立法會
Legislative Council

LC Paper No. CB(1)2240/04-05
(These minutes have been seen by the Administration)

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Panel on Economic Services

Minutes of meeting held on
Monday, 25 July 2005, at 10:45 am
in the Chamber of the Legislative Council Building

Members present	**:**	Hon James TIEN Pei-chun, GBS, JP (Chairman) Hon Abraham SHEK Lai-him, JP (Deputy Chairman) Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP Hon Fred LI Wah-ming, JP Dr Hon LUI Ming-wah, SBS, JP Hon CHAN Kam-lam, SBS, JP Hon Jeffrey LAM Kin-fung, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon KWONG Chi-kin Hon TAM Heung-man
Members attending	**:**	Hon Emily LAU Wai-hing, JP Hon WONG Kwok-hing, MH Hon LEUNG Kwok-hung
Members absent	**:**	Dr Hon David LI Kwok-po, GBS, JP Hon SIN Chung-kai, JP Hon Howard YOUNG, SBS, JP Hon LAU Chin-shek, JP Hon Miriam LAU Kin-yee, GBS, JP Hon WONG Ting-kwong, BBS Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung

Public Officers attending : <u>**Agenda item III**</u>

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Miranda CHIU
Acting Permanent Secretary for Economic Development and Labour (Economic Development)

Ms Brenda CHENG
Principal Assistant Secretary for Economic Development and Labour (Economic Development)

Mr Roger LAI
Director of Electrical and Mechanical Services

Mr Roy TANG
Deputy Director of Environmental Protection

Mr S W PANG
Principal Environmental Protection Officer (Air Policy)
Environmental Protection Department

<u>**Agenda item IV**</u>

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Miranda CHIU
Acting Permanent Secretary for Economic Development and Labour (Economic Development)

Miss Janice TSE
Deputy Secretary for Economic Development and Labour (Economic Development)

Mr K M FUNG
Chief Assistant Secretary
(Port, Maritime & Logistics)

Mr S Y TSUI
Director of Marine

Attendance by invitation : **<u>Agenda item III</u>**

The Hongkong Electric Co., Ltd.

Mr K S TSO
Group Managing Director

Mr C T WAN
Director & General Manager
(Corporate Development)

Mr Steve NG
Deputy Chief Accountant

CLP Power

Mrs Betty YUEN
Managing Director

Mr S H CHAN
Planning Director

Mr Richard LANCASTER
Commercial Director

Dr Robert HIRSCH
Director of CAPCO

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

Staff in attendance : Ms Anita SIT
Senior Council Secretary (1)9

Miss Winnie CHENG
Legislative Assistant (1)5

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I Confirmation of minutes and matters arising

(LC Paper No. CB(1)2095/04-05 - Minutes of meeting held on 27 June 2005)

The minutes of the meeting held on 27 June 2005 were confirmed.

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II Information papers issued since last meeting

(LC Paper No. CB(1)1970/04-05(01)	-	Tables and graphs showing the import and retail prices of major oil products from June 2003 to May 2005 furnished by the Census and Statistics Department
LC Paper No. CB(1)2055/04-05(01)	-	Press release on "Competition Policy Advisory Group Report 2004-2005")

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

III Review of the financial plans of the two power companies

(LC Paper No. CB(1)2096/04-05(01)	-	Information paper on "The Hongkong Electric Company Limited 2004 To 2008 Financial Plan" provided by the Administration
LC Paper No. CB(1)2096/04-05(03)	-	Information paper on "CLP Power Hong Kong Limited Castle Peak Power Company Limited 2005 Financial Plan" provided by the Administration)

3. The Acting Permanent Secretary for Economic Development and Labour (Economic Development) (PS/ED(Atg)) briefed members on the background to –

(a) the 2004 to 2008 Financial Plan of Hongkong Electric Company Limited (HEC); and

(b) the 2005 Financial Plan of CLP Power Hong Kong Limited and Castle Peak Power Company Limited (hereinafter referred to collectively as "CLP").

4. PS/ED(Atg) highlighted that the current Scheme of Control Agreement (SCA) for HEC would expire in December 2008 and that of CLP in September 2008. The Government was working on the future arrangements for the electricity market after the expiry of the SCAs and had made it explicitly known to the two power companies that the Government's approval of the Financial Plans should not pre-empt Government's consideration of future regulation of and arrangements for the electricity market after 2008, nor should it give rise to any expectation of renewal or extension of the SCAs or any expectation of entitlement to cost recovery and/or return on investments in the relevant assets.

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5. PS/ED(Atg) added that the capital projects included in the Financial Plans were supported to ensure adequate reliable safe power supply and to minimize environmental impact in electricity generation. The total capital expenditure, according to HEC's and CLP's forecasts, over the period covered by the Financial Plans was $11.9 billion and $23.8 billion respectively. The projected average annual increase in net tariff for HEC in the period 2006 to 2008 covered by the Financial Plan would be slightly above the Government's forecast inflation rate of 3% per annum for the period, and that for CLP would be below the Government's forecast inflation rate for the period.

6. With the aid of Powerpoint, Mr C T WAN, Director & General Manager of HEC, gave a presentation of HEC's 2004 to 2008 Financial Plan as per the presentation notes tabled at the meeting and circulated to members after the meeting vide LC Paper No. CB(1)2143/04-05(03).

7. With the aid of Powerpoint, Mr S H CHAN, Planning Director of CLP, gave a presentation of its financial plan as per the presentation notes tabled at the meeting and circulated to members after the meeting vide LC Paper No. CB(1)2143/04-05(04).

8. Mr CHAN Kam-lam commented that the Administration had not given sufficient information on how the capital expenditure of the two power companies in the Financial Plans would affect tariffs from 2006 to 2008. He noted that HEC would commission the first 300MW gas combined cycle unit (L9) in 2006, and CLP would commission the Units 7 and 8 at Black Point Power Station in 2005 and 2006. Given that both power companies at present had reserve generating capacity of over 30%, and taking into account the projected electricity demand growth of 2-4% (HEC's projection) and 2-3% (CLP's projection) per annum, there seemed to be inadequate justifications for the commissioning of new generation units. He also questioned whether the two power companies were trying to reap as much profit as possible by inflating their capital expenditure before the expiry of the current SCAs.

9. PS/ED(Atg) recalled that the Government had agreed to HEC's proposal to commission the first 300MW gas combined cycle unit (L9) at the Lamma Extension in 2004 in the context of HEC's previous Financial Plan in 2000. In the light of updated maximum demand forecasts, the Government had subsequently agreed to HEC's proposals to defer commissioning of Unit L9 from 2004 to 2005 and then to 2006. The Government accepted HEC's latest maximum demand forecasts in the current Financial Plan, which confirmed that Unit L9 would be required in 2006 to ensure reliable electricity supply for HEC's customers.

10. As regards CLP, PS/ED(Atg) pointed out that members were informed in December 1999 that the Government had agreed to the most economical option proposed by CLP to defer commissioning of Unit 7 from 2003 to 2005 and Unit 8 from 2004 to 2006 at Black Point. Works on Unit 7 and 8 had therefore been largely completed in the previous Financial period and only a small portion of the residual capital expenditure was included in the present Financial Plan. With the commissioning of these two generating units, the installed generating capacity of CLP

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would be sufficient to meet the expected electricity demand in the company's supply area throughout the Financial Plan period.

11. As regards the impact of the commissioning of the new generating units on tariffs, PS/ED(Atg) explained that as the greater part of the capital expenditure on the units had already been accounted for in the previous Financial Plans period, the commissioning of the new generating units would not have substantial impact on tariffs. Moreover, it should be borne in mind that in practice, the actual basic tariff to be charged to consumers each year would be determined in the immediate preceding year, following discussions between the Government and the power companies during the annual Tariff Review, taking into account various factors including forecast demand, any variations in the component parts of the Financial Plans as well as affordability of the consumers, etc. Hence, it would be pre-mature to determine the impact on tariffs at this stage.

12. Mr WONG Kwok-hing said that over the past six years, the economy had been in a downturn and many Hong Kong people had been under immense financial pressure. During the same period, HEC had earned profits totalling $35.32 billion or $5.9 billion on average each year. HEC's tariffs had been frozen in three years and increased in the other three years, with an accumulated increase of 16.7%. CLP had earned profits totalling $43.091 billion or $7.1 billion on average each year. CLP had frozen its tariffs for the past six years. He considered that the Government had not exercised effective monitoring over the two power companies. He was surprised to note that the Administration was prepared to allow the companies to increase their tariffs by some 3% each year up to 2008, while local workers would unlikely enjoy the same extent of wage increase in the period. He asked why the Government had approved the projected basic tariff rates in the power companies' Financial Plans. Noting the Administration's view that the approval of the projected basic tariff rates and the extent of Development Fund financing in the 2005 Financial Plan should not pre-empt Government's consideration of future regulation of and arrangements for the electricity market after 2008, he enquired about the regulatory arrangements after 2008.

13. SEDL said that the Government was bound by the current SCAs up to their expiry in 2008. He was aware that the public in general did not welcome tariff increases, and over the past few years, the Administration had made strenuous efforts to work with the power companies to achieve the tariff freezes or reduce the magnitude of tariff increases. For the post-2008 arrangements, the Administration had published in January 2005 the consultation paper on "Future development of the electricity market in Hong Kong : Stage I consultation" to gather public views on various issues pertaining to the future development of the electricity market. The three-month consultation period ended on 30 April 2005. Taking into account the views received, the Administration would draw up proposals for the future development of electricity market which would be put out in the Stage II of the public consultation. The present Financial Plans were the last ones under the current SCAs. The Government had therefore made every effort to ensure that the Government's

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approval of the Financial Plans would not pre-empt Government's consideration of regulation of and arrangements for the electricity market after 2008.

14. Members noted that to improve regional air quality, the Government and Guangdong reached a consensus to reduce, on a best endeavour basis, the emission of four major pollutants in the region by 2010. In both the cases of HEC and CLP, the projects proposed to reduce major air pollutants were not sufficient for achieving the 2010 targets. The environmental benefits of the proposed emission reduction projects would not be fully reaped until around 2011 in the case of HEC and 2012 in the case of CLP. For CLP, natural gas consumption in 2005 and 2006 would be about 80% of the maximum daily intake by CLP before 2003. The level would decrease to about 60% in 2007 and 2008, when more coal-fired generation units, which were less efficient and more polluting, would be used for electricity generation. As the environmental benefits of CLP's proposed emission reduction project would not be fully reaped until around 2012, pollutant emissions from CLP would increase and might further aggravate the air quality.

15. Mr KWONG Chi-kin asked whether the Administration had discussed with the two power companies when the 2010 emission reduction targets were set and whether the power companies would be subject to any punitive measures if they could not meet the targets.

16. The Deputy Director of Environmental Protection (DDEP) advised that it was through the Specified Process Licences, rather than the Financial Plans, that the Government controlled the atmospheric emissions of the power companies. Power companies must obtain a Specified Process Licence in order to operate a power plant. The Environmental Protection Department (EPD) would stipulate the emission caps, which were legally binding, in the Specified Process Licences issued to the power companies. Since the establishment of the 2010 emission reduction targets in 2002, the Administration had started in July 2003 to discuss with the two power companies measures to achieve the emission targets. The Administration believed that the emission caps for 2010 could be achieved if the power companies accelerated the programme for the emission reduction projects they had already proposed in the Financial Plans. For HEC, the emission targets could be met by 2011 under the current plan. There should be ample room to advance the emissions reduction projects in order to meet the targets by 2010. For CLP, the company had yet to submit a detailed works programme for the retrofitting of four coal-fired generating units at Castle Peak Power Station (CPPS) with Flue Gas Desulphurization (FGD) plant and Selective Catalytic Reduction (SCR) plant. As such, the Administration was not satisfied that CLP had already put in their best efforts and could not advance the retrofit programme. Outside the context of the company's Financial Plan, CLP had proposed to develop a Liquified Natural Gas (LNG) terminal. CLP first raised the matter with the Administration in August 2004but the project had already gone through detailed feasibility studies and submitted to EPD for environmental impact assessment by May 2005. Should CLP be as determined and committed to the retrofitting works at CPPS as they did to the LNG terminal, CLP should be able to meet the 2010 emission reduction targets.

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17. Ms Emily LAU said that she had made a request for the Panel on Environmental Affairs to convene a meeting to discuss the issue of pollution caused by power plants. The Administration's paper for this meeting clearly pointed out that in both the cases of HEC and CLP, the proposed projects under the Financial Plans were not sufficient to meet the 2010 emission reduction targets. She was particularly concerned to note that in the years before 2012 when the environmental benefits of CLP's proposed emission reduction project might be fully reaped, pollutant emissions from CLP's power plants would increase and might further aggravate the air quality. She asked whether in arriving at the 2010 emission reduction targets, the Administration had consulted the power companies and whether the two companies took the same view as DDEP that there was good prospect of meeting the targets by 2010.

18. Ms Betty YUEN said that over the past 10 years, CLP had spared no effort on emission reduction measures. CLP had started using natural gas and nuclear power more than 10 years ago. Coal accounted for only one-third of the fuels used by CLP. The emission reduction targets agreed between the Government and Guangdong were to reduce four major types of emissions by percentages ranging from 20% to 55%, taking 1997 as the base year. As CLP had already done a lot on emission reduction during the 1990s and in 1997, CLP's emission levels were much lower than those of other power companies in Hong Kong and neighbouring places. As such, the requirement on CLP to further reduce emissions by the said percentages was indeed a great challenge for CLP. Notwithstanding this, CLP supported the Government's efforts to improve regional air quality, and had planned for the retrofitting of FGD plant and SCR plant at CPPS for reducing atmospheric emissions. Since the reserve of natural gas in Hainan fell short of the original estimate, CLP had to increase the use of coal-fired generation units for electricity generation. CLP assessed that the company would not be able to meet the emission reduction targets by 2010, notwithstanding that it had made and would make the best effort to take forward the retrofitting project at CPPS.

19. In reply to Ms Emily LAU's further enquiry, DDEP advised that the Specified Process Licence of CPPS was due for renewal. EPD would take the opportunity to impose caps on the emissions of CPPS. EPD would further examine with CLP to see if the retrofitting projects could be expedited. Should CLP be unable to meet the 2010 targets through the retrofitting project, it should consider the option of emissions trading which the Administration had proposed to CLP as early as July 2003.

20. Mr Jeffrey LAM also expressed concern about the progress of the work to reduce emissions. He noted that substantial investment would be made on measures to reduce emissions under the present Financial Plans, and asked whether further expenditure would be required after 2008 on these measures.

21. Ms Betty YUEN advised that upon completion of the retrofitting project, the retrofitted units at CPPS could achieve emission performance better than the European Union standards. As the retrofitting project would be completed by 2011, there would still be capital expenditure on the project after 2008. Thereafter, unless there

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was new technology for emission reduction, there should be no need for further substantial capital expenditure to achieve emission reduction for coal-fired generation units. As regards renewable energy, CLP Group had set an internal target that by 2010, renewable energy should account for 5% of the overall electricity generation although most of it would have to be achieved outside Hong Kong due to limited availability of land in Hong Kong. The feasible types of renewable energy for CLP were solar energy and wind energy. CLP would continue to act positively in this area of development.

22. Mr K S TSO, Group Managing Director of HEC, advised that by 2010, five generation units of HEC would be equipped with FGD plant and low NOx burner. The first 300MW gas combined cycle unit (L9) would be commissioned in 2006. HEC also planned to commission another gas combined cycle unit in 2010. The present Financial Plan did not cover the environment-related measures planned to be taken after 2008.

23. Mr Jeffrey LAM said that wind turbines required much land and asked if there was any specific Government policy to support the development in this regard. DDEP said that if the respective demonstration projects, i.e. the construction and commissioning of a 800kW commercial-scale wind turbine by each of the two power companies, proved to be viable, the Administration would consider facilitating further development of the use of wind turbine technology for electricity generation by appropriate measures including the identification of suitable sites for such projects.

24. Mr Fred LI pointed out that on one hand, CLP was earning extra profit from selling electricity to Guangdong at the expense of Hong Kong people as more pollutants were created. On the other hand, since the capital expenditure on the environment-related projects was regarded as investment on fixed assets, for every $100 capital expenditure on the facilities to reduce emissions, CLP could reap a profit of $13.5, thereby imposing a pressure on future electricity tariff. He considered these totally unacceptable and asked whether the shareholders of the power companies would be willing to bear part of the environment-related improvement costs themselves.

25. Ms Betty YUEN said that the shareholders would hold a different view from that of Mr LI with regard to the risks to be borne by them. From the shareholders' perspective, they had to invest a few billions on the environment-related projects which straddled beyond 2008 and the return after 2008 was uncertain. It might take more than 20 years for the shareholders to recoup the costs of the projects. Even if the projects were financed entirely by loans, shareholders still had to bear the risk of the investment, as the loans had to be guaranteed by the company's assets.

26. In response to Mr Fred LI's question, Ms Betty YUEN confirmed that in 2004, coal and natural gas each accounted for about one-third of the fuels used by CLP for power generation. While she acknowledged that CLP had to increase the use of coal to meet the increased demand of Guangdong, she pointed out that there were a number of factories owned by Hong Kong enterprises in Guangdong. If CLP did not supply

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electricity to Guangdong, some of these companies would need to resort to diesel for electricity generation, and diesel was more polluting than coal.

27. As regards tariffs, Ms Betty YUEN said that the projected annual average increase in basic tariff and net tariff for 2006 to 2008 was well below 3%. However, the actual tariffs to be charged each year would be determined in the preceding year, following discussions between the Government and CLP during the annual Tariff Review. CLP would continue to make the best endeavour to control costs so as to minimize any tariff increase. Mr K S TSO advised that HEC's projected average annual increase in net tariff for 2006 to 2008 was slightly above the forecast inflation rate of 3.0% per annum. As in the case of CLP, the actual tariffs to be charged each year would be determined in the preceding year, following discussions between the Government and HEC during the annual Tariff Review.

28. Miss TAM Heung-man said that in the past, the load forecasts made by the two power companies often turned out to be well above the actual demand, and hence the need to revise down the capital expenditure in the previous Financial Plans. The public also had the impression that in order to maximize profit, the power companies had over invested in fixed assets. She therefore enquired about the basis used for deriving the demand forecasts, whether and when the forecasts would be reviewed, and whether a monitoring mechanism was in place to prevent over-investment in fixed assets by the power companies.

29. PS/ED(Atg) said that under the current SCAs, there was a three-tier monitoring mechanism. Firstly, there was the periodic Financial Review whereby Financial Plans, covering projections of electricity demand, expenditure and tariff rates over a stipulated period, were prepared by the power companies and jointly reviewed by the Government and the power companies. Then, there was the annual Tariff Review with the power companies where tariff rates for the following year were determined in the light of the latest demand forecast, financial data, prevailing economic conditions and affordability of the consumers. Finally, there was the annual Auditing Review of the technical and financial performance of the power companies after the conclusion each year. In each Financial Review, the Government Economist and an independent consultant engaged by the Administration would prepare their own separate demand forecasts based on relevant economic indicators, which would be cross checked against those prepared by the power companies. The annual Tariff Review and Auditing Review provided the opportunities for the Government to update and review jointly with the power companies their demand forecasts again. Deferrals of CLP's Units 7 and 8, and HEC's Unit L9 were illustrations of how this monitoring mechanism had worked. Furthermore, the excess capacity mechanism applied to newly installed generation capacity was another mechanism to guard against over investment in fixed asset by the power companies.

30. Mr LEUNG Kwok-hung expressed serious doubt about the effectiveness of the three-tier monitoring mechanism as explained by PS/ED(Atg). He said that given that the permitted return was 13.5% of the fixed assets, the power companies would use all possible excuses to inflate their fixed assets. He considered it more

appropriate to invite academics and other persons who had the relevant expertise knowledge but without any vested interest to review the Financial Plans of the power companies. The Financial Review should be a more open process with relevant information made available for public access and discussion. Unless the whole monitoring mechanism was revamped in this direction, the public would not be confident in the Administration's monitoring. He also commented that CLP deserved to be reprimanded as it reverted to coal as the fuel to meet the increase in demand and he considered that this was a result of the collusion between CLP and certain coal enterprises in the Mainland. The Administration's and the power companies' purported efforts to develop renewable energy for power generation were pretentious, since a very low target was set for this development and there was a lack of comprehensive planning and research to support the development.

31. Ir Dr Raymond HO declared interest that he was the Chairman of Guangdong Daya Bay Nuclear Plant / Ling Ao Nuclear Plant Safety Consultative Committee. He considered that ensuring the reliability of power supply was of paramount importance and the present performance of the power companies should be maintained if not further enhanced. On environmental aspects, he noted that the power companies had done a lot in the past and the environment-related projects in the present Financial Plans involved huge investment. Pointing out that the additional benefits derived from further investment on local emission reduction facilities by CLP and HEC would be limited while in the Mainland, since not much had been done on emission reduction in the past, the same amount of investment could achieve greater benefits, he asked if the Government would take this situation into account in pursuing the 2010 emission reduction targets.

32. DDEP said that given that it was Government policy to impose the emission caps in the Specified Process Licences, it was imperative that the two power companies should put in place adequate measures to achieve the 2010 emission reduction targets. One of the four major air pollutants with which the 2010 emission reduction targets was concerned was respiratory suspended particles (RSP). The Administration concurred with the power companies' analyses that there was no economical method to reduce RSP. So emission trading was the only option for the power companies to achieve the emission target for RSP. As for reducing atmospheric emissions of SO_2 and NOx emissions, if the power companies were somehow not able to meet emission targets by 2010 through retrofitting works, they had to participate in emissions trading in order to meet the emission caps specified in Specified Process Licences. He noted that SETW secured the agreement of the State Environmental Protection Agency in December 2002 for Hong Kong power companies to participate in the pilot emissions trading schemes with power plants in Guangdong. The Legislative Council also passed a motion on 15 December 2004 in support of implementation of an emissions trading pilot scheme. The Administration held the view that the discussion between the power companies in Hong Kong and the power companies in Guangdong on emissions trading should start as early as possible such that the ultimate trading scheme would enable the two power companies to achieve the emission caps at the lowest economic costs.

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33. Ir Dr Raymond HO further asked whether the Government would incorporate incentive measures into the future SCAs to encourage the power companies to invest more on environment-related facilities. SEDL responded that at this stage, the Administration had not formed a view on whether SCAs would be adopted for the post-2008 arrangements for the electricity market. Dr HO's concern would be taken into account in preparing the Stage II public consultation paper on "Future Development of the Electricity Market in Hong Kong" planned to be issued around the end of 2005.

IV Proposal to enhance port competitiveness

(LC Paper No. CB(1)2096/04-05(02) - Information paper provided by the Administration)

34. The Deputy Secretary for Economic Development and Labour (Economic Development) (DS/ED) briefed members on the various proposed measures to enhance the competitiveness of the port and maritime industries as set out in the Administration's paper.

35. Mr CHAN Kam-lam commented that the proposed measures were mild in nature. Given the intensifying competition from neighbouring ports, more vigorous measures were needed to enhance the competitiveness of Hong Kong Port (HKP). He highlighted that cross-boundary trucking transport costs between the Pearl River Delta (PRD) and Hong Kong remained very high, and this was the major cause of cargo diversion away from Hong Kong.

36. Mr KWONG Chi-kin and Mr Abraham SHEK expressed support for the proposed measures. They however shared Mr CHAN Kam-lam's view on the need for the Administration to do more to enhance the competitiveness of the HKP. Mr SHEK in particular pointed out that the number of vessels calling at Hong Kong had progressively reduced over the past few decades. There was a need to critically examine the reasons.

37. Miss TAM Heung-man enquired about the strategies to enhance HKP's competitiveness, the comparative advantages that HKP possessed and the measures to sustain these comparative advantages.

38. SEDL clarified that the measures covered in the present paper only formed part of the package of measures that the Administration was taking or would take to enhance the competitiveness of the HKP. To address the cost differentials between HKP and neighbouring ports, the Government continued to facilitate the dialogue between the relevant parties on Terminal Handling Charges, and undertake discussions with the Guangdong authorities with a view to further relaxing the various licensing, and regulatory requirements on Hong Kong cross-boundary trucks. In this connection, the "four-up-four-down" rule had been relaxed to become a "two-up-two-down" rule. The improvement in cross-boundary transport infrastructure, such as the impending commissioning of the Hong Kong-Shenzhen

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Western Corridor, would help improve the efficiency of the logistics industry and reduce road haulage costs. The Administration was also undertaking planning work for Container Terminal 10. In gist, the Administration was working proactively on all fronts to sustain and enhance competitiveness of HKP.

39. DS/ED advised that Hong Kong had established itself as a world leader in port management and operational expertise. Hong Kong retained important advantages of having high service levels (quick turnaround times) and was well connected to other ports. However, the Administration recognized that Hong Kong was facing very strong competition from neighbouring ports. Apart from the measures mentioned by SEDL, the Administration was taking forward the development of the Digital Trade and Transportation Network (DTTN) System which was aimed at, inter alia, offering a neutral e-platform to facilitate information flow, data transformation and service integration both in the region and globally. The DTTN system would help logistics industry operators to reduce their operating costs and enhance efficiency. The Administration would maintain dialogue with the relevant trades with a view to identifying further possible areas of improvement that could sustain and enhance the competitiveness of HKP.

40. In reply to Mr CHAN Kam-lam's enquiries about the restrictions under the proposed one-month multiple entry permit (MEP) for river trade vessels (RTVs), DS/ED advised that there would not be any restriction on the number of times a RTV could visit Hong Kong each month with the introduction of the MEP. Whilst the proposed MEP allowed RTVs a maximum of 10 visits to Hong Kong within a period of one month with a maximum stay of two days per visit, RTVs could obtain single entry permits for extra visits to Hong Kong, if necessary. As regards the restrictions of a maximum stay of two days per visit and an interval of at least 24 hours between each visit under the MEP, DS/ED advised that the restrictions were imposed in response to the request of some local cargo trade operators to prevent RTVs from undertaking cargo handling operations in Hong Kong, thereby competing away the latter's business.

41. In reply to Mr KWONG Chi-kin's enquiries, DS/ED advised that if a RTV using a MEP needed to make another visit to Hong Kong in less than 24 hours since the previous visit, it might obtain a single entry permit at a cost of some $1,200 for the purpose. The Administration considered that the additional cost should create sufficient disincentives for RTVs to take up cargo handling operations in Hong Kong. She further advised that at present, RTVs were required to record the timing and locations of their cargo loading/unloading operations in Hong Kong. The monitoring of RTVs would be further strengthened in future by using the global positioning system which RTVs would be required to install under the Mainland regulations. The Director of Marine (DoM) advised that the maximum 48-hour stay under the MEP started to count from the time the vessel concerned had berthed or anchored. With a single entry permit, a RTV could stay for three days and might apply for extension up to seven days.

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42. On Mr Abraham SHEK's concern that the maximum 48-hour stay requirement under the MEP might adversely affect the local ship repairing industry, DoM advised that there were separate arrangements for RTVs undertaking repairing works in Hong Kong. If a RTV using a MEP to enter Hong Kong needed to extend its stay in Hong Kong to undertake repairing works, it might submit a request to Marine Department (MD) and MD would handle the request flexibly.

43. Regarding the pre-arrival clearance arrangements for RTVs, Mr KWONG Chi-kin conveyed the trade's suggestion that the minimum notice period of 24 hours for pre-arrival clearance be reduced to 12 hours to better facilitate the RTV visits to Hong Kong. DS/ED said that since the matter fell within the purview of the Immigration Department, she would convey the suggestion to the department for consideration.

44. Mr Jeffrey LAM enquired about the provision of supporting facilities to cater for the increase in RTVs coming to Hong Kong. DS/ED advised that there had been continuous increase in the number of RTVs visiting Hong Kong. In 2004, the container throughput brought in by RTVs increased by 10 %. It was anticipated that the proposed measures would bring about more RTV visits. As some RTVs adopted the mid-stream operation mode, the Administration had proposed to establish more anchorages to cater for the demand. The Administration would also examine if more berthing spaces around the Kwai Chung area could be made available for use by RTVs. These measures would expand the cargo handling capacity of the HKP.

45. Mr CHAN Kam-lam expressed doubt on the effectiveness of the proposed MEP in attracting more RTV visits to Hong Kong. He considered that practically, a RTV could at most visit Hong Kong seven times a month. As the MEP fee would be pitched at the cost for five single entry permits, the actual savings for RTVs by using the MEP were rather minimal. He also expressed concern that the proposed two new anchorages near the Brothers islands might pose adverse impact on the habitat of Chinese White Dolphins.

46. DS/ED advised that in the first four months of 2005, 46% of RTVs (over 1 000 in number) visited Hong Kong five or more times each month. These RTVs would benefit from the new MEP. To some extent, the MEP could help these RTVs reduce their operating and administrative costs. With the MEP, RTVs would have greater incentive to call at Hong Kong more frequently and thus bring more cargos to Hong Kong. She added that for the MEP proposal, the Administration had consulted the Hong Kong Mid-stream Operators Association, Shipping Consultative Committee, and the Port Development Advisory Group under the Port Development Council, and the proposal was supported by these bodies.

47. SEDL and DS/ED further advised that the Administration would undertake a review after the new MEP was implemented for a period, and would consider if further streamlining of the entry application procedures for RTVs should be made.

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48. In reply to Mr Jeffrey LAM's enquiry, SEDL advised that the Hong Kong Shipping Register (HKSR) had continued to grow at a remarkable pace. The gross tonnage of the HKSR reached 28 million tonnes in May 2005, indicating that Hong Kong maintained a very successful ship registration regime. DoM said that MD maintained close liaison with the sea transport trades with a view to maintaining quality services under the HKSR. Recently, MD had collaborated with the trades to promote the services of the HKSR in overseas places.

49. The Chairman concluded that while members considered that more should be done to enhance the competitiveness of HKP and the maritime industry, members in general supported the proposed measures.

V Any other business

50. There being no other business, the meeting ended at 12:40 pm.

Council Business Division 1
Legislative Council Secretariat
5 September 2005