

立法會

Legislative Council

LC Paper No. CB(1)826/99-00
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Legislative Council Panel on Economic Services

Minutes of meeting held on Tuesday, 30 November 1999, at 4:30 pm 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 MA Fung-kwok
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 WONG Yung-kan
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon Mrs Miriam LAU Kin-ye, JP
Hon FUNG Chi-kin
- Non-Panel member attending** : Ir Dr Hon Raymond HO Chung-tai, JP
- Members absent** : Dr Hon David LI Kwok-po, JP
Dr Hon LUI Ming-wah, JP
Hon Ambrose CHEUNG Wing-sum, JP

**Public officers
Attending**

: For Agenda Item IV

Mr Stephen S K IP, JP
Secretary for Economic Services

Mr Arthur HO
Deputy Secretary for Economic Services (2)

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

Mr Michael WONG
Principal Assistant Secretary for Economic Services
(Air Services Negotiations) 2

Mr Alex AU
Deputy Director of Civil Aviation
Civil Aviation Department

For Agenda Item V

Mr Stephen S K IP, JP
Secretary for Economic Services

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

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

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

Mr Roger LAI Sze-hoi
Regulatory Services Controller
Electrical and Mechanical Services Department (EMSD)

Mr HO Wing-yiu
Senior Electrical & Mechanical Engineer/EMSD

Attendance by Invitation : For Agenda Item IV

Airport Authority

Mr Billy LAM
Chief Executive Officer

Mr Raymond LAI
Finance Director

For Agenda Item V

Environmental Resources Management (ERM)

Mr Chandran NAIR
Study Director/ERM

Mr Stephen WILSON
Study Manager/ERM

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

Staff in attendance : Mr Daniel HUI
Senior Assistant Secretary (1)5

I Confirmation of minutes and matters arising
(LC Paper No. CB(1)460/99-00 - minutes of meeting held on 25 October 1999)

The minutes of meeting on 25 October 1999 were confirmed.

II Information papers issued since last meeting
(LC Paper No. CB(1)291/99-00 - Import and retail prices of major fuels from September 1997 to August 1999
LC Papers No. CB(1)322 & 329 - Creation of two permanent posts in the Civil /99-00 Aviation Department
LC Paper No. CB(1)368/99-00 - Port Control (Cargo Working Areas) (Amendment) (No. 2) Regulation 1999, Administrative Appeal Board Ordinance (Amendment of Schedule) Order 1999
LC Paper No. CB(1)369/99-00 - Merchant Shipping (Safety) (Amendment) Bill 1999)

2. Members noted the information papers issued since last meeting. Members also noted that the Administration had provided a number of supplementary information papers on the Disneyland project.

III Items for discussion at the next meeting scheduled for 20 December 1999

LC Paper No. CB(1) 431/99-00(01) - List of outstanding items

LC Paper No. CB(1) 431/99-00(02) - List of follow-up actions

3. Members agreed to discuss the item "Demand Side Management Programme" as proposed by the Administration at the meeting scheduled for 20 December 1999. The Chairman also invited members to forward any suggested item(s) for discussion at the next meeting to the Clerk after the meeting.

IV Measures to boost competitiveness of Hong Kong International Airport

(LC Paper No. CB(1)431/99-00(03) - Information paper provided by the Administration)

4. The Deputy Secretary for Economic Services (2) (DS(ES)2) briefed members on measures taken to boost the competitiveness of the Hong Kong International Airport (HKIA) as set out in the information paper provided by the Administration (LC Paper No. CB(1)431/99-00(03)).

5. Mr CHAN Kam-lam noted that paragraph 3(a) of the information paper provided by the Administration indicated that the Government would invest HK\$1 billion to introduce new-generation of Air Traffic Control (ATC) systems. He requested the Administration to elaborate the need for replacement of the ATC systems which were newly installed in the HKIA. In response, the Deputy Director of Civil Aviation (DD/CA) explained that the present ground-based ATC systems would not be adequate to cater for the ever increasing air traffic or maintain a high standard of safety as airspace around the world got more congested. Moreover, they could not deliver the operational benefits that could be achieved by using modern technologies. Hence, the Administration proposed to replace the existing ground-based radar, navigation and communications equipment in HKIA by a new-generation satellite-based communications, navigation and surveillance systems in phases to enhance aviation efficiency and safety in a comprehensive manner. The related proposal had been discussed by the Panel at its meeting in March 1999 and funding was approved by the Finance Committee at a subsequent meeting. The Secretary for Economic Services (SES) supplemented that the International Civil Aviation Organization had recommended the use of satellite-based ATC equipment. Moreover, the Mainland and Singapore had started preparatory work to similar technology. HKIA therefore needed to equip itself with the most up-to-date equipment in order to maintain Hong Kong's status as an international aviation centre.

6. Mr Howard YOUNG pointed out that the Airport Authority (AA)'s agreement to reduce the landing and parking charges by 15% was welcomed by the airlines. He was concerned whether the additional expenditure on the satellite-based equipment would increase the airport charges for airlines. DD/CA advised that the equipment cost of some \$1 billion would be committed over a long period of time. It was estimated that the additional equipment cost would only lead to a 2% increase in airport expenditure in year 2007.

7. As regards whether the satellite-based ATC equipment was needed because of Hong Kong's assuming a co-ordinating role in air traffic control amongst airports in Hong Kong, Macau and the Pearl River Delta area, SES advised that the satellite-based ATC equipment would be required for HKIA irrespective of whether Hong Kong would assume a co-ordinating role in air traffic control in the Pearl River Delta area. The new-generation equipment would increase air traffic safety and enhance Hong Kong's status as an international aviation centre.

8. In reply to Mr Kenneth TING's question on the Government's policy in negotiations with Hong Kong's aviation partners on fifth freedom traffic rights (i.e. rights for airlines of one party to carry traffic between the area of another party and the area of a third country whilst operating from or to the area of the first party), DS(ES)2 advised that Hong Kong had a liberal air services policy and was committed to progressive liberalisation under bilateral air services arrangements. In respect of fifth freedom traffic rights, Hong Kong would provide for such rights where it was in Hong Kong's overall economic benefits. Moreover, in exchanging third and fourth freedom traffic rights, Hong Kong would be prepared to allow airlines of its aviation partners to introduce or expand services even when Hong Kong airlines did not have similar expansion plans, provided that increased air services to Hong Kong would be beneficial to Hong Kong's overall economic interest.

9. Mr Kenneth TING said that he was aware that in a recent ASA negotiation between Hong Kong and Australia, while Australian airlines were given the rights to operate additional flights, Hong Kong's airlines were not given reciprocal treatment. He enquired about the rationale for Hong Kong to conclude such an ASA. In response SES and DS(ES)2 emphasized that it was not appropriate for the Administration to disclose details concerning its negotiation at a public meeting. They emphasized that the Administration maintained the principle of safeguarding Hong Kong's overall economic benefits in all negotiations. A major target was to promote air services to and from Hong Kong in order to maximise the usage of HKIA's capacity and to maintain Hong Kong as an international aviation centre. If Hong Kong airlines had plans to operate new flights to Hong Kong's aviation partners and require additional traffic rights to do so, the Administration would pursue the requests of Hong Kong airlines with the aviation partner concerned.

10. Mrs Miriam LAU Kin-ye welcomed the proposed development of a logistics centre at the HKIA. She noted that logistics centres at Singapore and Amsterdam had three characteristics, viz, the area leased to the logistics centre was large and the lease

agreement covered a long period of time with low rentals. She asked whether AA would borrow the experience of Singapore and Amsterdam in formulating its policy on the establishment of logistics centres at the HKIA. In response, the Chief Executive Officer of Airport Authority (CEO/AA) advised that the situation of HKIA was different from those of Singapore and Amsterdam. The most notable difference was that the land supply available at HKIA for development of logistics centres was not as large as those available in the other two cities. Nonetheless, AA would be willing to consider the industry's view on the size of land necessary to enable the establishment of an efficient logistics centre. Initially, AA had identified two pieces of land with size ranging from 1.5 hectares to 2.0 hectares. AA had recently invited expressions of interest for the development and management of the two logistics centres, one for general logistics purposes and another for specific industry needs. As regards the duration of the lease agreement, CEO/AA advised that AA would adopt a flexible approach and would like to see the industry's proposal in this regard. On rental for the leased land, CEO/AA said that a balance had to be struck between the industry's request to reduce cost and AA's need to operate under prudent commercial principle. He reiterated that AA was consulting with the industry before finalizing details of the tender documents.

11. Mrs Miriam LAU pointed out that the airfreight forwarders had complained about the high air cargo terminal handling charges at HKIA. In this regard, she noted that as the two franchise agreements signed between AA and the two air cargo terminal operators only lasted for a period of 20 years, capital costs of the air cargo terminals would need to be depreciated over a relatively short period, thereby jacking up the average operational costs of the terminal operators. She enquired whether there was any means to reduce the operational costs of the air cargo terminal operators to increase HKIA's competitiveness. CEO/AA replied that the two air cargo terminal franchise agreements were signed in 1997. As the current economic environment was very different from that in 1997, the forecast demand by the two air cargo operators might be on the high side. Nonetheless, AA was prepared to review the franchise agreements to see what could be done to facilitate cargo growth.

12. Mr HUI Cheung-ching enquired the usage of the existing passenger terminal and whether there was sufficient justification for opening the Northwest Concourse of the Passenger Terminal Building (PTB) in early 2000. He worried that this might lead to increased expenditure of AA and eventually put additional burden on airport charges. In response, CEO/AA said that the existing PTB had a capacity of handling 35 million passengers annually and the number of passengers recorded in the past year was 29 million. Moreover, the number of passengers passing through the airport had increased by about 6% per annum. Since the construction of the Northwest Concourse of the PTB had completed, it would be timely to commence operation of the Northwest Concourse in early 2000 in order to enhance the service to passengers and to try out the equipment installed in the concourse which had a defect liability period of one year upon installation. CEO/AA added that the additional operational expenditure arising from the operation of Northwest Concourse should not be very substantial. SES supplemented that the operation of the Northwest Concourse would

generate additional revenue from rentals of outlets and the charge on airlines for using the airbridges.

13. Mr FUNG Chi-kin requested AA to elaborate on the concept of planning for a North Commercial District. CEO/AA advised that based on experience of some overseas countries, the island where the HKIA was located could be developed into an Airport City with facilities including major shopping centres, office space, entertainment and dining facilities, etc. The AA would undertake a consultancy study to formulate a comprehensive land use strategy in respect of the land in the vicinity of the airport, taking into account factors such as business potentials arising from the building of the Hong Kong Disneyland at Penny's Bay and the Mainland's entry into the World Trade Organization.

V Study of interconnection and competition in the Hong Kong electricity supply sector

(LC Paper No. CB(1)431/99-00(04) - Information paper provided by the Administration)

14. Mr Chandran NAIR, Study Director/ERM briefed members on the key findings of the Study of Interconnection and Competition in the Hong Kong Electricity Supply Sector (the Study) as set out in LC Paper No. CB(1)431/99-00(04). A copy of the material presented by Mr NAIR's was subsequently circulated to members vide LC Paper No. CB(1)499/99-00(02).

15. Mr LAU Chin-shek pointed out that the existing Scheme of Control Agreements (SCAs) between the Government and CLP Power Hong Kong Limited (CLP) and Hong Kong Electric (HEC) would expire in 2008. He doubted whether the Study's recommendations on interconnection and competition in the electricity supply sector in Hong Kong could be implemented when the SCAs were still in force. In this regard, he enquired whether the Administration would discuss with the two power companies on termination of the SCAs before 2008 or whether the Administration's policy was to wait until the expiry of the SCAs on 2008. In response, SES said that the SCAs were binding legal contracts between the Government and the power companies. The Government had to respect the provisions in the SCAs. He emphasised that the Administration was examining the findings of the Study and had not taken a position on the recommendations of the consultants. He remarked that further studies might need to be conducted in order to assist the Administration to formulate the relevant policy. Moreover, the Administration would consider comments on the subject from Legislative Council Members and the general public before making a decision on the way forward. He agreed, however, that a decision on the future of SCAs should be taken before 2008.

16. Dr Philip WONG Yu-hong opined that in considering the proposed interconnection between the two power companies in Hong Kong, one should take into account not only the interest of consumers, but also the interest of shareholders of the

two power companies which were listed companies on the Stock Exchange of Hong Kong. He added that HEC and CLP each owed a duty to its consumers to ensure a reliable supply of electricity and each company had made its own investment decision on new generating facilities. He added that the interconnection between the two power companies, which was in existence, should only be used to serve as an emergency device. SES agreed that the interests of various parties including consumers, the power companies, Hong Kong's overall interest, etc needed to be taken into account in considering the proposed interconnection and competition in the electricity supply sector. He advised that each power company owed a duty in ensuring the steady supply of electricity at a reasonable price. The proposed interconnection should be viewed from a broader perspective, i.e. interconnection amongst HEC, CLP and electricity supply network in Southern China. The Administration would consider the views of interested parties and consult the Energy Advisory Committee before proceeding further.

17. As regards whether under a proposed interconnected system, electricity generation and electricity distribution would be provided by different companies, SES advised that the functions of electricity generation and electricity distribution had to be separated in order to open up the electricity supply sector. He reiterated, however, that the Administration had not taken a decision on the recommendation of the Study.

18. Some members were concerned whether increased interconnection in the Hong Kong system would adversely affect the stability of electricity supply in Hong Kong, in particular, HEC's system. Mr NAIR of ERM advised that if Hong Kong's electricity supply systems were to be totally integrated with the interconnected Southern China system, and electricity sector competition adopted in future, there would be a need to assess the reliability of the overall generation and transmission system to ensure that Hong Kong was not exposed to any problems associated with this closer integration with China's system. The Study had therefore recommended that further studies be conducted in this respect. Mr NAIR noted that the principle that Hong Kong must have a reliable electricity supply system was built into the analysis that had been done in the Study. Mr Stephen WILSON, Study Manager/ERM, advised that a preliminary analysis showed that the system with increased interconnection would be dynamically stable. However, the Report noted that Government might wish to do a more detailed study of that topic using full and detailed data on the Southern China system for a complete modelling. Mr WILSON also responded that HEC, which was relatively small and located at the end of the interconnected system, might be more prone to adverse effect from dynamic stability problems in the interconnected system, but that such events could be prevented by known engineering approaches.

19. Mr Howard YOUNG noted that under an interconnected system, CLP's generating capacity would be much larger than HEC's. He wondered whether this would lead to a quasi-monopolistic situation for CLP. SES advised that the Energy Advisory Committee had expressed similar concerns before. He remarked, however, that under a competitive electricity supply market, it was possible that there would be

other electricity suppliers and a monopolistic situation should not occur.

20. Ms Christine LOH enquired whether the consultancy study had examined the environmental aspects of an interconnected electricity supply system. Mr NAIR of ERM advised that the Study had assessed the overall potential costs and benefits of an interconnected electricity supply system. The Study had recommended that Hong Kong needed to develop its energy policy which would cover a broad perspective including environmental issues. As regards Ms LOH's concern on whether the Administration would require HEC to conduct an Environmental Impact Assessment (EIA) study on the latter's proposed construction of a power station on Lamma Island, SES confirmed that HEC had been required to conduct the EIA study for the construction of a power station on Lamma Island.

21. Mr Fred LI Wah-ming pointed out that HEC had indicated that its existing generating capacity would be inadequate to meet the forecast maximum demand in 2004 and since the relevant SCA would only expire in 2008, it appeared that the only choice for the Administration was to approve HEC's proposed power station on Lamma Island in order to ensure a stable supply of electricity on Hong Kong Island. SES advised that a decision had yet to be made on HEC's proposal. He remarked that the Administration would consider various options and consult the Energy Advisory Committee and the Executive Council before making a decision.

22. In reply to Mr SIN Chung-kai's question on whether electricity generation by solar energy or other means would be allowed, SES advised that currently there was no franchise in electricity power generation in Hong Kong. While there were incidents of individual households in the New Territories using solar energy to generate electricity for their own consumption, it was not envisaged that electricity generation by solar energy and other means would be done on a large-scale commercial basis in Hong Kong in the foreseeable future.

23. Mr SIN Chung-kai opined that the Democratic Party welcomed the opening up of the electricity supply sector in Hong Kong. As regards an interconnected system linking up with systems in Southern China, Mr SIN was of view that the interconnection should enable purchasing of electricity from the Mainland as well as selling of electricity from Hong Kong to the Mainland.

Admin. 24. SES agreed to provide written response to the list of written questions prepared by Mr Fred LI Wah-ming. (The list of questions has been circulated to members vide LC Paper No. CB(1)499/99-00(01).)

25. In conclusion, members agreed to further discuss the findings of the Study at a later meeting of the Panel in January or February 2000.

VI Any other business

26. There being no other business, the meeting ended at 6:45 pm.

Legislative Council Secretariat

18 January 2000