

立法會
Legislative Council

LC Paper No. CB(1)1496/05-06
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Panel on Economic Services

**Minutes of meeting held on
Monday, 24 April 2006, at 10:45 am
in the Chamber of the Legislative Council Building**

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

**Public Officers
attending**

: Agenda item IV

Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

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

Mr Jonathan MCKINLEY
Principal Assistant Secretary for Economic Development
and Labour (Economic Development)

Agenda item V

Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

Miss Patricia SO
Assistant Commissioner for Tourism

Mr YIP Sai-chor
Head of Civil Engineering Office
Civil Engineering and Development Department

Mr TONG Nai-piu
Chief Engineer/Special Duties (Works)
Special Duties (Works) Division
Civil Engineering and Development Department

Mr LI Kwok-hung
Senior Engineer 1
Special Duties (Works) Division Section 1
Civil Engineering and Development Department

Agenda item VI

Ms Eva CHENG
Permanent Secretary for Economic Development and
Labour (Economic Development)

Miss CHENG Wai-fung
Chief Manager (Tourism) Special Duty

Mr John BINKS
Chief Engineer (Islands Division)
Civil Engineering and Development Department

Miss Cindy LAW
Assistant Commissioner/New Territories
Transport Department

**Attendance by
invitation**

: Agenda item IV

Arculli, Fong and Ng

Mr Ronal ARCULLI
Partner

Mr Peter WATERS
Consultant

Agenda item VI

MTR Corporation Limited

Mr Calum SMITH
Manager – Cable Car

Skyrail-ITM (Hong Kong) Limited

Mr David LOADER
Executive General Manager Cableway Operations

Ms Susan TSE
Director of Sales and Marketing

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

Staff in attendance : Ms YUE Tin-po
Senior Council Secretary (1)5

Miss Winnie CHENG
Legislative Assistant (1)5

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As the Chairman was out of town, the Deputy Chairman took the chair.

I Confirmation of minutes and matters arising

(LC Paper No. CB(1)1310/05-06 - Minutes of meeting held on 27 March 2006)

2. The minutes of the meeting held on 27 March 2006 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)1238/05-06(01) - Tables and graphs showing the import and retail prices of major oil products from March 2004 to February 2006 furnished by the Census and Statistics Department)

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

III Items for discussion at the next meeting scheduled for 22 May 2006

(LC Paper No. CB(1)1303/05-06(01) - List of outstanding items for discussion

LC Paper No. CB(1)1303/05-06(02) - List of follow-up actions

LC Paper No. CB(1)1326/05-06(01) - A letter from Mr SIN Chung-kai, requesting the Panel to follow up on the annual budget of the Hong Kong Tourism Board)

4. Members agreed that the following items proposed by the Administration would be discussed at the next meeting scheduled for 22 May 2006 –

(a) Gas Safety;

(b) Hong Kong Wetland Park; and

(c) Salt water supply to Hong Kong Disneyland

5. On gas safety, Mr Vincent FANG said that representatives of the gas company should also be invited to attend the meeting to brief members on the investigation report relating to the gas leakage and the explosion incident at Ngau Tau Kok on 11 April 2006.

6. Members noted that the Administration intended to invite members to visit the Hong Kong Wetland Park prior to the meeting and the Panel would be informed of the detailed proposal in due course.

Action

7. Mr SIN Chung-kai suggested that the Panel should follow up on the annual budget of the Hong Kong Tourism Board. Members agreed that the item could be discussed at the meeting in June 2006.

8. Mr Howard YONG indicated that the Panel should be briefed on the progress of the expansion of the air services arrangement with the Mainland to enable more services to be introduced. He also proposed to include the item "Airspace management within Pearl River Delta" in the list of outstanding items for discussion by the Panel.

IV Findings of a consultancy study on the local auto-fuel retail market

- (LC Paper No. CB(1)1303/05-06(03) - Information paper provided by the Administration
- LC Paper No. CB(1)1340/05-06(02) - Presentation materials provided by the Administration
- LC Paper No. CB(1)1312/05-06 - Background brief on the auto-fuel retail market prepared by the Secretariat)

9. At the invitation of the Deputy Chairman, the Permanent Secretary for Economic Development and Labour (Economic Development) (PSED) informed members that on behalf of the Competition Policy Advisory Group, the Administration had appointed the Arculli & Associates (A&A) as the consultant to conduct a consultancy study to assess the competition situation in the auto-fuel retail market in Hong Kong. A Steering Committee comprising members of the Energy Advisory Committee (EAC) and the Chief Executive of the Consumer Council was set up to guide and direct the consultancy study. The Competition Policy Review Committee (CPRC) and EAC were briefed on the consultant's findings. Separately, CPRC was preparing a report on the review of competition policy and would submit its report in the middle of the year. Taking account of the CPRC's recommendations, the Government would consider the way forward to enhance competition in the local auto-fuel market.

Presentation by the consultants

10. Mr Ronald ARCULLI, Partner of Arculli, Fong and Ng (AFN) informed members that the consultants comprised experts from the NERA Economic Consulting, GILBERT-TOBIN and A&A. In examining the issue, the consultants had adopted the techniques, practices and procedures which would generally be employed by an overseas competition authority in conducting an investigation into possible collusion. However, in the absence of powers to compel the production of information, the consultants had to rely on the willingness of industry participants to be involved in the study. In view of the concerns expressed by the oil companies in Hong Kong about the need to maintain the confidentiality of the commercially sensitive information provided, the consultants had agreed to disclose the data in a form that could not be used to reveal information about any individual company.

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11. With the aid of a PowerPoint presentation, Mr Peter WATERS, Consultant of AFN, briefed members on the main findings and recommendations of the consultancy study on the local auto-fuel retail market. Having looked into the structure, operating costs and retail pricing of the local auto-fuel market, it was found that there was no clear evidence of collusion by the oil companies. However, given the inherent characteristics of the local auto-fuel market, in particular the fact that the market was dominated by a small number of major suppliers and the relatively small scale of the market, there was a risk that collusion could occur and evidence that, even if there was no collusion, that Hong Kong consumers were not benefiting from the degree of price competition found in some other markets. The Government should consider preventive measures against cartel behaviour, either through general or sector-specific competition laws and further measures to enhance competition in the market by improving the transparency of the auction process for petrol filling station (PFS) sites.

Discussion

Comments on main findings

12. Mr Fred LI pointed out that as oil companies only agreed to their data being presented on an aggregated and non-attributable basis, and in relative terms, the study findings might not be representative of the true picture of the local auto-fuel retail market, not to mention that the consultants did not have access to sensitive cost and net margin data of the oil companies. Under such circumstance, he enquired how collusion by the oil companies could be verified in the local auto-fuel market.

13. Mr Peter WATERS responded that the best proof of collusion was direct evidence of the existence of an agreement amongst competitors, such as a copy of such an agreement itself or minutes of meetings on price coordination. Given that there was no legal power to compel the oil companies to produce information, the consultants could only examine the structure and attributes of the Hong Kong retail auto-fuel market and analyze the actual degree of competition by building a model to estimate the retail margins being earned by the oil companies and benchmarking those margins against those in comparable markets around the world. Through this comparison and based on any market evidence of coordinated pricing obtained in other markets applying anti-cartel laws, the consultants would be able to establish the likelihood that collusion existed in the local auto-fuel retail market.

14. Ms Miriam LAU pointed out that the lowest available octane rating of unleaded petrol in Hong Kong was 98 RON. A choice of different, cheaper petrol with an octane rating of 95, 92 and 89 was usually available in other markets such as Shenzhen. Taking Shenzhen as a reference, local oil companies should provide petrol of different ratings so that consumers could have more choices. Her view was echoed by Mr Fred LI. In this connection, Ms LAU enquired whether the consultants had addressed the issue in the study.

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15. Mr Ronald ARCULLI advised that the consultants had examined the issue of different octane products and found that there were physical constraints at most PFS sites which inhibited the provision of different products for consumers' choice. Further, separate terminal facilities were required for storing oil products with different octane ratings. In addition, the demand must be sufficient for importers to obtain economies of scale in shipping. Taking Singapore as an example, the presence of refineries in Singapore could allow retailers to readily access the full range of octane products for the regional market without the need for additional terminal storage facilities or shipping. Therefore, it was understandable that the size of PFS and the scale of the Hong Kong market made it commercially not viable for retailers to provide a wider choice of fuel types.

16. Mr Ronny TONG opined that the oil companies should reduce pump prices direct instead of giving discounts to consumers to enhance competition. In response, Mr Peter WATERS said that while the absence of geographic price variation might reflect collusion, an alternative explanation might be found in the fact that price competition in Hong Kong was through discount and loyalty schemes. As most of the commercial trucks and minibuses were refilled at the nearest retail PFS and liquefied petroleum gas (LPG) stations for the sake of convenience rather than relied on bulk deliveries to their own premises due to space constraints, it was critically important for oil companies to secure significant business from commercial sectors in Hong Kong market. This would provide a sound business strategy in an attempt to attract customers through discount and loyalty schemes on monthly purchase in the long term, with the result that the pump price was less important to competition than the discount. Mr TONG opined that the consultants should compare the after-discount auto-fuel retail prices amongst oil companies so as to determine whether any anti-competitive practices on price coordination were involved.

17. In response to Mr Fred LI's enquiry about price setting and adjustment practices in overseas markets, Mr Peter WATERS advised that the evidence did not show that oil companies increased prices more quickly than they decreased them. Movements in price were closely linked to the international oil prices, up and down. In any event, the behaviour of quick hikes in prices and slow reductions in Hong Kong auto-fuel prices was found in highly competitive market of the United Kingdom not to provide clear evidence of collusion by oil companies. Mr Ronald ARCULLI supplemented that in an intensely competitive market, the price structure of competitors would inevitably be very similar because they had to respond quickly to each other's price changes to avoid losing the market share.

18. Miss TAM Heung-man enquired details on references of overseas practices specified in the study. Mr Ronald ARCULLI responded that the advice and recommendations tendered by the consultants was supported by detailed analysis and references to current international practices including that published by the US Federal Trade Commission and the Conference Board of Canada. At the request of Miss TAM, Mr ARCULLI undertook to provide details of relevant references for members' perusal after the meeting.

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Margin analysis

19. In response to Mr CHAN Kam-lam's enquiry about details of the cost components leading to the net margin in the margin analysis, Mr Ronald ARCULLI advised that the net margin was calculated from the gross margin by subtracting a number of identified costs including land premium, construction costs, operating costs, credit card commission, Government rent and rates, terminal storage and distribution costs, before the allocation of company overheads and profit tax. The breakdown of costs was set out in the consultants' report.

20. In response to Mr Fred LI's enquiry about the data on Hong Kong net margin on sales of petrol and diesel, Mr Peter WATERS provided the following data –

<u>Estimated Net Margin</u>	<u>Petrol</u>	<u>Diesel</u>
As % of ex-duty pump price	4.8%	0.3%
As % of ex-duty discounted price	5.5%	0.5%

21. Mr Peter WATERS pointed out that the net margin had fallen from 7% to 5.5%, which suggested an increasingly competitive environment in recent years. Whilst the Consumer Council did not have data on net margin to allow a comparison with the net margins calculated by the consultants, the gross margins of the oil companies were estimated to have fallen by HK\$0.33 per litre for petrol and HK\$0.59 per litre for diesel (i.e. 14% and 25% respectively). The drop in diesel margins also was because of taxis and minibuses using LPG as auto-fuel and partly as a result of more widely available discounts.

22. Ms Miriam LAU said that as far as she knew, some of the land premiums of certain filling stations were far below \$1.02 per litre as indicated in table 1 of the report showing the margin analysis of the Hong Kong auto-fuel retail market. She also pointed out that the typical discount on auto-fuel she could enjoy was about \$0.3 per litre, which was much lower than \$0.93 per litre as indicated in the same table. In this connection, she sought clarification on the sources of information provided for the study.

23. Mr Peter WATERS responded that the quoted discounts were average figures which were arrived at based on the weighted average discounts offered by oil companies. The typical petrol discounts, which might vary by customer type and sales volume, ranged from 8% (\$0.93/litre) to 12% (\$1.45/litre) of the pump prices. As regards land premium, it was also a weighted average figure which was assessed having regard to the prices obtained from the Lands Department in recent land auctions.

24. In response to Dr LUI Ming-wah's enquiry on the justification for adopting \$1.02 per litre as the estimate of land cost in the net margin on sales of petrol and diesel in Hong Kong market, Mr Ronald ARCULLI explained that it was based on the

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results of the tenders since the introduction of the new tendering arrangements in 2003. The approach to valuing land meant that economic rather than accounting margins was reflected. The actual land costs might be lower than that in table 1 because the average figure of recent PFS tender results rather than historic land values had been used in the model.

Admin

25. Dr LUI Ming-wah disagreed with the explanation and commented that the estimate of land cost in the net margin was not reflecting the real weighted average figure. The consultants should use the historic land values of all PFS sites as the basis for calculating the land cost. At Dr LUI's request, the Administration undertook to provide the requisite data as the background information for the cost estimates of the net margin analysis.

General or sector-specific competition laws

26. In response to members, Mr Peter WATERS advised that based on the available data, the margins indicated that the Hong Kong auto-fuel market was not as competitive in terms of pricing as some other markets. However, the actual pricing behaviour of Hong Kong oil companies and the margins earned by them were not so different from those markets where no evidence had been found of collusion. The specific factors in the Hong Kong market also affected margins. The consultants had concluded that the evidence available would unlikely support a successful prosecution for collusion by oil companies even if Hong Kong had general or sector-specific competition laws but that the market could be more competitive than it was. Preventive measures other than introducing legislation would be recommended as well as a range of administrative measures to promote competition in the auto-fuel market.

27. Mr Fred LI pointed out that the general public had the impression that adjustments made to local oil product prices were quick in raising and slow in reducing. Further as there was no price differential among oil companies, there seemed to be no real competition in the market. He agreed that general or sector-specific competition laws should be set up to empower the Government to monitor and study the market situation.

28. Mr CHAN Kam-lam opined that there was synchronized action from the oil companies as seen from the adjustments to fuel prices on many occasions. He was of the view that collusion might occur in the Hong Kong auto-fuel retail market and that legislative measures would be required to prevent cartel behaviour.

29. Miss TAM Heung-man shared Mr CHAN Kam-lam's views and said that whilst the commercial sectors had not reached a consensus as to whether general or sector-specific legislation should be enacted to prohibit cartel behaviour, the Administration should consider introducing further measures to promote competition in the auto-fuel market. If the Government decided to legislate on a sector-specific basis, such rules should be modelled on those which applied under the Telecommunications Ordinance (Cap. 106) or the fare adjustment mechanism for bus services.

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30. Mr Ronald ARCULLI said that over the past couple of years, the Government had changed the tendering arrangements and conditions for granting land for the construction of LPG and PFS stations with a view to introducing more competition. The consultants considered that the new tendering arrangements could help potential new entrants achieve economies of scale and, might therefore encourage them to come forward more readily to enhance competition in the auto-fuel market. For example, Chinaoil and Sinopec had secured PFS sites under the new tendering arrangements and become new entrants to the market.

31. Ms Miriam LAU expressed disappointment with the findings on the study given that the evidence available to the consultants would be unlikely to support a successful prosecution for collusion even Hong Kong had competition laws similar to those which applied in other developed economies. She was also dissatisfied that no suggestion on the reduction of pump prices was mentioned in the report.

32. Mr Ronny TONG commented that the findings of the study were contradictory. On one side, the report stated that the consultants had no legal power to compel the oil companies to produce commercially sensitive information. On the other side, the consultants remarked that given the inherent characteristics of the local auto-fuel market, there was no clear evidence of collusion even if Hong Kong had general or sector-specific competition laws. In this connection, he asked whether the consultants would agree to the introduction of such laws to endow the Government with statutory power of investigation to deal with anti-competitive conduct of oil companies.

33. Mr Ronald ARCULLI responded that endowing the Government with statutory power of investigation should not be the sole determining factor for the introduction of legislation. Whilst oil companies were mostly in favour of the introduction of general competition law which would address the risks of collusion, the Government should await the outcome of the review of competition policy before considering the way forward.

Other measures

34. In view of the limitation of what could be achieved in terms of price reduction, Ms Miriam LAU called for the Government to reduce the excise duties on auto-fuel in order to maintain the competitive edge of Hong Kong and to relieve the burden of the affected economic sectors. At Ms LAU's request, the Administration undertook to convey member's view to the Financial Secretary for consideration.

Admin

35. The Deputy Chairman suggested that the Government should provide more sites in the urban area for the provision of fuel storage facilities so as to encourage retailers to provide a wider choice of fuel types to consumers. PSED advised that the Administration had been working closely with the Planning Department and the Lands Department for identification of more suitable sites for the operation of PFS. The Administration would take the Deputy Chairman's suggestion into consideration so as to increase the supply of fuel storage facilities to enhance competition in the market.

Admin

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V Redevelopment of the Ocean Park — Complementary Public Works on Sewerage Upgrading

(LC Paper No. CB(1)1303/05-06(04) - Information paper provided by the Administration

LC Paper No. CB(1)1326/05-06(02) - Presentation materials provided by the Administration)

36. Ir Dr Raymond HO sought the Administration's justification for entrusting the design and construction of sewerage upgrading works at Wong Chuk Hang area to the Ocean Park Corporation (OPC).

37. The Head of Civil Engineering Office, Civil Engineering and Development Department (HCEO/CEDD), replied that the Administration proposed to entrust the design, construction and supervision of the sewerage upgrading works to OPC in order to avoid interface problems. This would ensure compatibility of design and better control over the programme and progress of works, in particular, the implementation of temporary traffic arrangements and mitigation measures along Nam Long Shan Road and Wong Chuk Hang Road near Ocean Park. The Southern District Council (SDC) had been consulted and SDC members had indicated support for the implementation of the proposed arrangement.

38. Whilst expressing no objection in principle to the proposed arrangement, Ir Dr Raymond HO reminded the Administration to keep on monitoring closely the construction programme and the traffic situation upon implementation of the proposed works.

39. In response to the Deputy Chairman's enquiry about the on-cost arrangement, HCEO/CEDD advised that similar to the past arrangement with the MTR Corporation Limited, an on-cost would be payable to OPC for undertaking the entrusted works.

40. Miss TAM Heung-man sought information on the anticipated increase in sewage flow and the number of tourists upon completion of the Redevelopment of the Ocean Park (the Redevelopment).

41. HCEO/CEDD advised that upon completion of the Redevelopment, the peak sewage flow would be 2.8 times more than the overall capacity of the existing public sewers. With the anticipated annual increase in tourists from the existing level of 3 million to 7 million, the upgraded sewerage facilities would be adequate to cope with the anticipated increase.

42. In response to Mr Howard YOUNG's enquiry about the adequacy of the sewer capacity, HCEO/CEDD said that the capacity of the proposed additional and replacement gravity sewers would be adequate to meet the demand generated by the Redevelopment including the hotel development projects that were under planning next to the Ocean Park.

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43. Whilst indicating no objection to the proposal, Ms Miriam LAU enquired whether the Administration had taken into consideration the overall planning of the sewage infrastructure, particularly the planned commercial and hotel developments at Wong Chuk Hang area in preparing for the present proposal.

44. In reply, HCEO/CEDD advised that in view that some existing public sewers at Wong Chuk Hang area did not have adequate capacity to handle the anticipated increase in the sewage flows arising from the Redevelopment, the Administration proposed to carry out the proposed sewerage upgrading works. Separately, the development of sewage infrastructure for the Wong Chuk Hang area as a whole would be addressed under the Aberdeen, Ap Lei Chau and Pok Fu Lam Sewerage Master Plan Study. To cater for the population growth and development needs in the areas of Aberdeen, Ap Lei Chau and Pok Fu Lam, upgrading of the existing Aberdeen Primary Treatment Works would be completed in 2013.

45. Ms Miriam LAU opined that instead of using a piecemeal approach in addressing the problem, the Administration should adopt a holistic approach in implementing a long-term plan on the sewerage upgrading works for the Wong Chuk Hang area as a whole to enhance cost-effectiveness and to meet future development requirements. At the request of Ms LAU, the Administration undertook to provide supplementary information to further address the concern.

Admin

46. Echoing the views of Ms Miriam LAU, the Deputy Chairman considered that the Administration should review the plan from a macro perspective to avoid repeated road openings, causing inconvenience to residents nearby.

47. Whilst expressing support for the proposed sewerage upgrading works, Mr SIN Chung-kai shared Ms Miriam LAU's concern and suggested that the wider issue concerning the development of sewage infrastructure to cater for the increase in the sewage flows arising from tourism development and other hotel and commercial developments in Southern District should be reviewed by the Panel in due course.

48. PSED said that as the Administration intended to seek the Public Works Subcommittee (PWSC)'s endorsement for the proposed sewerage upgrading works, the supplementary information setting out the response to the concern raised by members could be incorporated in the submission to PWSC. The Deputy Chairman agreed.

49. Summing up the discussion, the Deputy Chairman expressed in principle the support of the Panel for the proposed sewerage upgrading works.

(Post-meeting note: The supplementary note provided by the Administration was circulated to members vide LC Paper No. CB(1)1398/05-06.)

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VI Progress of the Ngong Ping 360 Project

(LC Paper No. CB(1)1303/05-06(05) - Information paper provided by the Administration

LC Paper No. CB(1)1309/05-06 - Background brief on Ngong Ping 360 prepared by the Secretariat)

50. At the invitation of the Deputy Chairman, Mr David LOADER, Executive General Manager (Cableway Operations) of Skyrail-ITM (Hong Kong) Limited (Skyrail) briefed members on the progress of the Ngong Ping 360 Project. A set of PowerPoint presentation materials on the Ngong Ping 360 pre-opening activity tabled at the meeting was circulated to members vide LC Paper No. CB(1)1356/05-06(01) after the meeting.

Ticketing and management of the facility

51. In response to Mr Howard YOUNG's enquiry about the ticketing arrangements for Ngong Ping 360, Mr David LOADER advised that different packages would be available for sale by travel agents, including the combination packages covering the services of both Ngong Ping 360 and the New Lantau Bus Company Ltd (NLB) for other tourist attractions on Lantau.

52. Arising from the Chinese New Year incident of Hong Kong Disneyland, Mr Fred LI urged Skyrail to proactively liaise with the travel trade in Hong Kong and the Mainland on ticketing arrangements for both regular and peak days so as to avoid the situation where visitors would not be admitted after arrival at the entrance of the Ngong Ping Skyrail (NPS) and potential chaos which would affect the operation of NPS.

53. In response to Mr Howard YOUNG's enquiry about the tenancy rate at Ngong Ping Village, Mr David LOADER advised that about 90% of the commercial premises had been leased out and final discussion with prospective tenants on tenancy terms was underway.

54. Mr Howard YOUNG enquired whether passengers could alight at the two angle stations. Mr David LOADER responded that passengers could only board and alight at the two terminals except in an emergency situation.

55. Mr Ronny TONG enquired whether a fare regulatory mechanism would be put in place to control the fares of NPS. PSED advised that as discussed at the meetings of the Subcommittee on Proposed Resolution under Section 22 of the Tung Chung Cable Car Ordinance (Cap.577), there would not be any control on the fare levels as NPS was just a tourism facility rather than an essential transport facility. The Administration was of the view that the fares should be determined by market force.

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Transport

56. In response to Miss TAM Heung-man's enquiry about the impact of Ngong Ping 360 on franchised bus services operated by NLB, PSED said that with the operation of NPS, the anticipated increase in the number of visitors would reach 1.5 million. It was envisaged that NLB would benefit from the additional visitors to Lantau upon completion of NPS and other developments at Ngong Ping. Since NLB would be serving as an operating partner of Skyrail, such cooperative arrangement would also help maintain NLB's operational viability and promote other tourist attractions in the region such as Tai O and Mui Wo.

57. In response to Ms Miriam LAU's enquiry about the present position on the discussion between Skyrail and NLB on cooperative arrangement, Mr David LOADER reported that they had reached in principle agreement on the majority of terms on cooperative arrangement including the provision of transport for staff, combination packages and the provision of contingency transport. Whilst minor details on legal issues were being dealt with, Skyrail and NLB were prepared to sign the legal documents in the first week of May 2006.

58. In anticipation of an increase in the number of visitors after the opening of Ngong Ping 360, Miss TAM Heung-man sought information on the Administration's measures to minimize traffic congestion at Tung Chung and Ngong Ping.

59. The Assistant Commissioner for Transport/New Territories advised that parking and loading/unloading facilities for public transport, private cars and coaches were provided at Ngong Ping and Tung Chung to meet the demand generated by Ngong Ping 360. Other measures including local road improvements, provision of additional pedestrian crossings, modification of road junctions, extension of bus bays and installation of road signages to guide motorists had also been taken before the commencement of Ngong Ping 360.

Passenger safety and contingency plan

60. Noting that NPS linking Tung Chung and Ngong Ping would take about 20 to 25 minutes per direction, Mr WONG Kwok-hing was concerned about the passenger safety and enquired how the rescue work would be carried out in case of emergency.

61. Mr David LOADER responded that whilst closed-circuit television system had been installed throughout the ropeways, operational staff at the two terminals and two angle stations would keep monitoring the operation of NPS. Staff members who had received training in first-aid would be deployed to handle emergency situations and provide assistance to passengers where necessary. Quickest access for emergency services by means of ropeways linking Tung Chung would be provided to passengers seeking immediate medical attention during the ride.

62. In response to Dr LUI Ming-wah's enquiry about the contingency plan in case of operational failure, Mr David LOADER advised that NPS had been designed with

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multiple power systems, which were supported by two electricity supply systems, to minimize the risk of total system failure. If anyone of them failed, the other could be utilized immediately. In addition, a diesel rescue drive system would be provided but worked independently from the power system. Rescue plan involving staff of the Electrical and Mechanical Services Department and the Fire Services Department (FSD) had also been produced in case of total system failure. Trained operational staff from FSD would be deployed to rescue passengers from the cabins. He assured members that public liability insurance had been purchased and covered injury to passengers arising from the operation of NPS.

63. Mr Fred LI enquired about the arrangements in the event of the issue of tropical cyclone warning signal or rainstorm warning. Mr David LOADER advised that NPS was designed to cope with the weather conditions in Hong Kong including high wind and heavy rain. However, Skyrail would suspend the operation of NPS whenever necessary. In addition, under the Aerial Ropeways (Operation and Maintenance) Regulations, the operation of an aerial ropeway would be stopped upon the hoisting of the No. 8 tropical cyclone warning signal and black rainstorm warning. Operational staff would keep monitoring the weather conditions through advance warnings and weather forecasts furnished by the Hong Kong Observatory.

Discussion with Po Lin Monastery

64. Noting that there would be about 1.5 million visitors in the first year of the operation of NPS and improvement in the accessibility of existing tourist attractions at Ngong Ping including the Po Lin Monastery (PLM) and the Giant Statue of Buddha, Mr WONG Kwok-hing pointed out that the abbot of PLM was worried about the possible worn-out of its facilities in view of the high level of patronage. Since PLM was a non-profit making religious organization, he enquired whether the Government would provide cross-subsidy for the maintenance of facilities in PLM.

65. In reply, PSED said that the Administration had been discussing with PLM about the enhancement works and management of the piazza by PLM after the completion of the proposed beautification works.. PLM had not raised the issue of financial support from the Government for the maintenance of PLM facilities.

Environmental measures

66. Mr Ronny TONG sought information on the environmental measures to safeguard the environment and preserve the natural beauty of North Lantau. PSED responded that NPS was a designated project defined under the Environmental Impact Assessment Ordinance (Cap.499). Skyrail had pledged a strong commitment to environmental management. In fact, an Environmental Impact Assessment had already been completed and an Environmental Permit (EP) was issued by the Environmental Protection Department. The construction of NPS had proceeded in accordance with the conditions set out in EP and no major non-compliance was spotted.

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67. The Deputy Chairman sought members' view on whether it was necessary to conduct a visit to Ngong Ping 360 to enable members to have a better understanding of the traffic arrangement, environmental measures and the safe operation of NPS. Members could inform the Clerk for the necessary arrangements if they so wished.

VII Any other business

68. There being no other business, the meeting ended at 1:05 pm.

Council Business Division 1
Legislative Council Secretariat
18 May 2006