

**立法會**  
***Legislative Council***

LC Paper No. CB(1)1016/03-04  
(These minutes have been seen  
by the Administration)

Ref: CB1/PL/ES/1

**Panel on Economic Services**

**Minutes of meeting held on  
Thursday, 15 January 2004, at 4:30 pm  
in the Chamber of the Legislative Council Building**

**Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)  
Dr Hon LUI Ming-wah, JP (Deputy Chairman)  
Hon Kenneth TING Woo-shou, JP  
Dr Hon Eric LI Ka-cheung, GBS, JP  
Dr Hon David LI Kwok-po, GBS, 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 LAU Chin-shek, 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

**Non-Panel Member** : Hon CHAN Yuen-han, JP  
**attending**

**Members absent** : Hon Fred LI Wah-ming, JP  
Dr Hon Philip WONG Yu-hong, GBS  
Hon LEUNG Fu-wah, MH, JP

**Public Officers  
attending : Agenda Item IV**

Mr Stephen IP  
Secretary for Economic Development and Labour

Ms Sandra LEE  
Permanent Secretary for Economic Development and  
Labour (Economic Development)

Ms Eva CHENG  
Commissioner for Tourism

Ms Miranda CHIU  
Deputy Secretary for Economic Development and  
Labour (Economic Development) 1

Mr Wilson FUNG  
Deputy Secretary for Economic Development and  
Labour (Economic Development) 2

Mr Raymond FAN  
Deputy Secretary for Economic Development and  
Labour (Economic Development) 3

**Agenda item V**

Ms Sandra LEE  
Permanent Secretary for Economic Development and  
Labour (Economic Development)

Mr Raymond FAN  
Deputy Secretary for Economic Development and  
Labour (Economic Development) 3

Mr TSUI Shung-yiu  
Director of Marine

Mr Roger TUPPER  
Deputy Director of Marine

**Agenda item VI**

Ms Sandra LEE  
Permanent Secretary for Economic Development and  
Labour (Economic Development)

Mr Wilson FUNG  
Deputy Secretary for Economic Development and  
Labour (Economic Development) 2

Mr Darryl CHAN  
Principal Assistant Secretary for Economic  
Development and Labour (Economic Development)

Mr Norman LO  
Deputy Director-General of Civil Aviation

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

**Staff in attendance :** Ms Pauline NG  
Assistant Secretary General 1

Ms Debbie YAU  
Senior Council 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)741/03-04 - Minutes of meeting held on  
16 December 2003)

The minutes of the meeting held on 16 December 2003 were confirmed.

**II Information papers issued since last meeting**  
(LC Paper No. CB(1)699/03-04(01) - Tables and graphs showing the  
import and retail prices of major  
oil products from December  
2001 to November 2003  
furnished by the Census and  
Statistics Department)

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

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**III Items for discussion at the next meeting scheduled for 23 February 2004**

- (LC Paper No. CB(1)742/03-04(01) - List of outstanding items for discussion  
LC Paper No. CB(1)742/03-04(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting scheduled for 23 February 2004:

- (a) Replacement of Doppler Very High Frequency Omni-Directional Range and Distance Measuring Equipment proposed by the Administration;
- (b) An aviation item proposed by the Administration; and
- (c) Follow-up to the Consumer Council's Report on competition in the foodstuffs and household necessities retailing sector proposed by Hon Fred LI.

*(Post-meeting note: The Administration had subsequently advised that the title of item(b) would be "Privatization of Airport Authority".)*

**IV Policy briefing by the Secretary for Economic Development and Labour on the relevant policy initiatives featuring in the Chief Executive's 2004 Policy Address**

- (LC Paper No. CB(1)742/03-04(03) - Information paper provided by the Administration)

4. The Chairman welcomed the Secretary for Economic Development and Labour (SEDL) and his team to the meeting.

Logistics and port development

*Container terminals*

5. Given the rapid development and expansion of the Mainland ports and the increasing competition from the Shenzhen ports, Ms CHAN Yuen-han enquired about the measures taken by the Administration to reinforce the position of Hong Kong as the logistics centre in Southern China. She remarked that as the Guangdong authorities had initiated a number of initiatives to attract new investment on port facilities and customers to make use of their services at low costs, she was worried that Hong Kong would eventually lose out in the competition with the Mainland ports. Apart from sea transportation, the development of a new airport in Guangzhou also imposed another threat to Hong Kong.

6. SEDL said that Hong Kong had an edge over other cities in developing the logistics industry in terms of both hardware and software. Notwithstanding, the Administration would not be complacent and would continue to take forward

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various initiatives to promote the long-term development of the logistics industry.

7. SEDL briefed members on various initiatives taken by the Administration in the past year to strengthen Hong Kong's position as the region's preferred international logistics hub. The implementation of 24-hour cross-boundary clearance and improved customs and immigration procedures had shortened the processing time and brought about an obvious increase in the clearance capacities at land boundary crossings. On the development of the Digital Trade and Transportation Network (DTTN) System, the Administration was discussing with a service provider with a view to concluding an operating agreement for the development and launching of the DTTN system in 2005. In addition, Hong Kong was also actively expanding its transport infrastructure network. The construction of the Shenzhen Western Corridor was scheduled for completion by the end of 2005 whereas a co-ordination group with representatives from the three governments had begun advance work for the Hong Kong-Zhuhai-Macao Bridge. All in all, the Administration would continue to add more facilities and adopt new technologies to facilitate the movements of goods at a lower cost.

8. As regards the relationship between Hong Kong and the Mainland in logistics development, SEDL highlighted that it involved both competition and co-operation. He referred to the Mainland-Hong Kong Logistics Cooperation Study jointly commissioned with the National Development and Reform Commission. The initial findings of the Study had confirmed the need for and strategic importance of cross-boundary cooperation in logistics development. It had also recommended that both sides should continue to build on existing liaison channels and promote the development of logistics pipelines and inland freight villages. In addition to co-operation on land transportation, the Administration also aimed at extending the HKIA's passenger and cargo catchment area through cooperating with other airports in the Pearl River Delta (PRD).

9. Notwithstanding the reply, Ms CHAN Yuen-han pointed out that many of the initiatives mentioned by SEDL were also being undertaken by the Guangdong authorities to promote the port and airport development in the PRD. She therefore saw the need for the Administration to introduce further measures to enhance the competitiveness of the logistics industry in Hong Kong.

10. While expressing that she was not opposing to the development of building more container terminals in Hong Kong, Ms Miriam LAU was concerned that it was premature to say that the new container terminals would be built on Lantau as the Hong Kong Port Development Council had yet to examine the findings and recommendations of the Hong Kong Port - Master Plan 2020 which was due for completion in early 2004. As container terminals were fully funded (including the cost of land formation for the terminals), owned and managed by the private sector with no direct or indirect government involvement, she asked if the Administration would alter the present development mode and

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grant subsidies to the future successful proponents to develop new container terminals.

11. SEDL remarked that in order to raise the competitiveness of Hong Kong in the long term, the Administration would recommend building more container terminals. On the choice of site, Lantau was one of the options being considered by the consultant. Pending the completion of the Hong Kong Port - Master Plan 2020 Study, the Administration would consult the industry players on how to take forward the project. On the mode of development, a decision had yet to be made, pending the results of the Study as well as industry consultation.

12. Mr HUI Cheung-ching cautioned that the Administration should take the latest port cargo forecast into account in deciding whether or not to take forward the construction of new container terminals in Hong Kong so as to ensure the financial viability of the container terminal facilities.

13. SEDL shared Mr HUI's view and pointed out that the study would examine factors such as the market situation in the PRD, past performance in cargo throughput and competition of neighbouring PRD ports in assessing the feasibility of constructing new container terminals.

### *Terminal handling charges*

14. Mr Kenneth TING was gravely concerned that the level of terminal handling charges (THC) in Hong Kong was too high which had effectively eroded the competitiveness of the Hong Kong port. Despite the on-going efforts made by the Administration in the past six years, there had not been any significant progress in lowering the THC. Mr TING therefore called on the Administration to consider introducing legislation to address the matter as was the case for Australia. The Chairman also remarked that in view of the high THC, shippers might choose to import/export their goods through other PRD ports. Ms Miriam LAU also echoed with Mr TING and pointed out that the persistently high THC was a more immediate problem that should be addressed in maintaining the competitiveness of Hong Kong port.

15. Mr Abraham SHEK stated his objection to regulate the THC through legislation as issues relating to THC were essentially a commercial matter involving liner conferences, shippers and container terminal operators. In his view, the high THC was attributable to the high single rate charged by shipping lines covering shipping and terminal handling related charges. In fact, Hong Kong port was very efficient. This explained why shippers preferred to ship their goods through Hong Kong port despite its high cost. He called on the Administration to provide further information on the components of THC and the container freight industry so as to facilitate members' understanding of the issue at stake.

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16. SEDL said that as the mechanism for determining THC was based on international practice and was a commercial matter between the shippers and the shipping lines, it was inappropriate for the Government to interfere with these commercial arrangements. The Government's role was to facilitate resolution of disagreements through dialogue. The Government would continue to liaise with the parties concerned to encourage them to meet and discuss issues of concern in order to increase the transparency of the mechanism for determining THC. To this end, he had already secured the agreement of the relevant parties to provide further information on THC. As per the request of Mr SHEK, he undertook to provide further information on the cost components of the freight industry.

*Value-added logistics park and developments on Lantau*

17. Referring to the slow progress in the development of the value-added logistics park (VALP) which had been advocated in last year's policy agenda, Ms Miriam LAU urged the Administration to expedite the work with a view to providing a designated facility for handling high value, time critical air cargoes. She enquired about the implementation timetable and the site option in developing the VALP.

18. In reply, the Permanent Secretary for Economic Development and Labour (Economic Development) (PS/EDL(ED)) said that the Administration had followed up closely the development of the project since it was announced last year. The Administration had been consulting the logistics sector on the broad planning parameters for the development of VALP on North Lantau. A survey on the views of potential VALP users on the services and facilities that should be provided on-site had just been concluded, and the findings of the survey would be taken back to the Hong Kong Logistics Development Council for consideration. The purpose was to ensure that the development parameters of the VALP would cater for the practical needs of the industry. On site selection, the Administration had identified initially a site on North Lantau, the strategic importance of which would be enhanced by its proximity to the Hong Kong-Zhuhai-Macao Bridge on the Hong Kong side. PS/EDL(ED) assured members that the Administration attached a high priority to the VALP initiative, but the development of an infrastructural facility like this would inevitably take time. It planned to finalize the survey report and discuss the way forward for the VALP initiative at the first meeting of the newly established Lantau Economic and Infrastructural Development Co-ordination Task Force chaired by the Financial Secretary in February 2004. The project would then be taken forward having regard to the required statutory procedures, such as seeking the approval of the Town Planning Board.

19. Addressing Ms LI Fung-ying's concern of the need to co-ordinate the development of modern transport and container terminal facilities and tourist attractions on Lantau, SEDL said that the Government had recognized the need for doing so, hence the decision to establish the Lantau Economic and Infrastructural Development Co-ordination Task Force under the chairmanship of

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the Financial Secretary to comprehensively co-ordinate the planning and development of these projects and to ensure that the major infrastructural and developmental projects were completed on schedule.

## Tourism

### *Modern cruise terminal*

20. Noting that the newly launched ocean liner *Queen Mary 2* would be calling Hong Kong next year, Mr Howard YOUNG was concerned that if Hong Kong could not receive the liner due to the lack of a modern cruise terminal, its reputation as a regional tourism node would be unduly affected. He called on the Administration to look into the matter and see if it was feasible, both in terms of regulation and availability, for one of the container terminals to accommodate the liner. To capitalize on the rapid growth of the cruise industry worldwide and enable Hong Kong to capture the growth potential of this sector of the market in the region, Mr YOUNG urged the Administration to press ahead with the development of the modern cruise terminal and tourist facilities at Southeast Kowloon (SEK).

21. SEDL said that with the consent of the operator, arrangements could be made for *Queen Mary 2* to berth at one of the existing container terminals. The Administration would discuss the issue further with the operator. On the development of the modern cruise terminal at SEK, SEDL said that in light of the (CFA)'s recent decision on the Wanchai Development, the relevant departments were reviewing the implications of the judgement on the developments in SEK. The Administration would determine as soon as practicable the way forward. In the meantime, steps were taken to identify additional or temporary berthing spaces to meet the demand.

### *Supply of hotel rooms*

22. Mr Henry WU was pleased to note about the quick recovery of tourist arrivals in recent months. However, he was concerned that the supply of hotel rooms might not be able to cope with the escalating demand as a result of the implementation of the Individual Visit Scheme. Referring to the difficulties encountered by property developers in the course of re-zoning of land use, Mr WU called on the Administration to consider providing one-stop support service for these hotel projects and facilitate the developers in obtaining the necessary licences for hotel operations.

23. As some 24 new hotels were scheduled for completion within the next three years and another 35 new hotel projects had received Town Planning Board's approval, SEDL anticipated that there would be an adequate supply of hotel rooms for the years ahead. Taking note of members' concern, SEDL advised that a designated office under the Home Affairs Bureau was responsible to handle applications for various licences in relation to hotel operation.



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Nevertheless, he undertook to explore with the Federation of Hong Kong Hotel Owners Ltd, which included all property developers in Hong Kong, and Hong Kong Hotels Association to see if his Bureau could provide further assistance with a view to commissioning these projects as soon as practicable.

### *"Shopping Paradise"*

24. Apart from raising quality of service, Mr Henry WU enquired if the Administration would implement other measures to enhance Hong Kong's reputation as "shopping paradise". In reply, the Commissioner for Tourism (C for Tourism) highlighted the Administration's effective measures in raising the quality of service of the retail sectors as evidenced by the continuous drop in the number of complaints on unsatisfactory shopping experiences registered by visitors during the past "golden week" holidays. Moreover, it was revealed from an independent survey of tourists that their satisfaction level of their visit to Hong Kong was over 90%. On measures to enhance quality of service, C for Tourism highlighted the Quality Tourism Services (QTS) Scheme launched by the Hong Kong Tourism Board (HKTB). With some 3 000 QTS-accredited outlets, the Scheme was increasingly recognized by local people and visitors. As part of the upgrading of the QTS Scheme, certain retail sectors such as the jewelry shops had included sector-specific performance standards to boost consumers' confidence in their product and service. Besides, various measures had been put in place to safeguard tourists' interest. For instance, HKTB would distribute "Be A Smart Shopper" leaflets, QTS booklets and so on to visitors to ensure that they could make informed choices during shopping.

## Aviation

25. Members noted that the Administration intended to introduce a Bill to provide the legal instrument for (partial) privatization of the Airport Authority (AA). To this end, Ms LI Fung-ying was concerned about the impacts of the exercise on AA's staff as certain staff unions of AA had expressed worries that the exercise might affect the well-being of staff. She called on the Administration to consult the affected staff.

26. Notwithstanding that AA was currently wholly-owned by the Government, SEDL and the Deputy Secretary for Economic Development and Labour (Economic Development) 2 pointed out that AA had been operated as a commercial entity. AA had appointed its staff in private contracts, with terms and benefits independent of that of civil service. Besides, AA was a highly-efficient statutory body with a streamlined organization and staff structure. Staff redundancy proposal as a result of the privatization of AA was not envisaged.

27. In view that another round of negotiation for further air services arrangements between Hong Kong and the Mainland would take place in Beijing next month, Mr Abraham SHEK urged the Administration to ask for additional

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traffic rights to enable more local airlines to introduce/expand air services to the Mainland with a view to lowering the airfares through effective competition. Taking note of Mr SHEK's view, SEDL said that the Administration had spared no efforts in opening up the Mainland aviation market in order to achieve a win-win scenario for the two places.

Renewable energy

28. Ms CHOY So-yuk was disappointed to note that the Policy Address had not covered the issue of renewable energy (RE). She referred to the previous discussion of the Panel on the development of RE and urged the Economic Development and Labour Bureau to specify a target of RE contribution to electricity demand in the energy portfolios of the two existing power companies when the Administration reviewed the post-2008 electricity market regime with them.

29. In response, SEDL and the Deputy Secretary for Economic Development and Labour (Economic Development) 1 DS/EDL(ED)1 remarked that the Environment, Transport and Works Bureau was the leading bureau in taking forward the initiative to promote wider use of RE in Hong Kong. Nevertheless, DS/EDL(ED)1 pointed out that during the 2003 interim review of the Scheme of Control Agreements with the power companies, the companies had recognized the government's efforts in exploring alternative power sources and indicated that they were prepared to plan and set up commercial scale wind turbines for public demonstration and efficiency testing, subject to detailed feasibility studies and further discussion on the implementation details with the Government. She also assured members that RE would be one of the factors to be taken into account when the Administration considered the post-2008 electricity supply market.

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30. At members' request, the Administration undertook to provide an update on the operation of the cross-boundary ferry service for transit passengers at the HKIA.

**V Marine-related subsidiary legislation**

(LC Paper No. CB(1)742/03-04(04) - Information paper provided by the Administration)

Two regulations under the Merchant Shipping (Prevention and Control of Pollution) Ordinance (Cap. 413)

31. The Director of Marine (D of M) said that the International Convention for the Prevention of Pollution from Ships (MARPOL) was an international convention developed by the International Maritime Organization (IMO) to prevent pollution of the marine environment by ships. In March 2000, IMO had passed a resolution to adopt Annex IV of MARPOL (MARPOL Annex IV),

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which aimed at preventing marine pollution by sewage from ships. To keep the standard of Hong Kong registered ships in line with international standards and help minimize pollution caused by sewage from ships, the Administration proposed to implement MARPOL Annex IV in the Hong Kong Special Administrative Region. To do so, two pieces of subsidiary legislation, namely the Merchant Shipping (Prevention of Pollution by Sewage) Regulation and the Merchant Shipping (Prevention and Control of Pollution) (Fees) Regulation needed to be made.

32. Mr HUI Cheung-ching was concerned about the discharge of effluents from ocean-going vessels and the related controlling mechanism. Referring to paragraph 3 of the paper (LC Paper No. CB(1) 742/03-04(04), he also enquired about the impact of implementing MARPOL Annex IV in Hong Kong on the trade, particularly the cost incurred by ship owners in providing sewage treatment plants or holding equipment for retention of sewage on board.

33. D of M replied that MARPOL Annex IV applied to ocean-going vessels which were of 400 gross tonnage or above, or which carried more than 15 persons. Most of these vessels were already equipped with sewage treatment plants or holding equipment for retention of sewage on board. Regarding the control mechanism for disposal of sewage, he said that in accordance with MARPOL Annex IV, sewage that had been treated could be discharged into the sea not less than 3 miles from the nearest land. As for untreated sewage, they might be discharged into the sea not less than 12 miles from the nearest land. Disposal of garbage including oil and floating materials into the sea from a ship were also subject to control as provided for in existing legislation.

Merchant Shipping (Prevention and Control of Pollution) (Specification of Substances) (Amendment) Order

34. On the proposed Merchant Shipping (Prevention and Control of Pollution) (Specification of Substances) (Amendment) Order, D of M said that the International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties (“the Convention”) and the Protocol Relating to Intervention on the High Seas in Cases of Pollution by Substances other than Oil (“the Protocol”) established measures to be taken when there was a grave and imminent risk of pollution caused by either oil or other substances. Both the Convention and the Protocol were applicable to the HKSAR. The list of “substances other than oil” was specified in the Merchant Shipping (Prevention and Control of Pollution) (Specification of Substances) Order (Cap. 413F). On 11 October 2002, IMO had adopted Resolution MEPC 100(48) to revise the list. Anticipating that the revision would enter into force on 22 June 2004, the Administration proposed to amend Cap. 413F accordingly by making the above Amendment Order.

35. Members noted the proposal and did not raise any specific questions on it.

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Shipping and Port Control (Amendment) Regulations

36. On the proposed Shipping and Port Control (Amendment) Regulations, D of M said that high-speed waterborne activities were increasingly popular in Hong Kong and gave rise to safety concerns. To address public concerns and enhance marine safety, the Marine Department had conducted a review on navigational safety and recommended setting up three new restricted zones in Discovery Bay, Repulse Bay and Tai Tam Bay areas in addition to the existing restricted zones as specified in the Eighteenth Schedule to the Shipping and Port Control Regulations (Cap. 313A). The specification of restricted zones aimed at separating high-speed waterborne activities (such as water skiing) from other slow-speed waterborne activities (such as swimming). Vessels navigating inside the restricted zones were required to proceed at a speed of not exceeding 5 knots, between 8 a.m. to 12 midnight on any Saturday or public holiday or on any day during the period from 1 July to 15 September.

37. Whilst welcoming the proposal to further enhance the safety of waterborne activities at or near popular beach areas, the Chairman was concerned about the inadequate enforcement actions taken by the Administration within the designated restricted zones, and the resulting safety hazards posed by high speed craft to other swimmers. He enquired about the details of the enforcement actions taken by the Administration and the resources put in place for patrolling.

38. D of M replied that frequent patrols were conducted by the Marine Department, particularly during summer. The Department would also act on complaints. For example, in 2001, 16 complaints were received against the high-speed waterborne activities in Discovery Bay and relevant follow-up actions had been taken up by the Department. Whilst he did not have the detailed prosecution statistics in hand, prosecution had indeed been taken against offenders of speeding. Apart from enforcement, the Marine Department had also launched publicity campaign to promote the safety of waterborne activities. Guidelines were issued among yacht clubs and organizers of waterborne activities. At the request of the Chairman, the Administration agreed to provide information to the Panel on the enforcement actions taken by the Administration in the existing restricted zones, including the numbers of patrols held and prosecutions taken in 2003.

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39. Whilst recognizing the need to promote the safety of waterborne activities, Mr Howard YOUNG opined that the Administration should consider designating an area for exclusive use by jet ski riders to promote tourism. He also requested the Administration to consider waiving the requirements for jet ski riders to apply for a licence before they could ride within Hong Kong waters.

40. D of M pointed out that in order to ensure marine safety, owners or persons-in-charge of vessels were required to pass a test and obtain a licence to ensure that they were conversant with the related safety rules and concepts. D of M said that the Administration would bear suggestion by Mr YOUNG in

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mind, while taking into account the safety implications on other swimmers.

41. In conclusion, the Chairman said that the Panel was generally in support of the proposed marine-related subsidiary legislation.

**VI Expansion of heliport facilities at Macau Ferry Terminal**

(LC Paper No. CB(1)742/03-04(05) - Information paper provided by the Administration)

42. At the invitation of the Chairman, DS/EDL(ED)2 briefed members on the Government's plan to expand the existing heliport at the Macau Ferry Terminal (MFT) to cater for the anticipated increasing demand in cross-boundary helicopter services. He outlined the expansion project, including its development mode, the timeframe for development and its financial, economic and environmental implications.

Cross-boundary helicopter service to Pearl River Delta (PRD)

43. Members noted that upon the addition of a landing/take-off pad and a new connecting taxiway to the existing MFT heliport, the existing capacity of the MFT heliport would be increased by about 80% and could handle an additional 24 500 movements each year. This could meet the anticipated demand up to 2015. In view of the rapid integration between PRD and Hong Kong and growing demand for transport service between the two places, the Chairman was worried that the planned capacity would not be adequate to absorb the demand so generated.

44. DS/EDL(ED)2 agreed that the fast economic development of the PRD and its growing link with Hong Kong presented a virtually unexploited market for cross-boundary helicopter service with significant growth potential. However, he pointed out that certain issues would need to be resolved before the initiative could be taken forward. To meet the requirement of time-sensitive travelers, the cross-boundary helicopter service to the PRD should be a "point-to-point" premium service, saving customers' need to interchange again to reach the destinations. However, the lack of customs, immigration and quarantine (CIQ) facilities at different landing points in the PRD might impede the development of the cross-boundary helicopter service. In order to enhance aviation safety, helicopters should also be operated along designated flight paths under the monitoring of the air traffic control system. To this end, there was a need to liaise further with the Mainland civil aviation authorities and the military forces regarding the detailed arrangements. Whilst the present estimate was rather modest, there were other expansion options to provide additional capacity to cope with the demand for helicopter service in the long term.

45. Regarding the destinations of the helicopter service in PRD region, PS/EDL(ED) said that this was a commercial matter for the concerned helicopter companies to decide. She explained that the expanded heliport would be

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developed, managed and operated by one private heliport developer-cum-operator through a tenancy agreement. Other helicopter service providers could use the facilities on a non-discriminatory basis both in terms of availability and charges. The tenant would be permitted to collect heliport charges from helicopter operators. Hence, it would be the commercial decisions of the service providers in opening up more PRD destinations for "point-to-point" services. The Administration would ensure that cross-boundary helicopter service would be operated in compliance with all statutory requirements and that the issues of CIQ facilities and air traffic control arrangements in the PRD would be resolved.

46. Mr Howard YOUNG welcomed the proposed expansion of heliport facilities at MFT. He urged the Administration to consider implementing co-location arrangement for passenger clearance at MFT heliports so as to allow the introduction of more point-to-point services to different areas in the PRD. PS/EDL(ED) said that the Administration had been actively pursuing the CIQ issue with the Mainland authorities. She noted that certain legal issues would need to be addressed for implementing the proposed co-location arrangement.

47. In reply to the Chairman's further enquiry about the scope of the existing helicopter services between Hong Kong and the PRD, DS/EDL(ED)2 referred to the chartered helicopter service between Hong Kong and Shenzhen airport, which had been suspended for the time being.

48. Regarding the demand for cross-boundary services by end-2006, DS/EDL(ED)2 said that it was projected that about 30% of the flight movements would be heading for PRD with the remaining 70% for Macau.

### The Expansion project

49. Ms Miriam LAU supported the expansion project as it could cater for the anticipated increasing demand for cross-boundary helicopter services. She enquired about the assessment criteria for awarding the tenancy agreement to the successful bidder. DS/EDL(ED)2 advised that a pre-determined set of criteria would be vetted by the Central Tender Board. Regarding the weighting of the criteria, he said that the Administration would first evaluate the technical aspects of the bids such as the design of the heliport facilities, safety features, the company's technical know-how, financial position and experience in developing similar facilities, etc. Bidders who met the technical requirements imposed by the Government would be further considered with reference to their proposed rental payable to the Government.

50. Noting that the Administration had proposed to offer an 18-year tenancy (inclusive of the design and construction period which was estimated to be 3 years) to the successful developer-cum-operator, Ms Miriam LAU was concerned about the financial viability of the project as the length of the permissible operating period might be too short. She enquired whether the industry's view had been sought and whether the successful bidder was required to pay rental

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during the construction stage of the heliport facilities. Mr HUI Cheung-ching and the Chairman also asked about the estimated capital cost of the expansion project, the levels of investment return and the future landing fee.

51. DS/EDL(ED)2 confirmed that the Administration had sought the views of the two existing helicopter operators on the expansion project. As to the financial viability of the project, the Administration had evaluated three possible options, namely a 13-year, 18-year or 20-year tenancy agreement and come to the view that an 18-year tenancy contract might provide a reasonable return on the investment, which included the estimated construction cost of the new heliport at about HK\$77 million. DS/EDL(ED)2 pointed out that the level of investment return envisaged by individual bidders would be reflected in their proposed rental payment. To safeguard the Government's interest, a provision would be included in the tenancy agreement that in case the developer-cum-operator had achieved the agreed Internal Rate of Return, the Administration would negotiate for a new rental rate for the heliport facilities with the tenant. Such arrangement would be specified in the tender document.

52. Regarding rental payment in early years of the tenancy agreement, DS/EDL(ED)2 said that after the tender exercise was successfully concluded, the existing MFT heliport tenancy would be terminated and the existing heliport transferred to the new heliport developer-cum-operator upon award of the tender. It would take about 2.5 to 3 years to complete the construction works of the expanded heliport, during which the existing helipad would continue to operate. As such, the future tenant would still be required to make rental payment at the level it proposed to the Government for the initial period of operation. On the mode of development, DS/EDL(ED)2 advised that unlike other Build-Operate-Transfer projects, the proposed project was less capital intensive. Before proposing the levels of rental charges, the bidders should have taken into consideration the levels of expected return. Regarding the level of landing fees, a fixed amount would be initially proposed with future adjustments to be in line with changes in the Composite Price Index.

53. Mr HUI Cheung-ching was concerned about the Administration's plan to meet further demand for cross-boundary helicopter service. DS/EDL(ED)2 advised that the western half of the MFT outer pier and the roof-top of the proposed cruise terminal at the tip of the ex-Kai Tak runway had been identified as viable options to cater for the expected continuing growth in cross-boundary helicopter services to 2020 and beyond.

54. In reply to Dr LUI Ming-wah, the Deputy Director-General of Civil Aviation pointed out that the existing cross-boundary heliport had a landing/take-off helipad with a designed capacity of 30 700 flight movements per year. Since the expanded heliport could not allow concurrent helicopter landing/take-off for safety reason, the capacity of the expanded MFT heliport would be slightly less than doubled. Rather, an 80% increase, or an additional 24 500 movements each year, was expected.

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Domestic helicopter service

55. The Chairman and Mr Howard YOUNG enquired about the demand and development for domestic helicopter service. DS/EDL(ED)2 replied that there was a rising demand for domestic helicopter service, in particular the need for premium and tourism/charter services after the outbreak of Severe Acute Respiratory Syndrome was brought under control. While actively exploring options in the urban area for developing a permanent domestic heliport, the Administration had identified a site on West Kowloon Reclamation for temporary use as heliport. On the proposal to use the existing cross-boundary heliport facilities at MFT for domestic flights, DS/EDL(ED)2 pointed out that as provision of CIQ facilities at cross-border terminal incurred a cost, it would be more desirable to maximize its utilization. Provision of domestic services inside a cross-boundary heliport would be counter-productive, bearing in mind other operational and security considerations.

**VII Any other business**

56. There being no other business, the meeting ended at 6:15 pm.

Council Business Division 1  
Legislative Council Secretariat  
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