

立法會
Legislative Council

LC Paper No. CB(1)1218/99-00
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Legislative Council
Panel on Economic Services

Minutes of meeting held on
Monday, 28 February 2000, at 9:30 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 David CHU Yu-lin
Hon LEE Wing-tat
Hon Eric LI Ka-cheung, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon Christine LOH
Hon CHAN Kam-lam
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon Mrs Miriam LAU Kin-yee, JP

Non-Panel members attending : Hon LEE Kai-ming, SBS, JP
Hon NG Leung-sing
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon Emily LAU Wai-hing, JP

Members absent : Dr Hon David LI Kwok-po, JP
Dr Hon LUI Ming-wah, JP
Hon MA Fung-kwok
Hon WONG Yung-kan
Hon FUNG Chi-kin

**Public officers
Attending**

: For Agenda Item IV

Economic Services Bureau

Mr Stephen S K IP, JP
Secretary for Economic Services

Mr M J T ROWSE, JP
Commissioner for Tourism

Mr Arthur HO, JP
Deputy Secretary for Economic Services (2)

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

Mr Roger TUPPER
Principal Assistant Secretary for Economic Services

Civil Aviation Department

Mr Alex AU
Deputy Director of Civil Aviation

Marine Department

Mr Y K LEE
Assistant Director of Marine

For Agenda Item V

Economic Services Bureau

Mr Stephen S K IP, JP
Secretary for Economic Services

Ms Maria KWAN, JP
Deputy Secretary for Economic Services

Mr Eric JOHNSON
Principal Assistant Secretary for Economic Services

Electrical and Mechanical Services Department

Mr LEUNG Cham-tim, JP
Director of Electrical and Mechanical Services

Mr Stephen H C CHAN
Chief Electrical and Mechanical Engineer

For Agenda Item VI

Economic Services Bureau

Mr Stephen S K IP, JP
Secretary for Economic Services

Mr Alex FONG, JP
Deputy Secretary for Economic Services

Mr Roger TUPPER
Principal Assistant Secretary for Economic Services

**Attendance by
Invitation**

: For Agenda Item VI

Mr Jeffrey LAM
Vice Chairman of Hong Kong Shippers' Council

Mr Sunny HO
Executive Director of Hong Kong Shippers' Council

Mr Albert A PIERCE
Executive Director of Transpacific Stabilization Agreement

Mr Robert DOWSE
Secretary of Far Eastern Freight Conference

Mr Melvin TAN
Regional Manager of Far Eastern Freight Conference

Mr Roberto GIANNETTA
Representative of Intra Asia Discussion Agreement
& Hong Kong Liner Shipping Association

Mr Sean KELLY
Deputy Managing Director of Modern Terminals Limited

Mr Alan LEE
Managing Director of Sea-Land Orient Terminals Ltd

Ms HAI Chi-yuet
Director/General Manager of COSCO-HIT Terminals
(Hong Kong) Ltd

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

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

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I Confirmation of minutes and matters arising

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| (LC Paper No. CB(1)942/99-00 | - Minutes of special meeting held on 11 November 1999; |
| LC Paper No. CB(1)1006/99-00 | - Minutes of meeting held on 20 December 1999; and |
| LC Paper No. CB(1)1055/99-00 | - Minutes of meeting held on 24 January 2000) |

The minutes of meetings held on 11 November 1999, 20 December 1999 and 24 January 2000 were confirmed.

II Information papers issued since last meeting

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| (LC Paper No. CB(1)1013/99-00 | - Tables and graphs showing the import and retail prices of major oil products from December 1997 to November 1999; and |
| LC Paper No. CB(1)1047/99-00 | - Tables and graphs showing the import and retail prices of major oil products from November 1997 to October 1999) |

2. Members noted the above information papers issued since last meeting. As a related matter, the Chairman advised that it was an existing practice for the Administration to provide information papers on all financial and legislative proposals before they were formally introduced into the Council for Members' consideration. He however opined that formal consultation with the Panel should not be regarded to have taken place by the mere circulation of information papers. He considered that if a funding or legislative proposal had important policy implications, the Administration should plan ahead and ask for the items to be discussed by the Panel in order to gauge

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Panel members' views.

III Items for discussion at the next meeting scheduled for 27 March 2000

(LC Paper No. CB(1)1054/99-00(01) - List of outstanding items; and
LC Paper No. CB(1)1054/99-00(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting:

- (a) Development of logistic management centres in Hong Kong; and
- (b) Prohibition on the use of flueless gas water heater.

IV Hong Kong Disneyland

4. Members noted that in connection with the discussion of the Hong Kong Disneyland (HKD) project, the Administration had put forward three separate discussion papers for members' consideration. They agreed to deal with the papers one by one.

Progress update on Hong Kong Disneyland

(LC Paper No. CB(1)1054/99-00(03))

5. At the invitation of the Chairman, the Commissioner for Tourism (CT) briefed members on the progress of the HKD project as set out in LC Paper No. CB(1)1054/99-00(03) provided by the Administration.

6. With regard to future reporting to the Panel, CT said that the Administration aimed at submitting at least two progress reports to the Panel annually, and if there was any requests for more frequent reporting, an update of the latest position could be provided. Citing paragraph 3(b) of the paper which stated that procedures under the relevant legislation would have to be completed by 30 April 2000 which was only a couple of months away, the Chairman remarked that more frequent reports to the Panel might be necessary at the initial stage of implementation, say within the first one or two years, because many key tasks would have to be accomplished within tight target milestone dates.

7. In response, CT provided further information on the three statutory processes that had to be completed before the reclamation contract could be awarded. The first process, which was being dealt with by the Town Planning Board, involved the gazetting of the project and the dealing of objections under the Town Planning Ordinance (Cap. 131). The second process related to the procedures under the Foreshore and Sea-Bed (Reclamations) Ordinance (Cap. 127) and relevant notices were also being gazetted. The third process covered the various procedures under the Environmental Impact Assessment Ordinance (Cap. 499).

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8. On the final process relating to the various procedures under the Environmental Impact Assessment Ordinance (Cap. 499), Ms Emily LAU enquired about the progress of the Environmental Impact Assessment (EIA) Study of the project. CT replied that two EIA reports would be submitted for the purpose. One report was specifically prepared for the HKD development and the other one was for the overall development of the Northeast Lantau. Both reports would be submitted to the Director of Environmental Protection within the week, and subject to his approval, published in March 2000 for public consultation. The Advisory Council on the Environment (ACE) had also scheduled a series of meetings in April 2000 to examine the reports.

9. In view of the tight schedule of project works and the complexity of the reports, Ms Emily LAU suggested and members agreed that the item on "Hong Kong Disneyland" be included in the agenda for the next meeting in March for a preliminary discussion on the forthcoming EIA reports. Representatives of the Hong Kong International Theme Parks Limited (HKITP) and ACE would also be invited to attend the meeting.

10. Responding to Ms Emily LAU's questions about the composition and operation of the Project Steering Committee (PSC) chaired by the Financial Secretary (FS) to oversee the development of the HKD project, CT advised that the membership of PSC was entirely official, including the Secretary for Economic Services (SES), the Secretary for the Treasury and the Secretary for Works. Apart from the Administration, representatives of the HKITP would be invited to join the discussion as and when required.

11. Ms Emily LAU queried the reason for excluding the Secretary for the Environment and Food (SEF) from the PSC. She pointed out that ad hoc attendance and representation by officials from the Environment and Food Bureau (EFB) were neither desirable nor appropriate, as it might give the public a wrong impression that environmental concerns created by the project were not properly addressed in the context of PSC. She urged the Administration to reconsider its decision of not including SEF as a member.

Admin. 12. While agreeing to consider Ms LAU's views, SES assured members that whenever issues relating to the environment were discussed by PSC, attendance by representatives of EFB, as well as the Environmental Protection Department would be invited.

13. Citing press reports about difficulties encountered by the Government in resuming land occupied by a shipyard and toxic paints being dumped on the site, Mr Howard YOUNG enquired about the possible effects this matter had on the project. CT replied that there were two different aspects involved in the Cheoy Lee Shipyard. The first one was about its decommissioning which was a scheduled activity under the Environmental Impact Assessment Ordinance (Cap. 499), and it would involve a separate EIA study in due course, specifically for examining the environmental

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contamination resulted from the shipyard's activities. Informal discussions were being held for an early access to the site in order to begin the investigation and ascertain the clean-up measures to be taken. The second aspect was on the resumption of the land itself to make way for the access roads, the access railway and various public facilities in the vicinity of HKD, such as the water recreation centre which was planned for the area. The land resumption exercise involved three separate ordinances. Procedures under the Roads (Works, Use and Compensation) Ordinance (Cap. 370) and the Railways Ordinance (Cap. 519) would have to be completed first, because if there were successful objections, the alignment of the access roads and railway could still be amended to some extent. After that process, the area to be covered by the water recreation centre and its layout could be finalized, and the remaining land would be resumed under the Lands Resumption Ordinance (Cap. 124). CT added that the Administration was examining a number of ways to make sure that the overall project would not be delayed. Since the later milestone dates had yet to be set, the Government was not at risk contractually.

14. On Mr YOUNG's further question about the time frame for the whole exercise outlined above, CT said that in terms of early access for investigation of the environmental problems that might exist, it should be done as soon as possible. However, the progress would depend on goodwill and various contacts between the government officials concerned and the management of the shipyard. As regards the resumption of the land involved, notwithstanding the statutory processes required under the three ordinances, it might be possible to arrange for voluntary surrender of the entire site in return for compensation which would have been payable had all the statutory processes been successful, and there were procedures and precedents for this.

15. The Chairman was also concerned about the possible slippage of the HKD project due to the hiccups encountered in the course of land resumption and asked whether the tenancy of the shipyard was about to expire. CT said that the position with Cheoy Lee Shipyard was quite complicated because the land was owned by a holding company jointly owned by two relatives, while the operator of the shipyard was actually a separate entity. Hence, three significant parties were involved. There was another area of complication because the site was previously gazetted and approved for reclamation for the purpose of container terminals, and the legal rights to marine access had already been extinguished. Negotiations had in fact begun with the owner and the operator for relocation to another place. CT further advised that although the Cheoy Lee Shipyard did present some difficulties, the Administration's programme could cope with the most complicated line of approach.

16. Raising his concern about the tight schedule in the invitation of tenders and award of contract for reclamation works, Mr CHAN Kam-lam asked whether the tender price would go up as a result. CT explained that the tendering process was more or less in accordance with the normal time scale. For the contract itself, the pre-qualification exercise had already been completed. A number of international consortia comprising contractors from all over the world such as Belgium, the Netherlands and the Mainland, including their local partners had been pre-qualified.

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With the existence of a larger number of well-qualified consortia to bid for the work, it was envisaged that the tender price would be reasonable.

17. Mr CHAN further asked if sufficient lead time was allowed for subsequent works so that claims for compensation arising out of the late handover of the site as in the case of the Chek Lap Kok Airport could be avoided. In reply, CT advised that the contracts for those works had yet to be invited. By the time tenders were invited, the reclamation work would be well in progress, giving a good idea of the likely completion time.

Air Intrusion Limitation Zone over HKD
(LC Paper No. CB(1)1054/99-00(04))

18. The Deputy Secretary for Economic Services (2) (DS/ES(2)) briefed members on the second paper which set out the Government's plan to establish an Air Intrusion Limitation Zone (AILZ) over HKD.

19. Considering that similar requests might be made by operators of other tourist attractions, Mr CHAN Kam-lam enquired about the policy considerations involved in acceding to request of The Walt Disney Company (WD) for the establishment of AILZ. In response, CT advised that there were two considerations. The first one was to ensure public safety generally which called for the regulation of flights at low height over HKD where a very large concentration of visitors was expected. The second consideration was specific to the particular circumstances of a Disneyland theme park which relied heavily on an aura of fantasy and distance from reality. This consideration would not apply as much for other entertainment events. CT stressed that in the present case, Penny's Bay was a unique location that met a rather special requirement and it was chosen because visitors could enjoy the magic of being away from the real world while at the same time, be close to mass transportation.

20. The Deputy Director of Civil Aviation (DD/CA) confirmed that there were precedent cases in the past where similar zones were established over rock blasting sites or locations with special satellite communication installations.

21. With regard to the north-west boundary of the proposed AILZ in Yam O, Mr YOUNG further asked whether flying operations in relation to surveillance of traffic conditions and hill fires, as well as search operations for lost hikers were prohibited. DD/CA replied that flying activities for traffic monitoring could be conducted along the northern coast of Lantau. CT supplemented that if there was persistent and serious traffic congestion in the area, static cameras would be installed for permanent monitoring. Other flying operations referred to would be covered under paragraph 6(b) of the paper which stated that "any aircraft flying for the purpose of life-saving, casualty evacuation, fire-fighting and prevention and police operations" would be excluded from the prohibition. In essence, any aircraft on essential duties would be automatically exempted.

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22. The Deputy Chairman enquired about the rationale for setting the flying restriction level at an altitude of 4 000 feet AMSL (above mean sea level) or above, and whether such prohibition meant that civil aviation aircraft would not normally fly at this altitude or below in the proposed AILZ. DD/CA explained that in terms of civil aviation, none of the approach/departure flight paths to/from the Hong Kong International Airport (HKIA) had nominal tracks directly over the site. The restriction level at 4 000 feet AMSL was primarily set to restrict flying activities of light aircraft, helicopters, balloons etc. which seldom flew above this altitude. CT added that one of the great advantages of Penny's Bay was that aircraft arriving at or taking off from HKIA would not normally fly anywhere near the area, as the normal flight paths were to the east and west of it. As pointed out in the paper, aircraft flying under the authority of the Director of Civil Aviation in accordance with his flight plans were excluded.

23. Acknowledging the concerns raised, SES assured members that specific permission could be granted by the Director of Civil Aviation as and when required by public interest, and operations at HKIA would not be affected. The proposal would mainly affect a small number of private light aircraft in Hong Kong, and the Hong Kong Aviation Club had been consulted through the Aviation Advisory Board.

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24. Notwithstanding the exemption granted to military aircraft operated by the Garrison, Mr NG Leung-sing opined that the Administration should take the initiative to inform the Garrison about the establishment of the proposed AILZ. DD/CA undertook to inform the Garrison in due course.

Prohibited Anchorage in the waters south of HKD
(LC Paper No. CB(1)1054/99-00(05))

25. The Assistant Director of Marine (AD/Marine) highlighted the salient points of the third paper on the proposal to establish a Prohibited Anchorage Area (PAA) seaward of the Penny's Bay Reclamation.

26. In response to Mrs Miriam LAU, CT advised that examples under the category of "bona fide purpose" would include vessels used by the power companies or telephone companies to lay cables under water. As there might be other situations not envisaged at the moment, an escape clause was necessary to cater for any legitimate claims from parties concerned.

27. Mrs LAU, the Chairman, the Deputy Chairman and Mr CHEUNG Man-kwong all expressed dissatisfaction about the proposed PAA.

28. Mrs LAU queried whether the total ban was too stringent because all vessels were effectively prohibited from approaching the area for fireworks display in HKD at night. Moreover, she was worried that as fishing vessels were not affected and would be allowed to fish within the PAA, they might be adapted to take advantage of the exemption given. In reply, CT emphasized that all vessels would have the right of

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innocent passage through the waters covered by the proposed PAA at all times. Prohibition was for anchorage which the Director of Marine saw as a potential problem at certain times. AD/Marine added that any adapted fishing vessels could be prosecuted under the Shipping and Port Control Ordinance (Cap. 313).

29. SES reiterated that the restriction on anchorage was necessary to, inter alia, ensure public safety and effective control of marine traffic because with the opening of Phase I of HKD, a large number of vessels would be passing through the proposed PAA to embark and disembark visitors at the public pier. Without the prohibition, anchored vessels would pose danger to those vessels on transit, as well as ferries serving the theme park.

30. Disputing the effectiveness of the present proposal in achieving the intended objectives, Mrs LAU opined that it would only serve to make the vessels go slow and create more congestion. The Chairman shared her concern and added that those vessels waiting to pick up passengers would be forced to circle the area, thereby creating noise and air pollution. Mrs LAU suggested that a quota system be adopted to limit the number of vessels anchored in the area every night when the fireworks display was on. In response, AD/Marine said that a moving vessel would not pose much threat to other vessels. If danger was posed by vessels circling the area, enforcement actions would be taken by marine patrolling teams.

31. The Chairman was concerned about the wide coverage of PAA, as well as the practical difficulties involved in enforcing the restriction on anchorage without a corresponding prohibition on the right to transit. AD/Marine said that the extent of PAA was determined with reference to experiences gained from the Lunar New Year fireworks displays in the Victoria Harbour, which had already been designated as a PAA. When the proposed PAA was established, its boundaries would be clearly marked on the sea chart.

32. Referring to paragraph 3 of the paper which cited the upsurge of vessels wishing to anchor in the area during fireworks displays as the main reason for the prohibition, the Chairman and the Deputy Chairman queried whether part-time prohibition would suffice. In reply, CT said that during the day, there was already a lot of traffic to/from the Discovery Bay and after HKD opened, many vessels would make use of the public pier. If a large number of vessels was allowed to anchor there, marine traffic and fishing activities would be disrupted. In addition, AD/Marine advised that the establishment of PAA was in line with regulation 41 of the Shipping and Port Control Regulations (Cap. 313, sub. leg.) which provided that a vessel should not anchor at any place in a port other than those areas designated by the Director of Marine for the purpose of anchorage. The Deputy Chairman remarked that he found the matter all too confusing as the Administration had failed to mention such essential information in its paper.

33. Responding to Mr CHAN Kam-lam's question, AD/Marine advised that the waters to the east of the proposed PAA was a designated anchorage area for large

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ocean going vessels.

34. Sharing other members' concerns, Mr CHEUNG Man-kwong expressed grave dissatisfaction with the Administration's proposals to establish an AILZ and a PAA for the Disneyland theme park, as the proposals were overly restrictive and had taken away the rights of the Hong Kong people in using their air space and waters. He urged the Administration to revise its proposals so that they could achieve the intended objectives. Otherwise, Hong Kong people would find WD too overbearing and the Government too obliging. While acknowledging the safety considerations involved, Mr CHEUNG opined that the boundaries of both prohibition zones should be reasonably drawn for their purposes.

35. As a related issue, Mr NG Leung-sing asked whether consideration had been given to establishing customs and immigration control posts at the public pier to facilitate visitors from southern China. CT replied that it would not be appropriate to do so as Penny's Bay was not suitable for large ocean going vessels. Visitors from Mainland China would best be handled at the Airport because the required facilities would not be duplicated. While appreciating Mr NG's intention to attract more visitors both to Hong Kong and HKD, SES said that in view of the proximity of Chek Lap Kok, it would be more cost-effective to maximize the use of existing facilities at the airport. However, Mr NG's suggestion might be pursued in the longer term in the context of measures to be taken to facilitate visitors from Mainland China.

Admin. 36. Summing up the discussion, the Chairman urged the Administration to revisit its proposal on PAA having regard to the views and suggestions made by members. In addition, the Chairman considered the information paper provided by the Administration inadequate as it failed to set out the essential details and rationale for the proposal for members' consideration. The Administration was requested to provide a more detailed paper to set out in particular information on the public consultation conducted, the surrounding waters where anchorage was allowed and prohibited, as well as the location of fireworks displays.

Admin. 37. SES took note of the Chairman's suggestion and agreed to provide more details regarding the proposal in due course when the proposed amendment regulation was submitted.

V Safety Certification of Household Electrical Products

(LC Paper No. CB(1)1054/99-00(06) - Information paper provided by the Administration)

38. At the invitation of the Chairman, the Principal Assistant Secretary for Economic Services (PAS/ES) briefed members on the outcome of further consideration by the Administration of the way forward in implementing the "certificate of safety compliance" provisions of the Electricity Ordinance (Cap. 406) and the Electrical Products (Safety) Regulations (Cap. 406, sub. leg.).

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39. In response to similar questions from Mr HUI Cheung-ching and Mr CHEUNG Man-kwong, the Director of Electrical and Mechanical Services (DEMS) confirmed that as safety standards for electrical products in most countries were equivalent to the internationally recognized standard, i.e. the International Electrotechnical Commission (IEC) standard, relevant documentation from overseas exporters could attest to the products' compliance with safety requirements in Hong Kong, as well as the IEC standard. DEMS further advised that in terms of safety standard, it was the same all over the world. However, design specifications might be varied due to different voltages in different countries.

40. Mr CHEUNG further asked if random checks would be conducted to ensure the authenticity of documentation provided by overseas exporters. DEMS confirmed that such a system was already in place. Following the passage of the relevant amendment regulation, inspectors conducting spot checks on shops selling parallel imports would ask for relevant documentation from the supplier. If they were not satisfied in any way, the products concerned would be tested by independent testing laboratories for safety.

41. Mrs Selina CHOW was of the view that the crux of the problem was to ensure that the same standard was applied to both factory-built products and parallel imports. Stressing the importance of consumer protection, Mrs CHOW enquired about the measures in place to verify that the safety standard attested to by overseas exporters' documentation was equivalent to IEC standard. In reply, the Chief Electrical and Mechanical Engineer/Electrical and Mechanical Services Department (CE/EMSD) emphasized that the safety requirements were the same for all electrical products, irrespective of how they were brought into Hong Kong. The suppliers of parallel imports would have the responsibility to produce documentary evidence, such as a certificate or test report which in the opinion of DEMS, demonstrated that the products complied with the safety requirements.

42. On the Chairman's enquiry about calibrating the standard of testing laboratories and certification bodies, CE/EMSD replied that such bodies had to be registered with EMSD before their certificates would be recognized. He assured members that certification documents were in fact a basic requirement in the regulatory regime and they were not taken as conclusive evidence as to safety, because production faults and accidents in transit might also render the products unsafe. Inspections would be conducted by EMSD to enforce the regulation concerned, and if any product was subsequently found to be unsafe, the supplier would be prosecuted even though safety documentation was available.

43. Referring to paragraph 19(b), Mrs Selina CHOW enquired about the meaning of "qualified persons". CE/EMSD explained that a qualified person might be a registered electrical worker who had the requisite skill and knowledge to perform certain tests on a second hand electrical product and to certify its safety. Detailed information on the procedures to be followed would be included in the guidance notes

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for the trade on compliance with the regulation. In reply to a further question from the Chairman, CE/EMSD advised that a qualified person was not allowed to make any alterations or modifications to a second hand electrical product.

44. As a related issue, Mrs CHOW asked about the recall procedures for parallel imports. CE/EMSD replied that recall notice would be issued for any electrical products not in compliance with the required safety standard. Any person served with the notice would be required to withdraw those products from the market immediately and to retrieve those items that had already been sold. Under the circumstances, EMSD would try to trace all the suppliers involved in bringing the parallel imports into Hong Kong.

VI Terminal handling charge

(LC Paper No. CB(1)1054/99-00(07) - Information paper provided by the Administration)

45. At the invitation of the Chairman, Mr Jeffrey LAM, Vice Chairman of Hong Kong Shippers' Council (HKSC) and Mr Robert DOWSE of the Far Eastern Freight Conference addressed the meeting on behalf of the shippers and the shipping lines respectively.

46. Mr LAM of HKSC highlighted the following points for members' information:

- (a) With the support and efforts of the Panel and the Economic Services Bureau (ESB), HKSC had conducted meaningful discussions with the liner conferences on terminal handling charges (THC). As a result, the Transpacific Stabilisation Agreement (TSA) members had agreed to extend the notification period on rate adjustments, including THC from the current 30 days to 60 days.
- (b) Members of TSA and the Intra Asia Discussion Agreement (IADA) had indicated that they had no plans to increase THC in the year to come, subject to no major change in their shore side costs.
- (c) A delegation of the Hong Kong Port and Maritime Board (PMB), including the PMB Chairman, the Chairman of HKSC, the Chairman of the Hong Kong Container Terminal Operators Association and the Chairman of the Hong Kong Liner Shipping Association, was in the United States promoting the measures taken by the Government in improving the port infrastructure.
- (d) Even with the measures taken, the underlying threat of high costs of using the Hong Kong port had to be tackled. Hong Kong shippers were still paying the highest THC in the world, which was about three times higher than Pusan and two times higher than Singapore and Kaohsiung.

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- (e) Forced by the high cost of shipping via Hong Kong, overseas buyers and Hong Kong shippers had to look for alternatives, and diverting shipments to Shenzhen was one of the short term solutions.
- (f) Hong Kong shippers were mostly small to medium sized enterprises selling on FOB (Free-On-Board) terms. They had no choice but to pay the high THC as demanded.
- (g) Concerns about the lack of transparency in the detailed components of THC were not fully addressed. The Government should continue to act as a facilitator between the shippers, the terminal operators and the shipping lines to ensure that the Hong Kong port was run efficiently and competitively.

47. The salient points of the opening statement made by Mr DOWSE were summarized as follows:

- (a) THC in Hong Kong had been voluntarily frozen for a number of years, and it had given the shippers an opportunity to incorporate the price of THC into their contracts. The volume of trade exported from Hong Kong had not been materially affected by THC. As shown by facts and figures, the competitive position of Hong Kong was very sound indeed over the last 12 months.
- (b) In terms of specific figures given by individual liner conferences, growth in exports was 19.4% in IADA trade, 29% in the Far East/Middle East trade and 27.5% in TSA trade. The trade to North America was fairly stable in terms of growth, but it compared very favourably to other areas such as Taiwan and Singapore where there was an actual decrease in growth over the last year.
- (c) Discussions with HKSC had been taken very seriously by shipping companies and a very proactive approach was adopted. A number of useful outcome had been achieved as a result. Shipping companies would continue to talk openly and freely with HKSC on matters which were of mutual interest, because they also believed that having a strong and vibrant economy would be beneficial to the people of Hong Kong, as well as to all parties concerned.

48. Responding to Mrs Miriam LAU's enquiry, Mr PIERCE of TSA confirmed that information on cost components of THC was sent to HKSC on 18 October 1999 and copied to ESB.

49. Citing the correspondence between HKSC and TSA on the cost components of THC, Mr Kenneth TING asked what follow-up actions would be taken by the

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Administration in respect of those items which were seen as unfair by HKSC. He opined that it would not serve any real purpose if more detailed information, such as the percentage and ratio of the cost components, was not provided to the shippers. In response, the Deputy Secretary for Economic Services (DS/ES) said that the Administration took the view that it represented progress brought about by sincere discussions between the two sides. While achievement had been made, it was only an initial start and dialogue was being maintained.

50. Taking up on Mr DOWSE's point about the growth rate of port cargo handled by Hong Kong being higher than that of Singapore last year, Mr TING pointed out that the growth rate of Shenzhen ports was about 60% in the same period. In reply, DS/ES said that while Shenzhen's percentage increase was much higher than that of Hong Kong which stood at about 10% in 1999, it should be noted that because Hong Kong was a mature port, its increase in real terms was 1.5 million TEU as compared to 1 million TEU in Shenzhen. The reality was that both places had remarkable growth in 1999 and the overall volume of cargoes handled by the Pearl River Delta area had been increasing. In Hong Kong, a committee tasked to improve the competitiveness of the Hong Kong port was established under PMB.

51. SES assured members that with measures taken by the Government in promoting the development of Hong Kong's shipping and port industry, the overall handling cost in Hong Kong was comparable to that of Shenzhen and in some cases even cheaper. In terms of the cost components of THC, while respecting that THC was a commercial issue between the shipper and the shipping lines, ESB would closely liaise with both parties so that the shippers' concern could be addressed and they would have a better understanding of the basis of THC.

52. Mr HUI Cheung-ching enquired about the progress of discussion on the incorporation of THC into the freight rate and whether an enhanced role should be taken by the Government. DS/ES replied that the Administration's position had always been that such discussions were business negotiations between private parties. In view of the progress made so far on major issues, the Administration was satisfied that its role as a facilitator had been useful. While a more proactive role of the Government might not be beneficial to the discussions which involved commercially sensitive information, ESB would continue to encourage better liaison and consultation between all parties concerned.

53. Recalling that shipping companies used to charge a single rate to cover all shipping and terminal charges, Mrs Miriam LAU enquired about the considerations for separating the charges subsequently and the present proposition of lumping them together. In reply, Mr PIERCE advised that those charges were separated since 1990 at the request of the shippers for transparency. However, the consideration of transparency was also involved in the present suggestion of incorporating THC into the freight rate.

54. In reply to the Chairman's enquiry about the effect of the construction of

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Container Terminal 9 (CT9) on the industry, SES said that market competition would increase. Construction work of CT9 would commence in May to provide an additional 2.6 million TEU capacity by 2004.

55. Expressing his disagreement with Mr HUI's suggestion of incorporating THC into the freight rate, Mr Howard YOUNG opined that the problem of high THC would not be resolved without a review of the overall structure of THC. Individual charges should be identified separately. Citing a widely-held belief in the industry that a large part of THC actually went to the shipping companies, he asked what efforts had been made to address this issue of THC being a hidden cost subsidization from one party to another. In response, Mr PIERCE said that THC was basically a cost recovery item and profit was not built into that. Hence, it was totally untrue that shipping companies pocketed a large part of THC. Given that the overall cost in Hong Kong was high as compared to the world's general standard, THC was necessarily high. Efforts had been made by shipping companies to ensure that there was no competitive factor because of pricing on the ocean freight rate. However, he encouraged shippers to negotiate with individual carriers on matters relating to THC.

56. Mr YOUNG still maintained that various components of THC should be separated so as to ensure that there was no hidden element which was really the shipping company's cost. Mr PIERCE assured members that no ship side cost and outside Hong Kong cost was involved in THC.

57. Mrs Miriam LAU remarked that while it was clear that THC in Hong Kong was high because land cost was high and the port terminals were funded and managed by the private sector with no direct or indirect government subsidy, the most important concern would be on maintaining the competitiveness of the Hong Kong port. Relevant statistics had borne out the fact that Hong Kong remained competitive in face of rapid development across the border. With regard to the difficulties faced by the shippers, Mrs LAU opined that the matter basically involved commercial activities and the shippers might consider negotiating CIF (cost, insurance and freight) terms with the consignees.

58. SES thanked members for their views and suggestions and said that the Administration would continue to bring all parties concerned in the container freight industry together to identify measures to lower the cost of handling containers in Hong Kong and THC paid by the shippers.

VII Any other business

59. There being no other business, the meeting ended at 12:35 pm.