

**立法會**  
**Legislative Council**

LC Paper No. CB(1)550/03-04  
(These minutes have been  
seen by the Administration)

Ref: CB1/PL/ES/1

**Panel on Economic Services**

**Minutes of meeting held on  
Monday, 24 November 2003, at 10:00 am  
in the Chamber of the Legislative Council Building**

**Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)  
Hon Kenneth TING Woo-shou, JP  
Dr Hon Eric LI Ka-cheung, GBS, JP  
Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching, JP  
Hon CHAN Kam-lam, JP  
Hon SIN Chung-kai  
Hon Howard YOUNG, SBS, JP  
Hon Miriam LAU Kin-yee, JP  
Hon CHOY So-yuk  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, JP  
Hon Henry WU King-cheong, BBS, JP  
Hon LEUNG Fu-wah, MH, JP

**Members absent** : Dr Hon LUI Ming-wah, JP (Deputy Chairman)  
Dr Hon David LI Kwok-po, GBS, JP  
Dr Hon Philip WONG Yu-hong, GBS  
Hon LAU Chin-shek, JP

**Public Officers  
attending** : **Agenda Item IV**

Economic Development and Labour Bureau

Mr Stephen IP  
Secretary for Economic Development and Labour

Ms Sandra LEE

Permanent Secretary for Economic Development and Labour (Economic Development)

Ms Miranda CHIU

Deputy Secretary for Economic Development and Labour (Economic Development)

Mr James WONG

Principal Assistant Secretary for Economic Development and Labour (Economic Development) (Financial Monitoring)

Electrical and Mechanical Services Department

Mr Roger LAI

Director of Electrical and Mechanical Services

Environment, Transport and Works Bureau

Mr Raistlin LAU

Principal Assistant Secretary for the Environment, Transport and Works (Environment)

**Agenda Item V**

Economic Development and Labour Bureau

Ms Sandra LEE

Permanent Secretary for Economic Development and Labour (Economic Development)

Ms Miranda CHIU

Deputy Secretary for Economic Development and Labour (Economic Development)

Mr Alex WONG

Principal Assistant Secretary for Economic Development and Labour (Economic Development)

**Agenda Item VI**

Economic Development and Labour Bureau

Ms Sandra LEE

Permanent Secretary for Economic Development and Labour (Economic Development)

Ms Eva CHENG  
Commissioner for Tourism

Mr Andy CHAN  
Assistant Commissioner for Tourism

Civil Engineering Department

Mr T K TSAO  
Director of Civil Engineering

Mr YIP Sai-chor  
Deputy Director of Civil Engineering (Special Duties)

**Attendance by  
invitation : Agenda Item IV**

CLP Power

Mrs Betty YUEN  
Managing Director

Mr S H CHAN  
Planning Director

Ms Lori RYERKERK  
Chairman & Managing Director  
Exxon Mobil Energy Limited

The Hongkong Electric Co., Ltd.

Mr K S TSO  
Managing Director

Mr Andrew HUNTER  
Group Finance Director

Mr Gary CHANG  
General Manager (Management Services)

Mr C T WAN  
General Manager (Corporate Development)

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

**Staff in attendance :** Ms Debbie YAU  
Senior Assistant Secretary (1)1

Miss Winnie CHENG  
Legislative Assistant 5

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**I Confirmation of minutes and matters arising**

(LC Paper No. CB(1)376/03-04 - Minutes of meeting held on 3 November 2003)

The minutes of the meeting held on 3 November 2003 were confirmed.

**II Information papers issued since last meeting**

(LC Paper No. CB(1)235/03-04(01) - Tables and graphs showing the import and retail prices of major oil products from October 2001 to September 2003 furnished by the Census and Statistics Department

LC Paper No. CB(1)258/03-04(01) - Correspondences between Hon Albert HO Chun-yan and the Administration regarding hotel and resort facilities on Lantau Island)

2. Members noted the information papers issued since last meeting.

**III Items for discussion at the next meeting scheduled for 16 December 2003**

(LC Paper No. CB(1)346/03-04(01) - List of outstanding items for discussion

LC Paper No. CB(1)346/03-04(02) - List of follow-up actions)

3. Members agreed to discuss the following items proposed by the Administration at the next meeting scheduled for Tuesday 16 December 2003 at 2:30 pm:

- (a) Electricity tariff for 2004;
- (b) Tsim Sha Tsui Promenade Beautification Project;
- (c) Air Transport (Licensing of Air Services) (Amendment) Regulation 2003; and
- (d) Merchant Shipping (Security of Ships and Port Facilities) Bill.

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4. In view of the heavy agenda for the meeting, members also agreed to extend the meeting to end at 5:30 pm.

**IV 2003 Interim Review of the Scheme of Control Agreements with the two power companies**

(LC Paper No. CB(1)346/03-04(03) - Information paper provided by the Administration)

5. With the aid of PowerPoint, the Deputy Secretary for Economic Development and Labour (Economic Development) (DS/EDL(ED)) briefed members on the results of the 2003 Interim Review of the Scheme of Control Agreements (SCAs) with CLP Power Hong Kong Limited (CLP) and The Hongkong Electric Company Limited (HEC).

*(post-meeting note: The presentation materials tabled at the meeting were subsequently issued to members on 25 November 2003 vide LC Paper No. CB(1)418/03-04(01).)*

Post-2008 electricity supply market

6. The Chairman enquired if the Administration had entered into any agreement with the two power companies regarding the post-2008 electricity supply market structure during the discussion on the 2003 interim review.

7. Mr CHAN Kam-lam felt disappointed that the agreement secured did not result in a tariff reduction in response to persistent deflation over the past few years but remarked that he would respect the spirit of contract. In order to facilitate the liberalization of the electricity supply market to enhance consumer benefits, and facilitate the early preparation of interested investors, he urged the Administration to speed up the review of the post-2008 regulatory framework for the electricity supply market.

8. In response, the Secretary for Economic Development and Labour (SEDL) confirmed that in the process of the 2003 interim review with the two power companies, no commitment of any kind relating to the post-2008 electricity supply market structure had been made. However, the two power companies agreed to segregate and present cost data pertaining to generation, and transmission and distribution (T&D) systems in the Financial Review and Auditing Review for the Government's consideration. This would assist the Administration in the post-2008 review to consider options for the generation and T&D. In addition, the Administration had also agreed with the two power companies to deal with any balance in the Development Fund (DF), and the related Rate Reduction Reserve (RRR) account, twelve months before the expiry of the current SCA in 2008. SEDL highlighted that in view of the fact that the post-2008 regime for the

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electricity supply sector was of paramount importance to Hong Kong, the Administration would be extremely cautious in considering possible arrangements. The Administration was also mindful of the need to ensure that the inherent limitations of the current SCAs, such as modifications could only be made with the agreement of both parties, would be avoided in the post-2008 regime.

9. SEDL appreciated the need to commence early the review of the post-2008 arrangement for the electricity supply market. He remarked that the Administration had already started the preliminary work by examining the feasibility of increasing interconnection between the two power companies as a possible option in opening up the electricity supply market. As indicated previously, the Administration would consult the stakeholders, market participants and Members on the post-2008 electricity supply regulatory regime in due course.

10. To solicit public view on the proposed regulatory framework for the post-2008 electricity supply market, Mr SIN Chung-kai urged the Administration to conduct a two-round consultation exercise, similar to that conducted by the Office of the Telecommunications Authority. The first-round consultation should include the scope and details of the review while the second-round should aim at seeking public view on specific regulatory regimes drawn up in response to the submissions and views received during the first-round consultation. To this end, he enquired about the timetable and procedures for carrying out the consultation exercise.

11. SEDL highlighted that the objectives of the review were to ensure continued reliable and safe energy supply at reasonable prices to support Hong Kong's economic development and to address major criticisms and perceived shortcomings of the existing SCAs. The electricity market review would encompass a wide range of issues from regulatory regime to the feasibility of enhanced competition, covering matters such as increasing interconnection, segregation of electricity generation, transmission and distribution facilities as well as monitoring of electricity tariff etc. In this connection, cognizance would be taken of experience gained in other countries where there had been market reform. SEDL stressed that the Administration had an open mind on the future regime for the electricity market, it could be one without SCAs or, one involving the establishment of relevant authority or certain legislative arrangements. He assured members that whatever might be the proposal, the Government would consult the stakeholders, market participants and interested parties, including the Legislative Council and the general public.

12. Noting that some investors of newly emerged industries expressed reservation in establishing offices/factories in Hong Kong due to high electricity tariff, Mr Kenneth TING urged the Administration to ensure that the shortcomings of the current SCAs leading to high electricity tariff would not stay on in the post-2008 electricity supply market.

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13. The Permanent Secretary for Economic Development and Labour (Economic Development) (PS/EDL(ED)) pointed out that whilst the SCAs had served Hong Kong well throughout its years of rapid development, there were concerns that the arrangement might not be sufficiently flexible to respond to changes in the economic environment. She assured members that the impact of electricity tariff on commercial and residential customers was one of the issues to be covered in the post-2008 electricity market review. The Administration was also mindful of criticisms of the SCAs received from members and the public from time to time.

### Permitted return

14. Mr Fred LI noted with regret that little was achieved by the 2003 interim review. He expected to see that tariff could be lowered as a result of the reduction of the permitted return on average net fixed assets (ANFA). This could in turn lower the operating costs of the commercial and industrial sectors thereby boosting their competitive edge; and relieve the burden of domestic customers. Notwithstanding that deflation had accumulated up to 12% in the past four years, the permitted return on ANFA for the two power companies still stood at 13.5%. Mr LI urged the two power companies to consider lowering it.

15. Mrs Betty YUEN, Managing Director of CLP explained that the electricity industry was capital intensive with full return to shareholders extended over a period of 20 to 30 years. Therefore, it was important to ensure shareholders got a reasonable and stable return on their investment so as to encourage them to continue to make the necessary investment. She pointed out that the 13.5% permitted return on ANFA might seem to be more stable than returns from other investment under the prevailing economy. However, during the economic booms in 1980s and 1990s, shareholders of the power companies had received less return on their investment than from other industries due to the fixed rate of permitted return on ANFA as agreed in the SCA.

16. Mr K S TSO, Group Managing Director of HEC echoed Mrs Betty YUEN's view. He said that HEC upheld the spirit of contract and their shareholders had not requested for a raise on the permitted return on ANFA during 1980s and 1990s when the market was booming and the returns on other investments were much more attractive than the permitted return earned by HEC. Shareholders were therefore not prepared to accept a reduction of the permitted rate of return when the economy was having a downturn.

### Tariff and Consumer Price Index

17. In view of the persistent deflation in the past years, Mr Fred LI urged the power companies, as responsible public utilities, to consider linking the annual tariff adjustment to the local CPI to increase the competitiveness of local

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companies and to revive the economy.

18. Mrs Betty YUEN remarked that unlike other industries the operating cost of which were duly affected by local CPI, the price of the cost components of the power industry such as generating facilities and imported fuel fluctuated more according to external economic conditions. Mr K S TSO also said that 90% of the operating cost of HEC was independent of local CPI. Therefore, a CPI-related formula was inappropriate.

Development Fund

19. Noting that CLP's DF Balance had been in excess of 13% of local sales on an annual basis, Mr Fred LI was gravely concerned that the new mechanism to cap the DF balance at 12.5% of the company's annual local sales was a tailor made proposal to suit the case of CLP. Since DF was used to recover the shortfall in the Permitted Return, there was no need to keep the balance in the DF at such a high level, the excess of which should be returned to customers. He suggested that the cap should be lowered to, say, 10%. Ms LI Fung-ying echoed Mr LI's view and urged the Administration to act in the best interest of the community.

20. DS/EDL(ED) explained that a primary objective of DF was to stabilize tariffs. DF was highly vulnerable to sales fluctuations, which might occur as a result of a variety of external factors such as the general economic environment, weather changes and so on. She said that although the 'cap' was set at 12.5% of local sales to contain the size of DF, it would not stop the Administration from seeking "releases", even if the cap was not reached or "releases" which would bring the balance to levels below the cap. She also reminded members that any modifications to the SCAs could only be made with the agreement of both parties. SEDL assured members that monies in DF would eventually be returned to the customers.

21. Whilst appreciating the Administration's effort in reaching the agreement on the 2003 interim review, which balanced the interests of customers and shareholders, Mr Abraham SHEK was concerned about the timing of which CLP would return all monies in DF to its customers and how former CLP customers could be reimbursed if they had moved to Hong Kong Island. He also asked why excess capacity penalty only applied to HEC.

22. Mrs Betty YUEN said that CLP had always acted in the best interest of its customers. The success in prudential cost control and DF management had enabled CLP stabilize its tariff. CLP's financial position remained sound and healthy, which was due largely to the Company's efforts in cost reduction and a company-wide productivity enhancement programme such that CLP could freeze its tariff since 1998. As agreed during the 2003 interim review, CLP and the Government would have specific discussions with regard to arrangements to deal with any balance in the DF, and the related RRR account, twelve months before the



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expiry of the current SCA.

### 2004 electricity tariff

23. Mr CHAN Kam-lam enquired if the 2004 electricity tariff could be lowered under the new agreement reached as a result of the 2003 interim review.

24. DS/EDL(ED) advised that the 2003 interim review was independent of the annual tariff review exercise. The former reviewed the operation and provision of the SCAs in the light of experience and the prevailing environment while the latter was conducted according to the tariff adjustment procedures laid down in the current SCAs. She said that tariff review would consider data relating to demand and sales of electricity, details of energy efficiency and conservation programmes, total operating costs and capital expenditure etc. The Administration was presently reviewing the 2004 tariff proposals put forward by the two power companies.

### Other issues

25. Noting that the reliability of power supplied by both companies was over 99.99%, the Chairman enquired about the situation in other advanced cities such as London and New York.

26. DS/EDL(ED) pointed out that the reliability of power supply in Hong Kong was among the highest in the world. She said that such reliability was particularly crucial in densely populated cities such as Hong Kong where the safety of the community could be at stake if there was a suspension of power supply. The power companies were expected to live up to their obligation under the SCA in ensuring a reliable and safe power supply.

27. The Director of Electrical and Mechanical Services added that reliable and safe power supply hinged on the adequacy of electricity facilities and management of the power systems. The electricity facilities made available by the two power companies were comparable with those in other advanced economies. The power systems in Hong Kong were planned and built in compliance with a set of well-established and internationally recognized planning criteria and engineering standard. The level of investment on generation and transmission facilities for both power companies in the next three years was adequate to ensure that the power systems would continue to operate within acceptable reliability levels. On management of the power systems, both power companies placed great efforts in ensuring proper work procedures and risk assessments were taken during their daily operations, and that in the unlikely event of power lost, the restoration was carried out as quickly as possible. Such efforts were also contributing factors to achieving supply reliability of over 99.99%.

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28. Given the electricity facilities available in Hong Kong were comparable to those in other advanced cities and not more sophisticated, the Chairman queried why the electricity tariff in Hong Kong was higher than these cities. In reply, PS/EDL(ED) pointed out that based on available information the electricity tariff in Hong Kong was lower than that of Tokyo, New York and San Francisco.

29. To enhance Hong Kong's tourism development by capitalizing on the beauty of Victoria Harbour at night, Mrs Selina CHOW urged the two power companies, as thoughtful corporate citizen, to work hand-in-hand with the Administration to offer special tariff rate to those buildings along the waterfront that were going to be dressed up in brilliant lighting and participated at the long-standing, glittering harbour light and sound show. Mrs CHOW was eager to see that Hong Kong could outperform its neighbouring cities such as Shanghai in its night beauty with shimmering lights of the buildings at both sides of the harbour.

30. As the Principal Official with responsibility for promoting tourism, SEDL added that he would like to see that special tariff rate being offered to all buildings which lighted up this city at night. With such special offer, he was sure that more buildings would join the harbour light and sound show and contribute to the development of tourism. The power companies could at the same time also see a higher revenue return with the longer hour consumption of electricity.

31. Mrs Betty YUEN remarked that large customers of CLP had already been enjoying a special tariff rate at off-peak periods. Mr K S TSO said that HEC would consider to offer special tariff rate on a project basis.

32. Summing up, the Chairman thanked the representatives of the power companies in attending the meeting.

**V Guidelines to maintain a competitive environment and define and tackle anti-competitive practices promulgated by the Competition Policy Advisory Group**

(LC Paper No. CB(1)2497/02-03(01) - Information paper provided by the Administration

LC Paper No. CB(1)346/03-04(04) - Supplementary information paper provided by the Administration)

33. At the invitation of the Chairman, DS/EDL(ED) briefed members on the guidelines promulgated by the Competition Policy Advisory Group (COMPAG) which sought to maintain a competitive environment and define and tackle anti-competitive practices, and the measures taken by the Administration to involve the private sector in developing and following up on the guidelines to give wider effect to the Government's competition policy.

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34. In order to raise public awareness about the competition concepts as contained in the guidelines, the Chairman remarked that the Administration should take a proactive role to publicize and disseminate the competition-related information to the community and the business sector to facilitate compliance. Mr Fred LI shared the view of the Chairman and urged the Administration to launch publicity campaign to enhance public awareness of the guidelines.

35. PS/EDL(ED) and DS/EDL(ED) said that since the promulgation of the guidelines, the COMPAG Secretariat had contacted a number of chambers of commerce, trade and industry organizations to follow up on their plans and/or strategy in promoting the guidelines among their member companies and developing codes of conduct or self-regulatory mechanisms for their particular sector for voluntary compliance. Thereafter, the Administration would also follow up on the implementation of the guidelines. Members of the public would be able to access the guidelines and obtain information on the Government's work to promote competition through the Internet. Separately, in its continuing effort to nurture a pro-competition culture in the community, COMPAG had also been working on a publicity programme to promote competition concepts in schools and among the youth.

36. Mrs Selina CHOW said that in order to ensure the effectiveness of the guidelines by arousing awareness of the business community on the Government's pro-competition policy, the Administration should also draw up a specific publicity campaign to target at small and medium enterprises (SMEs).

37. PS/EDL(ED) said that COMPAG attached great importance to promoting competition and understanding of the Government's competition policy by the general public. The Administration would also take into account SMEs in developing its publicity programme.

38. Whilst welcoming the promulgation of the guidelines, Mr Fred LI was concerned whether the business sector would abide by the guidelines, bearing in mind the guidelines were not mandatory provisions. In case of non-compliance, he enquired about the actions to be taken by the Administration. Mrs Selina CHOW also enquired whether COMPAG would investigate and follow up on alleged restrictive practices as reported by the media.

39. In response, PS/EDL(ED) said that the Government took complaints against anti-competitive practices seriously. There were established procedures for dealing with complaints against alleged anti-competitive practices in the public and private sectors. The policy bureau or government department concerned would investigate and follow up on such complaints upon receipt. Where justified, COMPAG would also initiate action and take administrative or legal steps as appropriate to remove anti-competitive practices if necessary. Separately, the COMPAG Secretariat would keep track of all referrals and bring them to the attention of COMPAG should there be substantial policy or systemic implications.

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40. Ms LI Fung-ying enquired about the mechanism and criteria for determining whether a practice was restrictive, detrimental to economic efficiency or free trade, and against the overall interest of Hong Kong.

41. PS/EDL(ED) said that the determination of whether a practice was restrictive, detrimental to economic efficiency or free trade, and against the overall interest of Hong Kong must be made in the light of the actual circumstances. The intended purpose and effects of the practice in question, the relevant market and economic conditions, etc., must all be taken into account in the assessment, having regard to Hong Kong's competition policy. Regarding the alleged restrictive practices in the foodstuffs and household necessities retailing sector, PS/EDL(ED) informed members that upon the publication of the Consumer Council's report on "Competition in the foodstuffs and household necessities retailing sector", the COMPAG Secretariat had arranged a meeting with the parties concerned to determine whether there was any competition issue that would require attention and follow up action. The Administration had also issued a detailed response to the Consumer Council on the report.

42. Mr Henry WU was concerned about the state of competition in the securities industry and urged the Administration to look into the matter and put in place measures to ensure a level playing field between banks and brokers in their conduct of securities business. He also opined that in determining whether a dominant company had abused its market position, the Administration should not simply look at product price but also monies spent on sales promotion and marketing.

43. PS/EDL(ED) took note of Mr WU's view and said that in considering whether a company had abused its dominant position, the Administration would take into account the regulations and operations in the relevant market as well as the economic conditions.

44. Mr SIN Chung-kai opined that the Administration should review the composition and membership size of COMPAG with a view to enhancing its representativeness.

45. Whilst supporting the initiative to promote and maintain competition, Mr CHAN Kam-lam expressed reservation in introducing a universal competition law in Hong Kong as it might not be in the best interest of consumers. In his view, the Government should foster a competitive and highly transparent business environment, use market forces to improve operational efficiency and provide better products and service. The Administration took note of members' views and concerns.

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**VI Progress update on Hong Kong Disneyland**

- (LC Paper No. CB(1)116/03-04(04) - Information paper provided by the Administration for the meeting on 3 November 2003
- LC Paper No. CB(1)346/03-04(05) - Supplementary information paper provided by the Administration
- LC Paper No. CB(1)117/03-04 - Background brief on Hong Kong Disneyland prepared by the Secretariat)

46. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) gave an update on the progress of the Hong Kong Disneyland (HKD) (Phase 1). Members noted that Government works, Company works and the construction of Penny's Bay Rail Link were on schedule.

47. To attract tourists from the business and family sectors, Mr SIN Chung-kai suggested that another theme park such as Universal Studios could be developed in Hong Kong to form a cluster of theme parks. He enquired about the feasibility of such development at the Phase 2 site of Penny's Bay if the Hongkong International Theme Parks Limited (HKITP) did not proceed with the Phase 2 development of HKD in due course.

48. In reply, C for Tourism advised that under the Project Agreement reached between the Government and the Walt Disney Company (WD) in 1999, HKITP was given an Option to buy the site immediately to the east of the Phase 1 site for HKD Phase 2 development. The Option was valid for 20 years from signature, with an automatic right to extend for a further five years and a conditional right to extend for a second five year period. The Option lapsed after 20 years if it had not been exercised or renewed. After the expiry, the site could be used for other compatible development. As far as she understood, WD had given some thought to developing Phase 2 of HKD. However, the priority of HKITP at the moment was the successful opening and operation of Phase 1. To further promote Hong Kong tourism development, C for Tourism said that the Administration had also planned many other new, diversified tourist attractions such as the Hong Kong Wetland Park.

49. Mr Howard YOUNG sought information on the revised base tourists forecast for HKD on opening following the implementation of the Individual Visit Scheme (IVS). Whilst it was encouraging to see that the number of arrivals to Hong Kong had been rising, C for Tourism said that it was too early to conclude at this stage on the revised base tourist forecast for HKD on opening as IVS had been implemented just for a few months since July 2003. She however said that the actual number of tourist arrivals of Hong Kong in 2002 was over 16 million which had already exceeded the original forecast for HKD on opening of 15 million. It was expected that local residents, Mainland visitors and visitors from elsewhere

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would each make up about one-third of visitors to HKD in the first few years after opening.

50. Whilst acknowledging the nightly fireworks display at HKD t could serve as a climax to the daytime entertainment, Mr Howard YOUNG expressed concern about the need to ensure compliance with relevant legislation.

51. C for Tourism said that the fireworks displays for HKD would be conducted in accordance with the requirements of the relevant Environmental Permit for the theme park and existing safety standards. She assured members that on-site trial test would be made to ensure that the displays would be safe.

52. On employment opportunities made under Government works and Company works, Ms LI Fung-ying asked whether there was information on the job nature involved and the number of jobs taken up/to be taken up by local workforce. In response, the Director of Civil Engineering (DCE) provided the following breakdown for the 4 600 employment opportunities made available under Government works:

<u>Position</u>	<u>Number of jobs</u>	<u>Number of jobs taken up by local workforce</u>
Professional	239	200
Technical	521	366
Labour	3 850	3 850

Admin 53. C for Tourism supplemented that she would liaise with HKITP to see if they could provide some details related to the jobs provided by the Company works and revert back to the Panel in due course.

54. Noting that so far, a total of \$147 million had been paid out for settling contractors' claims under Government works for the HKD project, Mr CHAN Kam-lam enquired about the measures to be undertaken to avoid further claims due to for example slippage of works or change in design, for the remaining works.

55. DCE pointed out that the reclamation works at Penny's Bay for HKD were completed in December 2002 and the site had been handed over to HKITP to construct the theme park. All infrastructure contracts at Penny's Bay had been tendered and awarded. Over 50% of the works had been completed. The risks arising from interfaces and uncertainties were greatly reduced. He also highlighted that contractual claims were a normal and integral part of construction contracts. As explained in the paper, the final outturn expenditure on contracts of civil engineering works might be different from the tender prices if there were works variations or contractors' claims. Notwithstanding that the cost for settling outstanding claims could not be ascertained at this stage, DCE was confident that the final total expenditure on Government works would stay within budget in view

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of the progress and expenditure to date.

**VII Any other business**

Proposed overseas duty visit

56. The Chairman briefed members on his proposal to conduct an overseas duty visit to Heathrow Airport, Charles de Gaulle Airport, Amsterdam Airport Schiphol, Port of Amsterdam, Port of Rotterdam, Port of Antwerp, and Dubai International Airport to study their experiences in port and airport management, and logistics development. Opportunity was also taken to study overseas experience in privatizing airports, and planning and managing the Disneyland Resort Paris. The duty visit would last for about one week.

57. Mr HUI Cheung-ching and Mr Howard YOUNG supported the proposal. On the timing of the visit, they considered it more practicable to schedule the visit around next Easter when the Council would be in recess.

58. Mr Fred LI and Mr SIN Chung-kai in principle did not object to the proposal but they envisaged that it was unlikely for members of the Democratic Party to take part in the visit.

59. The Chairman concluded that members, in general, supported the Panel to conduct an overseas duty visit in April 2004. The Chairman asked the Secretariat to follow up the necessary arrangements with the Administration.

60. There being no other business, the meeting ended at 12:20 pm.