

# 立法會

## *Legislative Council*

LC Paper No. CB(1)2187/03-04

Ref : CB1/PL/ES

### **Report of the Panel on Economic Services for submission to the Legislative Council**

#### **Purpose**

This report gives an account of the work of the Panel on Economic Services during the 2003-2004 legislative session. It will be tabled at the meeting of the Legislative Council on 7 July 2004 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

#### **The Panel**

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism. The terms of reference of the Panel are at **Appendix I**.

3. The Panel comprises 20 members, with Hon James TIEN Pei-chun and Dr Hon LUI Ming-wah elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is at **Appendix II**.

#### **Major Work**

##### Tourism

4. During the session, the Panel continued to attach great importance to overseeing the planning and implementation of tourism infrastructure, facilities and products, and monitoring initiatives to improve the quality of service of the industry with a view to promoting tourism development.

5. The Panel received a briefing by the Hong Kong Tourism Board on the new global marketing campaign "Hong Kong - Live it, Love it". The Panel noted that the campaign was designed to sustain the post-SARS recovery momentum and reinforce Hong Kong's reputation globally as a diverse and dynamic destination. Apart from giving attention to the Mainland market, the Panel asked the Administration to place more concerted effort in attracting back long-haul visitors so as to maintain a balanced international portfolio of visitors from all markets. The Panel also pointed to the need to target at key source markets according to the potential and response of each market segment in the new global advertising campaign to ensure value for money and cost-effectiveness of the revival campaign plans.

6. The Panel recognized that 2003 was a challenging year for the tourism industry. Despite the impact of the SARS crisis, the tourism industry had staged a rapid V-shaped recovery and recorded 15.5 million visitor arrivals. This was just a modest drop of 6.2% year-on-year and was the second highest number of arrivals on record. The Panel was pleased to note that the tourism industry had a good start in 2004. Overall visitor arrivals increased by 14.7% in the first quarter of 2004 to 4.94 million. Visitor arrivals from some long haul markets had also returned to positive growth. Given the improving worldwide outbound market situations and the continual expansion of the Individual Visit Scheme, the Hong Kong Tourism Board estimated that the total arrival would reach 20.5 million, up 31.8% over 2003. Whilst expressing appreciation on achievement of the Administration and the Hong Kong Tourism Board in reviving tourism, the Panel urged the Administration to further enhance the tourism infrastructure, facilities and products for visitors with a view to ensuring the sustainability of the recovery. A good environment and a convenient transport system were equally appealing to long-haul visitors. There was also a need to devise effective measures to sanction unscrupulous retail shops and strengthen the complaint mechanism, and publicize the effectiveness of such efforts to boost the confidence of visitors to spend in Hong Kong.

#### *Tourist facilities and new attractions*

7. Apart from the Hong Kong Disneyland, the Panel noted that a number of tourism infrastructure projects including the Tung Chung Cable Car System, and the Hong Kong Wetland Park, would come on stream in the next two years. There were also on-going plans to enhance existing attractions in various districts. When consulted on the beautification of the Tsim Sha Tsui Promenade and Stanley waterfront, and the construction of a new Transport Link in Tsim Sha Tsui East, the Panel called on the Administration to improve the design of the facilities to ensure that they would blend in with the surrounding environment. The Panel also urged the Administration to provide adequate supporting infrastructure such as parking spaces and toilet facilities to cater for the needs of tourists.

8. To further enhance Hong Kong's attractiveness on the hardware front, the Panel considered that the Administration should proceed with the planning of a modern cruise terminal and a tourism node, encompassing a variety of tourist-oriented functions. Also, in recognition of the potential of the niche market of spa and resort with golf facilities in Hong Kong, the Administration should speed up the provision of the related facilities. Such development would enhance Hong Kong's popularity as a tourist destination and bring long term economic benefits by broadening the range of tourism product available, for the high end tourism market in particular.

9. The Panel noted that the Administration launched "A Symphony of Lights" in January 2004 as a permanent attraction to enhance the night vista of Victoria Harbour. The Panel welcomed the Administration's plan to progressively expand the Show to include more buildings on both sides of the harbour. To further enhance the attractiveness of the Show and draw more visitors to stay longer in Hong Kong, the Panel asked the Administration to examine the feasibility of staging a regular pyrotechnics display in the end of the Show.

10. In exploring new tourism opportunities, the Panel considered that it might also make use of Hong Kong's natural resources. However, in developing green tourism and eco-tourism, consideration must be given to providing adequate safeguarding measures to protect the environment and ecology.

#### *Quality of service*

11. The Panel expressed concern about the increase in the number of complaints from tourists and urged the Administration to monitor the trend of complaints received from tourists and step up consumer protection. Prosecution action should also be taken by the enforcement agencies against shops found to be committing criminal offences. There was also a need to promote good business practice and enhance awareness of consumer rights with a view to providing the best safeguard for tourists and consumers. In this connection, the Panel noted that the Administration had launched a public education programme, "A Hospitable Hong Kong Campaign", to raise the public awareness on the importance of hospitable culture. The Panel supported the Administration's plan to extend the Campaign for another two years. The Quality Tourism Services Scheme launched by the Hong Kong Tourism Board, which aimed at assisting visitors to identify quality service providers, and giving recognition to the participating merchants' excellence in service and products, would also be further enhanced to cover more tourism-related sectors.

#### *Supply of hotel rooms*

12 The Panel was concerned that with the rapid increase in tourist arrivals, the supply of hotel rooms might not be able to cope with the escalating demand, particularly with the expansion of the Individual Visit Scheme.

13. In reviewing the supply of hotel rooms, the Panel noted that 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. According to the Administration, there would be an adequate supply of hotel rooms for the years ahead.

### Logistics and port development

#### *Competitiveness of the Hong Kong port*

14. Given the rapid development and expansion of the Mainland ports and the increasing competition from the Shenzhen ports, the Panel was concerned about the measures taken by the Administration to reinforce the position of Hong Kong as the logistics centre in the region. The Panel also expressed grave concern about the high terminal handling charge (THC), which had eroded the competitiveness of the Hong Kong port.

15. On infrastructural development, the Panel examined the various initiatives undertaken by the Administration to promote the long-term development of the logistics industry. According to the Administration, with the implementation of 24-hour cross boundary clearance and improved customs and immigration procedures, processing time at boundary crossing was shortened, hence providing increased clearance capacities at land boundary crossings. Discussions on the development and launching of a Digital Trade and Transportation Network system in 2005 were underway.

16. The Panel also noted the expansion of Hong Kong's 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. In order to raise the competitiveness of Hong Kong in the long term, the Administration also recommended the building of more container terminals. On the choice of site, Lantau was one of the options being considered by the consultant. The Panel was aware of the rapid infrastructural development in the region, and reminded the Administration to speed up the related work so as to maintain the competitiveness of Hong Kong port.

#### *Terminal handling charge*

17. The Panel had all along been very concerned about the high THC which

would have impact on the long-term development of Hong Kong's port services. During the session, the Panel continued to discuss with the Administration on how the THC could become more competitive. The Administration maintained that the mechanism for determining THC was a commercial matter between the shippers and the shipping lines and it was inappropriate for the Government to interfere with these commercial arrangements. The Administration insisted that its role was to facilitate resolution of disagreements through dialogue. Nevertheless, in light of members' concern, the Administration agreed 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.

*Value-added logistics park and developments on Lantau*

18. The Panel had examined the implementation timetable and the site option in developing a value-added logistics park and urged the Administration to expedite the work with a view to providing a designated facility for handling high value, time critical air cargoes.

*Co-operation with the Mainland*

19. As regards the relationship between Hong Kong and the Mainland in logistics development, the Administration pointed out that both sides would 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 Hong Kong International Airport's passenger and cargo catchment area through co-operating with other airports in the Pearl River Delta (PRD) region.

20. Addressing the Panel's concern about the need to co-ordinate the development of modern transport and container terminal facilities and tourist attractions on Lantau, the Administration advised 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 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.

Air services

21. In order to maintaining Hong Kong's position as a centre of international and regional aviation, the Panel urged the Administration to ask for additional traffic rights to enable more local airlines to introduce and expand air services to the Mainland with a view to lowering the airfares through effective competition.

22. The Panel was briefed on the Administration's plan to expand the existing heliport at the Macao Ferry Terminal (MFT) to cater for the increasing demand in cross-boundary helicopter services. 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. In view of the rapid integration between PRD and Hong Kong and growing demand for transport service between the two places, the Panel had examined whether the planned capacity was adequate for the demand so generated.

23. The Administration's view was that in order to meet the requirement of time-sensitive travellers, 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 facilities at different landing points in the PRD might impede the development of the cross-boundary helicopter service. The Administration assured the Panel that 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.

#### *Domestic helicopter service*

24. The Panel noted that there was also a rising demand for domestic helicopter service, in particular the need for premium and tourism/charter services. The Panel called on the Administration to explore options in the urban area for developing a permanent domestic heliport.

#### *Privatization of Hong Kong Airport Authority*

25. On the proposed privatization of Hong Kong Airport Authority (AA), the Panel had expressed concerns over a wide range of issues. The major ones included the impact of the proposed privatization on staff working on the airport island; regulation of airport charges; mechanism for upkeeping the service standards and efficiency after privatization; scope of AA's business and competition and mechanism to prevent AA from abusing its monopolistic power after privatization; residual Government controls over AA after privatization; how to strike a balance among the conflicting interests of various stakeholders after privatization; overseas experience in privatization of airports; and whether the Government could take back the land on the airport island not already earmarked for airport operational and support facilities before privatizing AA.

26. The Administration took note of the Panel's concerns and decided to take more time to further consult stakeholders before putting a privatization bill to the Legislative Council. In the meantime, the Administration intended to restructure the capital of AA in order to lower its overall costs of capital. The

Administration assured members that the proposed capital restructuring did not in anyway affect the ownership or corporate structure of AA. It did not preempt the arrangements for privatization, and indeed the decision on whether and when AA should be privatized. AA as a statutory corporation would still benefit from a lowering of its overall cost of capital. The Administration proposed to restructure AA's capital as soon as possible so that AA could take advantage of the current low interest environment to raise debt financing.

#### Overseas duty visit to study airport services, logistics management and tourism

27. The Panel conducted an overseas duty visit in April 2004 to study overseas experience in port and airport management and logistics development. The Panel also took the opportunity to learn about overseas experience in the privatization of airports and in the operation of Disney Parks. Since the Government's announcement of its plan to privatize AA in August 2003, the Panel had engaged itself in discussion with the Administration on issues related to the privatization of AA. At the same time, with the imminent opening of the Hong Kong Disneyland in 2005, there were growing concern about the difficulties likely to be faced during the initial period of operation of the theme park. The Panel visited London, Disneyland Resort Paris, Amsterdam and Rotterdam from 3 to 9 April 2004.

28. During the visits, the delegation met with legislators and senior government officials responsible for logistics development, planners for airport terminal facilities, and regulator of airports. It also visited the Disneyland Resort Paris, the Amsterdam Airport Schiphol, and the port of Rotterdam to exchange views with their management on various issues. The delegation also took the opportunity to visit the Second Chamber of Parliament in the Netherlands, and met with a group of top political and business leaders in London to exchange views on matters of mutual concern. A report on the overseas visit was published in June 2004.

#### Electricity supply market

##### *2003 Interim Review of the Scheme of Control Agreements*

29. The Panel was briefed on the results of the 2003 Interim Review of the Scheme of Control Agreements (SCA) with CLP Power Hong Kong Limited (CLP) and The Hong Kong Electric Company Limited (HEC). The Panel was disappointed that the agreement secured did not result in a tariff reduction, despite the persistent deflation over the past few years. The Panel pointed out that there had been criticisms of the SCA from time to time. The main concerns were that it was not appropriate to link the return for shareholders to the value of the fixed assets as it encouraged over-investment by the power companies. The levels of return for shareholders were also too high in today's circumstances and should be lowered. Also, tariff should be linked to and

adjusted in accordance with changes in local consumer price index.

30. The Panel called on the Administration to ensure that the inherent limitations of the current SCA would be avoided in the post-2008 regime. In taking forward the regulatory review of the post-2008 arrangement for the electricity supply market, some members requested the Administration to specify a target of renewable energy contribution to electricity demand in the energy portfolios of the two existing power companies. There was also a need to conduct proper consultation and speed up the related work so as to pave the way for the liberalization of the electricity market in 2008.

#### *Electricity tariff*

31. The Panel considered that a tariff freeze by the two power companies for 2004 was not enough to alleviate the burden on the general public and the commercial and industrial sectors. The Panel called on the Administration to liaise with the two power companies with a view to reducing the basic tariffs to relieve the burden of the general public. The Panel also examined how CLP would return the monies in the Development Fund to its customers. As the balance of CLP's Development Fund was still in a substantially high level even after it had offered rebate to its customers, the Panel was of the view that CLP could consider lowering the basic tariff rather than offering piecemeal rebates. The Panel noted that as part of the agreement under the 2003 interim review, CLP and the Government would have specific discussions with regard to arrangements to deal with any balance in the Development Fund, and the related Rate Reduction Reserve account, 12 months before the expiry of the current SCA.

32. In March 2004, HEC announced that due to changes in coal prices and freight charges, HEC had to reduce the Fuel Clause Rebate (FCR) by two cents per unit (kilowatt hour) with effect from 1 April 2004. Whilst such adjustment would not increase the profits attributable to shareholders, the Panel expressed disappointment as an increase in electricity tariff would add to the financial burden of the general public and the commercial and industrial sectors. The Panel called on the Administration to monitor closely the contract coal prices of HEC for 2004 with a view to ensuring that any reduction in fuel cost would be duly reflected in the electricity tariff for 2005.

33. The Administration appreciated members' concern about the increase in electricity tariff for HEC customers as a result of the reduction in FCR. However, they stressed that as a party to the Agreement, the Administration had to abide by the terms of the SCA which stipulated, inter alia, that the fuel cost of electricity supply would be borne by customers. As any modifications to SCA, including the mechanism in tariff adjustment, could only be made with the agreement of the contracting parties, the Panel considered that there was a need to improve the existing arrangements in the post-2008 electricity



regulatory regime. The Administration should also examine the feasibility of increasing interconnection between the two power companies in reviewing the post-2008 electricity market.

#### Retail prices of major fuels

34. The Panel had reviewed the impact of an oil price hike on business operating cost and the general public. The Panel urged the Administration to formulate relief measures to assist the related trades, particularly the transport trades. It should also examine means to assist the general public to minimize fuel consumption, for example, during driving.

#### Competition

35. The Panel was briefed 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. In order to raise public awareness about the competition concepts as contained in the guidelines, the Panel was of the view 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. The Panel also examined the actions to be taken by the Administration in case of non-compliance and whether COMPAG would investigate and follow up on alleged restrictive practices as reported by the media.

36. The Administration advised that it 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.

37. In reviewing the competition state in the foodstuffs and household necessities retailing sector, the Panel took the opportunity to review whether there was a need to introduce a universal competition law.

38. Some members were of the view that as some 80 out of 100-odd members of the World Trade Organizations had adopted competition laws, the Administration should consider introducing similar legislation in Hong Kong to

safeguard consumer interest.

39. Some other however considered that the availability of consumer choices was the best indicator of free market. As long as consumers were free to shop at outlets of different scales of operation in accordance with their own purchasing power and preference, the Government should keep its intervention to the minimum.

40. The Administration pointed out that at the present stage, the Government did not see any need to enact an all-embracing competition law. To maintain overall consistency in the application of competition policy, the Administration had provided a comprehensive, transparent and over-arching competition policy framework and reinforced it with sector-specific measures not limited to laws. The Government called upon all businesses to cease existing, and refrain from introducing, restrictive practices that impaired economic efficiency or free trade on a voluntary basis. On safeguards against possible merger of the two major supermarkets, the Administration pointed out that competition in the retail market was fierce and that there was no need for the Government to intervene in the operation of the retail market.

#### Postal service

41. The Panel noted that the Post Office (PO) had carried out extensive consultation with its clients on the proposal to reduce its delivery frequency from twice to once a day. According to the Administration, clients in the major commercial areas, including Central, did not object to having one delivery per day. The revised arrangement would enable the PO to deploy its staff resources more efficiently whilst maintaining the next day delivery standard for local mail. The ultimate benefit would be reduced pressure to revise postage rates for the presently loss-making local mail service.

42. The Panel was also concerned about overseas mailers transporting mail items to Hong Kong as cargo and arranging their agents in Hong Kong to deliver them or mail them locally, thereby posing a threat to the PO's profit from the international mail service. The Panel urged the Administration to examine ways to address the problem.

#### Financial and legislative proposals

43. During the session, the Panel was consulted on a number of financial and legislative proposals prior to their introduction into the Council. These included the proposed replacement of Doppler Very High Frequency Omni-Directional Range and Distance Measuring Equipment; reconstruction of Sha Tau Kok, Wong Shek and Ko Lau Wan public piers; the transfer of certain statutory powers and functions from the Chief Secretary for Administration and the Financial Secretary to the Secretary for Economic Development and

Labour; the proposal to amend the Air Transport (Licensing of Air Services) Regulations to prescribe a quorum of the Air Transport Licensing Authority for the dispatch of business; the proposed Merchant Shipping (Security of Ships and Port Facilities), which aimed at enhancing the level of security on Hong Kong ships and port facilities in Hong Kong to an agreed international standard; and the Merchant Shipping (Prevention of Pollution by Sewage) Regulation and the Merchant Shipping (Prevention and Control of Pollution) (Fees) Regulation, which aimed at preventing marine pollution by sewage from ships.

44. In discussing the proposed Shipping and Port Control (Amendment) Regulations, which aimed at restricting high-speed waterborne activities in 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, the Panel had expressed concern 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. The Panel called on the Administration to strengthen the enforcement work to enhance safety.

45. During the period from October 2003 to June 2004, the Panel held a total of 12 meetings.

Council Business Division 1  
Legislative Council Secretariat  
30 June 2004

**Panel on Economic Services**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Legislative Council  
Panel on Economic Services**

**Membership list for 2003 - 2004 session**

<b>Chairman</b>	Hon James TIEN Pei-chun, GBS, JP
<b>Deputy Chairman</b>	Dr Hon LUI Ming-wah, JP
<b>Members</b>	Hon Kenneth TING Woo-shou, SBS, JP Dr Hon Eric LI Ka-cheung, GBS, JP Dr Hon David LI Kwok-po, GBS, JP Hon Fred LI Wah-ming, JP Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP Hon CHEUNG Man-kwong Hon HUI Cheung-ching, SBS, JP Hon CHAN Kam-lam, JP Hon SIN Chung-kai, JP Dr Hon Philip WONG Yu-hong, GBS Hon Howard YOUNG, SBS, JP Hon LAU Chin-shek, JP Hon Miriam LAU Kin-ye, GBS, JP Hon CHOY So-yuk Hon Abraham SHEK Lai-him, JP Hon LI Fung-ying, BBS, JP Hon Henry WU King-cheong, BBS, JP Hon LEUNG Fu-wah, MH, JP
	(Total: 20 members)
<b>Clerk</b>	Mr Andy LAU
<b>Legal Adviser</b>	Miss Anita HO
<b>Date</b>	2 July 2004