. The Deputy Chairman considered Shell's comments that CC had failed to present the true picture of the components of retail prices of unleaded petrol and diesel unfair as CC did not have access to all the information required for a comprehensive assessment of the pricing of oil products. In this regard, Mr LEE Wing-tat opined that legislative amendments should be introduced to empower CC and the Economic Services Bureau (ESB) to examine the accounts of oil companies in determining whether their prices were reasonable. In response, Mr Robert YOUNG of Shell stressed that Shell had never in the past year refused to provide any information requested by the ESB. However, it had requested ESB not to disclose any commercially sensitive information to any third parties. Mr Albert KWOK of Caltex also confirmed Caltex’s willingness to co-operate in this regard. Mr Raymond WONG of Mobil Oil HK Ltd. (Mobil) confirmed the same but stressed that confidential commercial information provided should not be released to the public.

16. At Mrs Miriam LAU's request to respond to CC's recommendation on displaying price information boards at filling sites for easy viewing and comparison by consumers, Mr Albert KWOK of Caltex pointed out that at present, oil prices were already clearly indicated on the filling machines but he undertook to actively consider the proposal put forward by Mrs LAU.

Other concerns

17. In reply to Mr Howard YOUNG on the need for high octane gasoline in Hong Kong, Mr Robert YOUNG of Shell explained that the octane levels of petrol products adopted in the market were indeed consumer-driven and motorists in Hong Kong preferred higher octane rating for petrol as clearly demonstrated in Shell's launch of unleaded petrol (ULP) back in 1991. Members noted that when Shell first introduced 95 octane ULP in April 1991, the initial penetration rate was not high. However, when 98 octane ULP was launched in August 1991, the penetration rate quickly increased to over 60%. Mr Robert YOUNG further pointed out that during the first few weeks after 98 octane ULP had been introduced, 95 octane ULP was still available on the market and its supply was only stopped when demand failed to sustain an economy operation. As such, consumers were at liberty to choose petrol products with different octane levels and in response to market needs, oil companies took the corresponding actions accordingly.

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LPG

18. Pointing out that LPG was not subject to any duty, the Deputy Chairman questioned why retail price of LPG was still higher than that in many places. In response, Mr Daniel HWANG of Caltex explained that the cost of delivering LPG to end users was very high because LPG business was labour intensive and safety oriented, especially as Hong Kong's safety standards were more stringent than those of other places. Apart from the oil companies' costs, there was also a need to take into account the operating costs such as rentals incurred by independent dealers (or distributors) in the delivery process.

Meeting with the Administration

19. The Acting Secretary for Economic Services (SES(Atg)) briefed members on the Government's stance in relation to the findings and recommendations of the study. She said that the Administration welcomed the study report issued by CC and would follow up on the recommendations identified therein in collaboration with parties concerned including oil companies.

Improving Government oversight

20. Mr CHAN Kam-lam expressed appreciation for the study conducted by CC. He said that having regard to the existing market structure, there was a need for the Administration to play a greater role in controlling petrol prices with a view to safeguarding consumer interest. He also remarked that the Competition Subcommittee under the Energy Advisory Committee as suggested by the Administration was not effective in undertaking the various competitive safeguard tasks as it did not possess the necessary authority. Rather, the Administration should seriously consider CC's proposal on the creation of an Energy Commission to discharge the related tasks.

21. In response, SES(Atg) pointed out that the setting up of the proposed subcommittee would be the quickest way to provide a forum for more focused discussion on competition-related issues in the energy sector with participation of relevant Government bureaux and departments and the Consumer Council. Oil companies would also be invited to attend meetings as and when required. On the proposed establishment of an Energy Commission, she said that according to overseas experience, an Energy Commission would assume greater responsibility rather than simply taking up the various competitive safeguard tasks. It would look into the safety and reliability aspects of the energy market. In taking forward the findings of the Study on Interconnection and Competition in the Electricity Supply Sector in Hong Kong, the Administration would consider whether market and other regulatory changes would be necessary.

22. Mr CHAN Kam-lam was not satisfied with the Administration's reply. On behalf of the Democratic Alliance for Betterment of Hong Kong, he stressed that in

view of the present market structure, self regulation by oil companies was not effective in lowering petrol prices. As such, the Government should set up a statutory Energy Commission to keep the prices of not only petrol but also other forms of energies at a reasonable level so as to safeguard consumer interest. In response, SES(Atg) emphasized that the Government had already made efforts to enhance competition and transparency in the fuel market. For example, it had conducted a cost and price analysis of LPG and other major fuels and released the report last year. In fact, as a result of such efforts, some oil companies had already introduced their own price review mechanism and increased transparency in price adjustments. She further assured members that the Administration would follow up with oil companies and seek further information from them so as to assess their profitability and to enhance the transparency of their operation.

23. Mr CHEUNG Man-kwong stressed the need for a statutory mechanism such as the creation of a Competition Authority to obviate the need for the SES's direct involvement to keep petrol prices reasonable every now and then. In response, SES(Atg) pointed out that the Trade and Industry Bureau had in previous occasion explained the Government's stance on the establishment of a Competition Authority and she would not repeat the arguments at the meeting. She, however, assured members that the Administration would actively follow up on the CC Report's recommendations and would continue to work closely with CC to urge oil companies to enhance transparency by disclosing more information about their operations, costs and profit. She also clarified that although frequent dialogue had been kept up with oil companies, it could not be said that there was intervention by the Administration.

24. Mr CHEUNG Man-kwong and Mr LEE Wing-tat questioned the effectiveness of the proposed subcommittee, and asked if it had the statutory power to conduct hearings, demand oil companies to provide all information it required, including confidential financial data, to determine whether their prices were reasonable and that there was no collusion among them to fix prices. SES(Atg) replied that the oil companies had been co-operative in providing cost and pricing information to the Administration but they were following up with the oil companies on information on Return on Assets and Return on Equity. She also assured members that although the Administration had yet to finalize the terms of reference of the proposed subcommittee, which was in essence an advisory body, the subcommittee would definitely discuss follow-up action regarding the CC Report.

25. In reply to the Chairman as to why the Administration had no plan to include representatives of oil companies in the proposed subcommittee, SES(Atg) advised that the subcommittee would discuss competition issues relating not only to the gasoline market but the energy market as a whole. As such, representatives of oil companies would only be invited to attend meeting on a need basis.

Enhancing transparency

26. Mr SIN Chung-kai questioned the different conclusions drawn by the SES and

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the oil companies on whether there was scope for reductions in oil price. In response, SES(Atg) advised that the Administration was still following up with the oil companies regarding their profit rates. In response to Mr SIN on whether the Administration had been too quick in drawing the above conclusion in the absence of such important data, SES(Atg) said that the information provided by the oil companies in the past had enabled the Administration to carry out a cost analysis on their operation, the result of which had been made public in April last year.

27. Commenting on Mr LEE Wing-tat's proposal to introduce legislation to empower CC and ESB to seek the necessary information from oil companies to facilitate their assessment on whether the prices of oil products were reasonable, SES(Atg) said that if necessary the Administration would not preclude consideration of all possible means to enhance the transparency of the pricing policies of oil companies and was presently following up the issue with them. In reply to the Chairman, SES(Ag) also confirmed that apart from confidential commercial information of individual oil companies that CC did not want, ESB had passed all information from the oil companies in an aggregated form to CC to facilitate its work.

28. Mr LEE Wing-tat was not satisfied with the Administration's reply. He opined that even though ESB had obtained the financial data from the oil companies, it failed to conduct an in-depth study as the one prepared by CC. Given the circumstances, there was a need to introduce legislative amendments to empower CC to request all the necessary information, including those confidential, from the oil companies to facilitate its work. In response, SES(Atg) stressed that ESB had been analyzing in detail all the information it received and had actually reported the results to the Panel in April 1999 and released them to the public. In fact, CC had also used the results as the basis of the study. On Mr LEE's proposal, the Chairman remarked that members might have divergent views over the proposal.

Encouraging entry by new operators

29. The Chairman invited the Administration to comment on the Study's finding that three oil companies were holding over 70% of the piped and wholesale cylinder LPG market, 80% of the diesel market and 90% of the motor gasoline market, and to elaborate on ways to improve the situation by encouraging entry by new operators. In response, SES(Atg) pointed out that her bureau felt that there should be more flexibility in making available filling station sites to facilitate market entry, and the matter was currently under consideration by the concerned Government bureaux.

30. The Deputy Chairman opined that under the existing tendering systems, the party who offered the highest bid would obtain the development rights of a petrol station. To this end, large oil companies would be in a better position to monopolize the development rights of strategic sites in urban areas which, in turn, would affect competition amongst oil companies. In response, SES(Atg) advised that the Administration was already considering proposals to make available more sites for filling stations. The Principal Assistant Secretary for Planning and Lands (PAS/PL)

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elaborated that the Administration was actively considering CC's proposal to remove the import licence and supply contract restriction on bidders for petrol filling sites (PFS). Moreover, apart from bidding for Government sites, land owners could apply for lease modification to change their land to PFS use if they could meet the relevant requirements such as approval of the Town Planning Board, fire and traffic safety provisions, etc. At the Chairman's request, he agreed to provide after the meeting the success rate of such applications for the past six months.

31. Some members enquired the Administration's stance on the proposal to award priority to operators who could offer competitive retail oil prices. The Chairman also remarked that the Administration could consider other means to facilitate new entry as in the case of the LPG where sites could be awarded to whichever tenderer offering the best scheme for providing LPG facilities at nil premium. PAS/PL said that care had to be exercised in considering this proposal in view of its wide implications on the market. Moreover, the proposal would also have implications on Government revenue and other policy areas. It should be examined thoroughly in collaboration with the relevant bureaux. SES(Atg) echoed his views and said that the Administration would consider the feasibility of the proposals raised by members carefully at the proposed subcommittee.

V Insurance requirements in respect of civil aircraft in Hong Kong

LC Paper No. CB(1)835/99-00(05) - Information paper provided by the Administration

32. The Director of Civil Aviation (D of CA) briefed members on the Administration's paper on its proposal regarding insurance requirements for civil aircraft and other flying machines or equipment operating in Hong Kong.

33. Responding to the Chairman's enquiry about the Administration's claim that there was no definition for "third party" in any of Hong Kong's statutes which contained provisions about third party insurance requirement, the Chief Operations Officer (Air Services), Civil Aviation Department (COO/CAD) advised that the Department of Justice had advised that it was difficult to define the term "third party" and that no specific provision had been provided for in the international agreements in respect of international carriage (ie. the Warsaw System and the Montreal Convention) in relation to third party insurance. However, in accordance with prevailing practice in aviation insurance, the term "aircraft third party" might include or exclude passengers or property inside an aircraft. To avoid ambiguity and to provide greater protection for passengers, the Administration had decided to include passengers in the required items in respect of which aircraft should have a combined single limit (CSL) insurance cover for liabilities.

34. Noting that owners of private light aircraft had expressed concern about the high level of insurance requirement, Mr CHAN Kam-lam asked whether the

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Administration had consulted them before finalizing the present proposal. D of CA advised that the concerned parties had been consulted through the Hong Kong Aviation Club and they considered the proposal acceptable. As to whether owners of private light aircraft could choose to exclude some non-essential items in the CSL liabilities with a view to reducing insurance premium, D of CA said that the annual insurance premium to this effect would not be high, and hence, the Administration considered no such need to adopt the proposal.

35. In reply to Mrs Miriam LAU on why the Administration did not require aviation insurance to cover liability for damage caused by delay according to the Montreal Convention, D of CA put forward the following reasons. Firstly, the Convention had yet to be ratified by the different signatory countries. Secondly, having regard that the costs for compensating passengers for delays were limited, airlines were already absorbing such costs as part of their operating costs. Thirdly, if liabilities for delay were to be included in the CSL, the insurance premium might be significantly increased. Fourthly, such liability should not be a high profile exposure of a carrier and the Administration was not aware of any aviation authorities in the world that required carriers to have insurance cover for this item. He however assured members that taking into account the progress of the ratification of the Montreal Convention, the need for including liability for damage caused by delay would be reviewed later.

36. At Mrs Miriam LAU's request for details about the Montreal Convention, COO/CAD elaborated that presently airlines' liabilities in respect of international carriage were governed by a group of international agreements known as "the Warsaw System" including the Warsaw Convention signed in 1929 and the Hague Protocol signed in 1955. As the above agreements were signed many years ago, the compensation amounts specified by them fell far short of meeting the present need. A new international convention, the Convention for the Unification of Certain Rules for International Carriage by Air (commonly know as the Montreal Convention) aiming to modernize the Warsaw System was thus concluded in May 1999, raising significantly the compensation for passengers. However, of the 53 signatories (as far as it was know to date), no countries had yet ratified it. As the Convention needed at least 30 states to ratify it before it could come into force, it was still not effective yet. As to whether the signatories could opt to abide by only part of the Convention, COO/CAD said that this was not allowed except for non-commercial carriage by a state or carriage for military authorities.

37. The Deputy Chairman referred to the table entitled "Amount of Aviation Insurance Cover Required" and sought clarification on why the aviation insurance cover required by Hong Kong amounting to some US $1,000 million was much higher than those in other places. In reply, COO/CAD said that the figures for the four places other than Hong Kong only referred to the amount of insurance cover required for third party (or public liability in the case of Canada) and passenger liabilities, whereas Hong Kong's figure included the portion for cargo, mail and baggage as well. Moreover, the amount was set in 1996 when Kai Tak Airport posing greater hazards to

aviation was still in use. The Deputy Chairman urged the Administration to review the amount having regard that the airport had already been moved to Chek Lap Kok which was comparatively much safer. In reply, D of CA said that in setting the amount, reference had also been made to the total claims settled for air accidents, which indicated a need for such a high amount to cover compensation costs.

38. Addressing the Chairman's concern that the cost of taking out such a high insurance cover might be transferred to passengers in the form of air fare increases, the Deputy Secretary for Economic Services explained that to maintain adequate insurance covering their liabilities, in general the airlines themselves were already taking out an amount of aviation insurance cover higher than the minimum required by individual countries. Further, their insurance coverage would normally be applied worldwide and hence, passengers flying to and from Hong Kong were not expected to bear extra costs in this regard.

39. In closing the discussion, the Chairman concluded that the Panel supported the proposed aviation insurance requirements.

VI Any other business

40. There being no other business, the meeting ended at 12:35 p.m.

Legislative Council Secretariat
25 February 2000