

立法會
Legislative Council

LC Paper No. CB(1)458/07-08
(These minutes have been seen
by the Administration)

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Panel on Economic Development

Minutes of meeting
held on Monday, 22 October 2007, at 10:35 am
in the Chamber of the Legislative Council Building

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

**Public officers
attending**

: Agenda Item IV

Ms Eva CHENG, JP
Secretary for Transport and Housing

Mr Francis HO, JP
Permanent Secretary for Transport and Housing
(Transport)

Miss Janice TSE, JP
Deputy Secretary for Transport and Housing
(Transport)⁵

Mr Esmond LEE, JP
Deputy Secretary for Transport and Housing
(Transport)⁴

Agenda Item V

Mr Edward YAU Tang-wah, JP
Secretary for the Environment

Ms Anissa WONG Sean-yee, JP
Permanent Secretary for the Environment /
Director of Environmental Protection

Mr Roy TANG Yun-kwong
Deputy Secretary for the Environment

Mr Eric CHAN Sui-wai
Administrative Assistant to Secretary for the
Environment

Agenda Item VI

Mr Frederick MA, JP
Secretary for Commerce and Economic Development

Miss Yvonne CHOI, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Miss AU King-chi, JP
Commissioner for Tourism

Ms Linda LAI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)1

Ms Annie CHOI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)3

Ms Joey LAM
Deputy Commissioner for Tourism

Agenda Item VII

Ms Annie CHOI, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)3

Mr Luke AU YEUNG Ho-lok
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)
Special Duties Division

Mr CHEUNG Sai-yan
Head of Trade Controls
Customs and Excise Department

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)6

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Debbie YAU
Senior Council Secretary (1)1

Ms Michelle NIEN
Legislative Assistant (1)9

Action

- I Confirmation of minutes and matters arising**
(LC Paper No. CB(1)80/07-08 - Minutes of meeting held on
11 October 2007)

The minutes of the meeting held on 11 October 2007 were confirmed.

II Information papers issued since last meeting held on 18 July 2007

(LC Paper No. CB(1)2456/06-07(01) - Information paper on Proposed Framework for a Service Agreement on Operation and Management Aspects in respect of the development of a new cruise terminal at Kai Tak provided by the Administration

LC Paper No. CB(1)2432/06-07(01) - Tables and graphs showing the import and retail prices of major oil products from September 2005 to August 2007 furnished by the Census and Statistics Department

LC Paper No. CB(1)2319/06-07(01) - Tables and graphs showing the import and retail prices of major oil products from August 2005 to July 2007 furnished by the Census and Statistics Department

LC Paper No. CB(1)2261/06-07(01) - Information paper on Market Feedback on the Development of a New Cruise Terminal at Kai Tak provided by the Administration

LC Paper No. CB(1)2234/06-07(01) - Tables and graphs showing the import and retail prices of major oil products from July 2005 to June 2007 furnished by the Census and Statistics Department

LC Paper No. CB(1)2179/06-07(01) - Letter from Hong Kong Regional Heliport Working Group with a DVD on the provision of a scheduled airport at the HKCEC and the draft Wanchai North OZP)

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

III Items for discussion at the next meeting

(LC Paper No. CB(1)76/07-08(01) - List of outstanding items for discussion)

3. Members agreed to discuss the following two items proposed by the Administration at the next meeting to be held on 26 November 2007, at 10:45 am:

- (a) Development of a new Civil Aviation Department Headquarters on the Airport Island; and
- (b) Enhancement of footbridges in Tsim Sha Tsui East.

IV Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's Policy Address 2007-2008

(LC Paper No. CB(1)37/07-08(01) - Policy Initiatives of the Transport Branch of the Transport and Housing Bureau)

Discussion

Logistics and port development

4. Ms Miriam LAU considered that to maintain the competitiveness of Hong Kong's logistics industry, the Administration should lower the trucking cost by setting a concrete target for cost reduction. It should also earmark adequate back-up land for the development of high value-added and diversified logistic services and to cater facilities expansion of terminal operators to cope with increasing cargo throughputs. Moreover, it was necessary to maintain a well-trained and efficient workforce to meet the manpower need for the development of the logistics industry. In this regard, while appreciating the Administration's initiative to launch a training programme for the freight forwarding sector, Ms LAU urged the Administration to enhance training programmes for different segments in the logistics industry with a view to preparing the workforce to sustain growth in the industry.

5. Miss CHAN Yuen-han expressed grave concern that competitiveness of Hong Kong's logistics industry was being undermined with rapid development in many Mainland ports. While appreciating the Administration's effort in strengthening collaboration with the Guangdong authorities to reduce cross-boundary trucking cost given that the logistics industry was among one of the four economic pillars of Hong Kong, Miss CHAN urged the Administration to adopt a more proactive approach in developing the industry.

6. The Secretary for Transport and Housing (STH) highlighted that the Government was keen to maintain the competitiveness of the logistics industry. In order to address the high cross-boundary trucking cost, the Government had been facilitating the development of high value-added logistics services by providing

more back-up land for related facilities and using information technology to enhance trucking efficiency. For instance, the Government had collaborated with the Hong Kong Productivity Council in implementing an On-Board Trucker Information System pilot project to enhance the overall operational efficiency of the trucking industry and the logistics industry at large. System testing for the project was expected to roll out by end 2007. Recognizing the need to make available suitable adjacent back-up land to enhance port productivity, The Government had tendered a site of 4 hectare near Container Terminal 7 in September 2007 for the development of terminal facilities. The Administration would continue to identify suitable sites for use of the industry to meet port operational needs. To ensure the supply of maritime professionals to sustain and further develop the shipping and maritime industry, the Administration had introduced a scholarship scheme to encourage local and Mainland graduates to take up marine-related post-graduate programmes in Hong Kong so that they would eventually join the industry. All these measures would help strengthen the position of Hong Kong as a high value-added logistics centre.

7. Sharing Miss CHAN Yuen-han's view, Mr LEE Wing-tat expressed concern about Hong Kong's potential in the development of cross-boundary trucking and enquired about the Administration's measures in the area. He was concerned about the increasing trend for transporting cargoes from the Pearl River Delta (PRD) region to Hong Kong via river trade vessels instead of the container trucks in order to cut down the high trucking cost. Noting fierce competition from neighbouring ports and declining growth in Hong Kong's cargo throughputs, Mr LEE asked whether the Administration would review the plans for the development of Container Terminal 10 and the Lantau Logistics Park.

8. STH highlighted that good achievement had been made in the discussion with the Guangdong authorities on raising efficiency and reducing cost of cross-boundary trucking. The Deputy Secretary for Transport and Housing (Transport) 5 (DS/TH(T)5) acknowledged that the increase in trucking cost due to surge in oil prices had attracted more river trade vessels to come to Hong Kong. While this had posed competition to the trucking sector, there had been positive impact on the overall cargo throughput. On the Lantau Logistic Park project, STH said that as reflected by representatives of the logistics industry through the Logistics Development Council, the Park would serve as an essential infrastructure in handling both air and sea cargoes. As regards the timetable for constructing the Park, STH said that the Administration was actively finalizing the detailed feasibility study on the project with a view to fulfilling the statutory requirements for the subsequent zoning and reclamation of the site for the Park.

9. Mr Albert CHAN was gravely concerned about the sustainability of mid-stream operational services as some small and medium scale barge operators were forced to close down due to increasing monopolization of business by large companies. Moreover, the failure in finalizing the re-provisioning arrangement for the Kwun Tong Public Cargo Working Area (KTPCWA) had added uncertainty to the barge operations in future. He urged the Administration to look into the matter and devise appropriate measures to assist affected operators.

10. STH highlighted the contributions of barge operators in the logistic sector and recognized the need to maintain a level playing field in ensuring competition and viability of operators. She added that relevant departments had set up a working group to follow up the re-provision of KTPCWA. DS/TH(H)5 further advised that the commissioning of Container Terminal 9 had enabled river trade vessels to load and unload cargoes directly at the terminal. While the arrangement had greatly enhanced efficiency in cargo handling, it had dispensed the need for mid-stream operation service. Moreover, introduction of the multiple entry permit system for river trade vessels in January 2007 had helped reduce the permit cost for vessels by up to 50%. Also the Government had reduced licence fee for local vessels by 5% to 10%.

Airport and aviation services

11. Ir Dr Raymond HO referred to the Administration's initiative to study the feasibility of establishing a rail link between the Hong Kong International Airport (HKIA) and Shenzhen Airport (SA) in order to foster closer co-operation between the two airports and sought relevant details, including the development timeframe.

12. STH remarked that the initiative was a strategic proposal enabling the two airports to complement each other and achieve win-win situation. She pointed out that while SA had a wide domestic network covering over 70 Mainland cities as compared with some 40 for HKIA, HKIA had an extensive international network connecting to 110 overseas destinations. Enhancing connection between the two networks would therefore enlarge the catchment area for both airports. STH said that the Shenzhen Municipal Government and SA had expressed strong support for the initiative. To follow up, the two governments would form a joint task force and the Airport Authority Hong Kong (AA) would provide necessary research support. It was expected that specific work plans could be drawn up early next year.

13. On the mode of co-operation between the two airports, Mr CHAN Kam-lam expressed reservation about the long-term viability of the proposed rail link having regard to the under-patronization of the Airport Express. Hence, he considered that the joint task force should explore other means of co-operation such as mutual shareholdings between the two airports and mixed senior management for the airports.

14. To maximize their respective strengths, Mr Howard YOUNG opined that SA and HKIA should continue to build on their domestic and international flight networks respectively as revealed by the success of airports in New York and London in developing their own niche markets. While welcoming the suggestion of establishing a rail connection between the two airports, Mr YOUNG considered that the joint task force should also examine the feasibility of fostering co-operation in the area of air services agreements.

15. STH remarked that the direct rail link between the two airports was just a preliminary proposal and the joint task force would also consider other co-operation proposals for achieving economic benefits for SA and HKIA. In pursuing the rail link proposal, the task force needed to examine the technical feasibility as well as the financial and economic benefits to the two airports. STH assured members that enhancing co-operation between the airports would in no way hinder their respective development. It was recognized that the two airports had their own competitive advantages meeting the needs of different market segments. Fostering closer co-operation was for the two airports to further complement each other. As regards co-operation in the area of air services agreements, STH stressed that according to the Basic Law, with specific authorization from the Central Government, Hong Kong could negotiate and conclude with other authorities air services agreements. Such agreements set out the air services arrangements between Hong Kong and the aviation partners but they were however not transferable to Shenzhen. In response to Mr YOUNG's concern about the progress made in reaching more air services agreements to support the aviation network of HKIA, STH said that the Administration had spared no effort in this area and experienced officers were deployed to take part in the negotiation with other authorities.

16. Miss TAM Heung-man asked whether the joint task force had already started its work. STH said that the task force had held some informal exchanges recently and it would soon commence discussion with a view to drawing up specific work plans early next year. In reply to Miss TAM's further enquiry, STH said that the proposed project on "Hong Kong-Shenzhen joint development of the Lok Ma Chau Loop" was led by the Development Bureau. The Transport and Housing Bureau would provide support whenever necessary.

17. Citing the rapid economic development in Mainland cities and Macao in recent years, Mr Abraham SHEK cautioned that there was no room for complacency about Hong Kong's achievement in aviation development and the Administration should strive to enhance Hong Kong's competitiveness in this area. Otherwise, Hong Kong's position as the regional aviation hub might be taken over by Shenzhen or Macao. In this regard, Mr SHEK enquired about the Administration's measures to maintain the competitiveness of HKIA.

18. STH highlighted the on-going initiatives to support the continued growth and development of the aviation industry. For instance, the Administration would continue to pursue work in relation to negotiation of air services agreements to enable airlines to expand their services. To enhance the competitiveness of Hong Kong's air cargo industry, AA was processing the tenders for a new cargo terminal to support further growth in air cargo throughput. Moreover, to further expand aircraft base maintenance capacity at HKIA and to introduce competition, China Aircraft Services Limited (CASL) would, in addition to the Hong Kong Aircraft Engineering Company Limited (HAECO), provide aircraft maintenance services in Hong Kong. Both CASL and HAECO would commission new hangar facilities in the next few years.

19. The Chairman saw the need to enhance competition in the provision of air cargo services. He urged the Administration to consider relaxing the requirements for tenderers in the new cargo terminal and allow operators without local experience to submit bids. In response, STH confirmed that there were no such entry requirements for tenderers of the project.

20. Mr WONG Ting-kwong echoed the need to improve the competitiveness of the logistics industry. Referring to the implementation of co-location of customs and immigration clearance at the Shenzhen Bay boundary control point, he suggested that the same arrangement should be implemented at HKIA and other boundary control points with a view to reducing the operating costs of the logistics industry.

21. STH appreciated the suggestion but pointed out that the customs and immigration clearance co-location arrangement at HKIA would give rise to complicated legal issues and jurisdiction concerns necessitating careful planning in building design and detailed study on management and legal issues before implementation. The Administration would make reference to the operation of the co-location arrangement at the Shenzhen Bay control point in considering whether the arrangement should be adopted in other boundary control points. As a related matter, as stated in the Chief Executive's 2007-2008 Policy Address, the Administration would actively study the provision of a common immigration and customs clearance system for Hong Kong and the Mainland at the Kowloon Terminal when building the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

22. In response to Mr WONG Ting-kwong's concern on co-operation among government departments in promoting development of the logistics industry, STH said that THB had been working closely with relevant departments and other agencies in enhancing the efficiency of logistics services. In fact, the efficient custom clearance services provided by the Customs and Excise Department at HKIA had contributed to raising cargo throughputs in Hong Kong.

23. Ir Dr Raymond HO was keen to ensure that the Government would provide conditions and take measures to maintain Hong Kong's status as a centre of international and regional aviation as required under Article 128 of the Basic Law. He sought information on progress of measures taken in this area, in particular in respect of short-haul flights within the Pan-PRD region.

24. STH stressed that the Government was determined to develop and maintain Hong Kong as an international and regional aviation centre. The Civil Aviation Department (CAD) had been keeping close liaison with the civil aviation authorities in the PRD region through the tripartite working group with a view to improving the use of airspace and enhancing air traffic management. STH further said that with enhancement measures set in train, such as increasing the establishment of air traffic controllers to strengthen the air traffic control capacity, there would be gradual improvement in runway capacity in HKIA from the present 54 movements/hour to 58 movements/hour by 2009. In addition, AA, in collaboration with CAD, had commenced a study on possible measures to further

increase HKIA's runway capacity.

25. While welcoming the Administration's initiative to establish a new air route catering for flights between Hong Kong and the eastern part of the Mainland to meet increasing demand, and to address the problem of flight delays, Mr Vincent FANG was concerned whether the Administration could succeed at the end having regard to Mainland's tightened airspace policy. Mr FANG, on the other hand, expressed concern about the cost-effectiveness to the new air route established in December 2006 between Guangzhou and Hong Kong.

26. STH clarified that the new handover point established in December 2006 was to cater for flights overflying Hong Kong and landing in Guangzhou. On the proposal of establishing a new air route to cater for flights between Hong Kong and the eastern part of the Mainland, STH advised that the Administration had been pursuing the matter with the General Administration of Civil Aviation of China (CAAC) for some time and achieved certain progress. However, given the increasing number of aircraft movements in Shanghai and nearby areas and that new flight paths had to be developed, in vetting the proposal, CAAC had to coordinate among different Mainland authorities to ensure safety. CAD would continue to liaise with CAAC and provide its inputs.

V Briefing by the Secretary for the Environment on relevant policy initiatives in the Chief Executive's Policy Address 2007-2008

(LC Paper No. CB(1)43/07-08(01) - Policy Initiatives of the Environment Bureau in the Policy Agenda 2007-2008)

Briefing by the Secretary for the Environment

27. At the invitation of the Chairman, the Secretary for the Environment (SEN) briefed members on the initiatives in the 2007-2008 Policy Agenda relating to the portfolio of the Environment Bureau (ENB) and provided an update on the progress in implementing the on-going initiatives. He highlighted the following major areas of work relevant to the Panel:

- (a) To continue discussion with the two power companies the terms of the post-2008 Scheme of Control Agreements (SCAs), including putting in place an effective regulatory arrangement in ensuring reduced emission and lower permitted rate of return for the companies so as to lower electricity tariffs;
- (b) To tighten progressively the caps on the total emissions of power companies and require them to maximize the use of natural gas in power generation. The Administration would propose to amend the law to stipulate the emission caps for power companies for 2010 and beyond;

- (c) To further reduce the duty rate for Euro V diesel to \$0.56 per litre for a period of two years to encourage early supply of this more environment-friendly fuel with 80% less sulphur content than ultra-low sulphur diesel (ULSD) on the local market and to facilitate adoption of Euro V standard as the statutory standard for motor vehicle diesel made available in Hong Kong;
- (d) To encourage Hong Kong-owned factories in the PRD region to adopt cleaner production technologies and practices in order to reduce emissions and enhance energy efficiency, and thereby further improve regional air quality, through launching a five-year programme on professional and technical support to be implemented by Hong Kong Productivity Council (HKPC); and
- (e) To consult the public on the proposal to mandate compliance with Building Energy Codes to improve energy efficiency and conservation in buildings.

28. On (a) above, SEN elaborated that the Government was committed to ensuring the new regulatory arrangement would be in the overall interests of Hong Kong, including shortening the duration of the SCAs from the existing 15 years to ten years with an option for the Government to extend for five years after review, lowering the permitted rate of return of the two power companies from the existing 13.5% - 15% on Average Net Fixed Assets (ANFA) to an average of below 10% on ANFA, and linking the rate to their emission performance in order to improve the environment. SEN advised that the power companies had yet to accept these core terms so far. The Government would continue to work hard towards reaching an agreement with the two power companies on the new SCAs. However, with the limited time left for negotiation, the Administration was preparing in parallel a piece of legislation to regulate the power companies after expiry of the existing SCAs. Should the Administration fail to reach an agreement with the two power companies on the new SCAs before the end of 2007, the Administration would introduce the relevant bill into the Legislative Council (LegCo) in early 2008.

Discussion

Regulation of the post-2008 electricity market

29. Mr Fred LI urged the Administration to stand firm on the proposals including emissions reduction, lowering the permitted rate of return and market liberalization during the negotiation with the power companies. He also hoped that the power companies would accept the proposals, thereby obviating the need to regulate the electricity market through legislation which should be the Administration's last resort. Indicating that it was his obligation as a LegCo Member to scrutinize the relevant bill, Mr Fred LI however cautioned about the tight legislative timetable given the third Legislative Council would end by July 2008.

30. Sharing the view, Mr LEE Wing-tat called on the Administration to maintain its firm stance on the proposals during the negotiation with the power companies and started the necessary preparatory work for introducing the relevant bill in parallel. Given the controversy and complexity of the bill, he urged the Administration to consult the relevant Panel(s) as early as possible.

31. Mr WONG Kwok-hing welcomed the Administration's initiative to regulate the post-2008 electricity market by legislation which he considered could strengthen the Government's position in the negotiation with the power companies. He also called on the Administration to consider introducing the bill to LegCo as early as practicable. On the proposal for the power companies to meet tightened emission requirements under the new SCAs, Mr WONG was concerned that the power companies would use this to justify increasing tariffs.

32. SEN explained that the SCA was a bilateral agreement between the Administration and each of the power companies. It was the Administration's stance to maintain the current mode of regulation through new SCAs with the power companies. To this end, the Administration would negotiate with the power companies on the basis of the proposals outlined in the Stage II Consultation Paper on Future Development of the Electricity Market in Hong Kong (Stage II Consultation Paper) which had gained wide public support. It remained the Administration's target to reach an agreement before the end of 2007. In parallel, the Administration would prepare the relevant legislation to ensure that the public would continue to enjoy reliable, safe and efficient energy supply at reasonable prices after the expiry of the existing SCAs if no agreement could be reached. In this connection, SEN said that the Administration would spare no effort in assisting the scrutiny of the bill in order that the legislative process could be completed within the 2007-2008 legislative year.

33. As regards the progress of the negotiation, SEN remarked that the negotiation with the power companies had been conducted in a practicable and reasonable manner but the Administration could not disclose the details at this stage so as to avoid jeopardizing its position and affecting the outcome. In response to Mr WONG Kwok-hing's concern about the significant difference between the tariffs of the two power companies, SEN explained that at present, tariffs charged by the power companies included the permitted rate of return to the companies and the costs for supplying electricity which might vary between the two companies.

34. Mr Howard YOUNG highlighted the public support for the proposals outlined in the Stage II Consultation Paper. However, he was concerned that by regulating the power companies through legislation, the Administration was forcing the companies to accept the proposed terms in the new SCAs. He enquired about the progress of negotiation with the power companies and asked whether it was feasible for the companies to continue to supply electricity under the current SCAs should more time be needed to conclude the new SCAs.

35. Mr Abraham SHEK expressed grave concern about the Administration's plan to introduce legislation to regulate the post-2008 electricity market, which in his opinion was comparable to triad blackmail tactics. He stressed the need for the Administration to strike a proper balance between public interests and economic development, and to formulate policies enhancing the overall interests of Hong Kong. He considered that the Administration should make the best endeavour to reach an agreement with the power companies on the new SCAs instead of resorting to using legislation, which although might be an easy way out, would certainly damage Hong Kong's reputation as a free market economy.

36. While acknowledging the need for the Administration to put in place contingency measures to deal with the scenario in which no agreement with the power companies could be reached, Mrs Selina CHOW was shocked to note that the Administration had advocated using legislation to regulate the post-2008 electricity market. She queried the rationale behind the move and opined that it was only the Administration's strategy to use LegCo for gaining more "bargaining chips" in the negotiation. She cautioned that the strategy would undermine Hong Kong's free market philosophy and urged the Administration to handle the matter in a balanced and impartial manner having regard to the contributions made by the two power companies.

37. In response, SEN clarified that the Administration had no intention whatsoever to use legislation to threaten the power companies. He re-iterated that it remained the Administration's target to continue negotiation with the power companies for reaching an agreement. However, due to complexity of the matter and that time was running short, the Administration needed to prepare for the need to regulate the electricity market by other means.

38. Echoing the concerns about the Administration's plan to introduce legislation, the Chairman asked whether the two power companies had indicated any intention during the negotiation to stop their services should no agreement be reached between the Government and the companies after expiry of the current SCAs. If not, the Government's plan would be against the interests of both local and overseas investors. In reply, SEN emphasized that as the negotiation was still on-going, it was not appropriate for the Government to disclose further details. Nonetheless, the power companies were supportive to the policy objectives to ensure the public could continue to enjoy reliable, safe and efficient energy supplies at reasonable prices.

39. Miss TAM Heung-man was concerned whether new electricity suppliers would enter the market within the next ten years. Given that ANFA would continue to be used as the rate base for determining returns for the power companies, Miss TAM enquired whether the Administration would put in place measures to guard against over-investments by the companies.

40. SEN stressed that it was the Administration's long-term objective to further open up the electricity market of Hong Kong. The Administration would make the necessary preparation during the next ten years from 2008 to 2018. Further

competition could be introduced in as early as 2018 when requisite market conditions were present then. In monitoring investments made by the power companies, SEN assured members that taking into account the existing practice, all development plans of the companies relating to electricity supply and the result of the annual tariff reviews would be subject to the approval of the Government.

41. Mr Fred LI enquired about the progress of CLP Power (CLP)'s proposal of constructing a Liquefied Natural Gas Receiving Terminal at South Soko Island (the Terminal). Highlighting the possible adverse impacts on the environment and marine life, Mr Albert CHAN expressed strong reservation about the project. In particular, he was concerned that the Terminal would reduce the potential of the area for developing into a destination for leisure and green tourism.

42. In response, SEN said that CLP had been granted an Environmental Permit for constructing and operating the Terminal. But CLP had to obtain Government approval in relation to other regulatory requirements before proceeding with the project. While supporting the use of natural gas instead of other forms of fossil fuel such as coal for power generation in order to improve the air quality, ENB, in examining the proposal, would consider all relevant factors including whether the proposal was the best means to supply natural gas to CLP etc.

Reduction of duty rate for Euro V diesel

43. Ms Miriam LAU highlighted the support of the transport industry for the use of cleaner fuels, such as Euro V diesel. She enquired whether the import price of Euro V diesel was comparable to that of ULSD. Pointing out that the oil companies had not fully passed on the benefit of the concessionary duty on ULSD to consumers since the Government introduced the duty concession for ULSD in 2001, Ms LAU was concerned how the Administration could ensure the oil companies would pass on the benefit of the duty concession for Euro V diesel to the consumers.

44. SEN stressed that the initiative was to encourage the early introduction of Euro V diesel by the oil companies. He advised that the concessionary duty rate of \$0.56 per litre was set having regard to the price differential between ULSD and Euro V diesel which had been reported to be less than \$0.5 given price volatility in the international market. The duty concession of \$0.56 would thus serve as an incentive for drivers to switch to Euro V diesel early.

Cleaner production technologies and practices adopted by Hong Kong-owned factories in PRD region

45. Noting the Government's proposal of providing \$93 million to HKPC for launching a five-year programme to encourage Hong Kong-owned factories in PRD region to adopt cleaner production technologies and practices, Mr Ronny TONG expressed concern on the effectiveness of the programme in tackling cross-boundary pollution problem and improving regional air quality. He sought details on the programme, including the objectives and the financial assistance

available to individual factory owners.

46. SEN explained that the programme would not involve providing direct subsidies to the Hong Kong-owned factories to install cleaner production equipment etc. for the latter's use. He said that the Hong Kong business community generally agreed that these factories could take a leading role in enhancing the environmental performance of industries and improving air quality in PRD region. To provide them with the necessary technical support, the Administration had engaged HKPC to launch the Cleaner Production Technical Support Pilot Project in 2006 with participation from 15 factories in the region. Under the present proposal, HKPC would extend its professional and technical support to some 1 000 Hong Kong-owned factories in the region. The overall objective of the programme was to facilitate factories to contribute to a cleaner environment by using cleaner fuels and production processes, reducing air emissions, enhancing energy efficiency and reducing fuel consumption. Apart from conducting on-site assessments, HKPC would carry out awareness promotion activities and demonstration projects. On the latter, HKPC would work closely with environmental technology service providers to provide consulting services on detailed design work, procurement and installation of necessary equipment etc. The factories would be expected to bear part of the investment cost. SEN added that to demonstrate the effectiveness of cleaner production, the recommended measures being implemented by the factories would be highlighted as real-case examples to other operators in the region.

Environmental protection and sustainable economic development

47. Miss CHAN Yuen-han expressed disappointment on the Government's policy on the management of municipal solid waste, which in her opinion lacked vision and thorough planning. She pointed out that the failure to incorporate the development of environmental industries, in particular the recovery industries, in the policy had neglected the potentials of the industries in promoting economic development and creating job opportunities. She suggested that in addition to establishing the EcoPark in Tuen Mun, the Administration should actively consider providing more waste transfer stations and setting up complementary facilities.

48. Referring to the motion debate on "Developing environmental industries to create job opportunities" at the LegCo meeting on 4 July 2007, SEN highlighted the implementation of "A Policy Framework for the Management of Municipal Solid Waste in Hong Kong (2005-2014)", which had adopted the "polluter-pays" principle and the element of "eco-responsibility" to induce behavioural change of the public to ultimately reduce waste. Major policy initiatives included introducing producer responsibility legislation, establishing the EcoPark, introducing municipal solid waste charging, extending the capacities of the existing landfills etc.

49. Mr Vincent FANG expressed support for the principle of "polluter-pays" and the concept of "eco-responsibility". Highlighting the energy efficiency performance of compact fluorescent lamps (CFLs), he enquired about the use of

CFLs at government premises. In order to encourage greater public participation in protecting the environment, Mr FANG called on the Administration to promote the development of recycling industries by expediting phase II development of EcoPark.

50. SEN highlighted the Government's procurement policy which aimed at protecting the environment and promoting energy efficiency. In respect of promoting the use of CFLs, he advised that the import of tungsten lamps in 2006 had declined by 36% when compared with the figure in 2005. He added that since the implementation of the Energy Efficiency Registration Scheme for Buildings in 1998 to promote the application of Building Energy Codes, some 770 building venues had taken part in the Scheme.

51. In view of time constraint, the Chairman consulted members whether the current meeting should be extended to 1:30 pm, or the discussion item on "Transfer of management and re-launching of Ngong Ping 360" be deferred to the next regular meeting. Mr Fred LI said that as both the Chairman and the Chief Executive Officer of the Mass Transit Railway Corporation Limited (MTRCL) were unable to attend the meeting, the item should be deferred to the next regular meeting in which they should attend for the discussion. Mr Abraham SHEK however opined that the Panel could discuss the item at the current meeting as there were representatives from MTRCL. Mr Howard YOUNG opined that the Panel should respect the view of Mr Fred LI as he was the proposer of the discussion item. Members agreed that the item be deferred to the next regular meeting to be held on 26 November 2007.

VI Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives in the Chief Executive's Policy Address 2007-2008

(LC Paper No. CB(1)43/07-08(02) - Policy Agenda of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau)

Discussion

Tourism

52. As the tourism industry was one of the four economic pillars of Hong Kong, Miss CHAN Yuen-han expressed grave concern that Hong Kong was lagging behind the rapid development in tourism in Macao and PRD cities in recent years. Given Hong Kong's long development history, rich and diversified culture, Miss CHAN saw the great potential for Hong Kong to develop cultural and heritage tourism. She suggested that when formulating plans for the Kai Tak Development, opportunities should be taken to develop historic structures and villages in the vicinity into cultural and heritage attractions.

53. The Secretary for Commerce and Economic Development (SCED) highlighted that Hong Kong received 25 million visitors in 2006 and the number had surged by 9.6% in the first nine months in 2007. He stressed the Administration's commitment in promoting tourism and its efforts in enhancing both hardware and software facilities. For instance, the Consumer Council had been co-operating with the Mainland authorities to publicize smart consumption in Hong Kong through Mainland websites with a view to boosting Mainland visitors' confidence to shop in Hong Kong. As regards Miss CHAN's views on developing tourist attractions in South East Kowloon, SCED referred members to the Kowloon Walled City Park where visitors could appreciate the history of the former Walled City. He noted that the annual visitor number to the Park was only around 400 000. The Hong Kong Tourism Board (HKTB) would step up publicity of the Park to boost the number of visitors.

54. Echoing Miss CHAN Yuen-han's view, Mr Albert CHAN considered that apart from developing new tourism infrastructure, the Administration should consider revitalizing attractions with local characteristics, such as the Cheung Po Tsai Cave and Silvermine Cave, to promote them to tourists and local people. This would not only attract visitors, but also help stimulate the local community economy.

55. SCED stressed that the Tourism Commission (TC) had spared no effort in improving tourism attractions at district level. Lei Yue Mun Improvement and Enhancement of the Sai Kung Waterfront were among the various successful completed projects. The Commissioner for Tourism (C for Tourism) added that the Home Affairs Bureau and the Civil Engineering and Development Department were conducting a study to revitalize Mui Wo by integrating the natural landscape of the area with its unique local colour and tradition under the Local Community Economy initiatives. Moreover, in promoting cultural tourism, HKTB had been providing a platform to facilitate overseas visitors to make advance bookings for cultural shows held in Hong Kong.

56. The Chairman referred to the Panel's duty visit to overseas cruise terminal facilities during the summer and highlighted the valuable exchanges with the cruise lines and terminal operators during the visit. He enquired about the progress in preparing the tender for developing the new cruise terminal at Kai Tak.

57. In response, C for Tourism advised that the Administration aimed to invite tender for the new cruise terminal in November 2007 after completion of the necessary town planning process. The tender was expected to be closed by the first quarter of 2008 and awarded in the second quarter. On market engagement, C for Tourism said that since the announcement of the new cruise terminal project in October 2006, TC had been actively engaging relevant stakeholders, including key players in the regional and international cruise market, local tourism industry, concerned trade bodies and professional organizations to seek their views on the development parameters of the new cruise terminal. She added that the Government attached equal importance to the development of hardware as well as software facilities for the cruise market. The Administration planned to establish

an Advisory Committee on Cruise Industry (ACCI) to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub. The major tasks of ACCI would include strengthening co-operation with neighboring coastal provinces in the Mainland on cruise itinerary development and promoting cruise tourism in Hong Kong and the Asia Pacific region.

58. Mr Howard YOUNG appreciated TC's efforts in exploring new source markets. Noting the continuous growth in the number of visitor arrivals from the Middle East countries and Russia, Mr YOUNG considered these places were good potential markets for development. He opined that besides formulating the appropriate promotion strategies, TC should also collaborate with relevant bureaux and departments, such as the Security Bureau (SB), in drawing up measures to attract more visitors and facilitate their entry into Hong Kong.

59. In response, SCED stressed the importance of exploring new source markets in promoting the development of tourism in Hong Kong. Referring to his recent visit to Russia, SCED said that given the affluence of the people there and their great interest to do business or travel in Asia, it was a new source market with good development potentials. As regards the suggestion to simplify immigration requirements on visitors, SCED said that SB needed to take into account security concerns in facilitating the entry of visitors. Nevertheless, the relevant bureaux and departments would continue to work together with SB to strike a proper balance between ensuring security and promoting economic development.

60. Noting the important role played by the convention and exhibition industry in enhancing the development of business and family tourism in Hong Kong, Mr Abraham SHEK opined that consideration should be given to construct convention and exhibition infrastructure in the West Kowloon Cultural District (WKCD) project. SCED took note of the view and agreed to convey it for the consideration of the Secretary for Development. He nevertheless pointed out that the WKCD project had included the development of hotels, which normally provided conference and exhibition facilities.

61. Miss TAM Heung-man expressed concern about the development of Hong Kong Disneyland (HKD), in particular its low patronage and whether the Government had plan to inject funds to support further development of the theme park. Mr Abraham SHEK considered the low patronage to HKD in the first few years of its operation a normal phenomenon. The same experiences were seen in other Disney theme parks and the Ocean Park in their initial years of operation. Recognizing the contribution of Disney theme parks to the tourism revenue of respective places, Mr SHEK expressed support for HKD's expansion plan. Moreover, he suggested that consideration be given to develop HKD with reference to the experience of Disney World in Florida, USA.

62. SCED explained that the Government was a shareholder of the Hong Kong International Theme Parks Limited, which was a joint venture set up with the Walt Disney Company (WD) to build and operate HKD. While the HKD Management Limited was responsible for the day-to-day operation of the Park, the

Administration played an important role in the development of HKD. For instance, TC had provided advice on the local operating environment to the Park and HKTB had helped in the promotion of the Park to different tourist groups. On the future development of HKD, SCED said that changes to the financial arrangements had been proposed. As it was just a preliminary proposal subject to further negotiation, it was inappropriate for the Administration to disclose the details at this stage. Nevertheless, the Government considered HKD a long-term investment and a popular tourism infrastructure. It would discuss with WD on plans for expansion and further development of HKD.

63. Mr Fred LI reiterated his concerns expressed at previous meetings of the Panel about the effectiveness of the current self-regulatory regime of the travel trade industry with the regulatory responsibilities taken up by the Travel Industry Council of Hong Kong (TIC). Referring to grave public concern about the credibility and impartiality of TIC in undertaking its regulatory work as some TIC members were operators of travel agents which were subjects of serious complaints by tourists, Mr LI urged that the Administration should conduct a comprehensive review to reform the regulatory regime of the travel trade.

64. Echoing similar concern, Mr WONG Kwok-hing pointed out that as much as 40% of complaints received during March to May 2007 by China National Tourism Administration were related to the travel agents in question. He enquired about the Administration's plan to enhance the credibility of TIC.

65. SCED acknowledged members' concerns and said that the transparency and independence of TIC should be further enhanced. Moreover, he agreed that there was room for further improvement in the composition of TIC. In this regard, C for Tourism briefed members on the measures taken by TIC in 2006 to enhance its independence and transparency. She said that as a result of these measures, TIC had room to appoint more independent directors to its board. In fact, the majority of members in those TIC committees handling complaints, undertaking investigations and taking disciplinary actions, as well as the Appeal Board, were non-trade independent members. The Administration would continue to monitor the situation and consider whether further measures were necessary to enhance the independence and credibility of TIC. The Travel Agents Registry would also step up enforcement on travel agents. Agents which contravened TIC's code of conduct and directives would have their membership suspended or revoked by TIC, and eventually faced revocation of licences by the Travel Agents Registry.

Competition policy

66. Noting that the Administration would issue a further consultation paper on detailed legislative proposals on the Competition Bill, Mr Fred LI expressed grave concern about possible changes in the proposals from the results of the consultation exercise held in early 2007. On the concern raised by small and medium-sized enterprises (SMEs), Mr LI noted that this differed from the situation in overseas countries where SMEs generally welcomed the enactment of competition laws to protect their interests.

67. SCED affirmed the Government's commitment to introducing a cross-sector competition law in Hong Kong. However, the Administration noted the concern expressed by the business sector, in particular the SMEs, that they might unwittingly fall foul of the law. To allay these concerns, the Administration would issue a consultation paper setting out the legislative details for the proposed bill. The paper would allow the public to understand better the likely effects of the proposed law, and thus alleviating SMEs' concerns. It was the Administration's target to introduce the bill into LegCo in the 2008-2009 legislative session.

68. Mr Ronny TONG expressed disappointment on the Administration's delay in introducing a competition law in Hong Kong. In his opinion, SMEs' concerns were due to misunderstanding of the proposed law which was attributed by the lack of publicity and education by the Administration. He urged the Administration to step up efforts in this regard. Noting that the Mainland would implement an anti-monopoly law in August 2008, Mr TONG was concerned that without a competition law in place in Hong Kong, businesses could easily escape from the Mainland's anti-monopoly law. He was concerned that if a Hong Kong enterprise entered into an agreement with a Mainland enterprise in Hong Kong, in the absence of a competition law in Hong Kong, anti-competitive acts engaged by the enterprises in the Mainland might not be subject to the control of the Mainland law.

69. SCED did not subscribe to Mr TONG's view and pointed out that the enactment of an anti-monopoly law in the Mainland should not have impact on Hong Kong enterprises and their anti-competitive acts, if any. He however noted Mr TONG's concern.

70. The Chairman remarked that under the principle of "one country, two systems" as enshrined by the Basic Law, it was not necessary for Hong Kong to follow practices in the Mainland in every occasion. Mr Abraham SHEK echoed his view.

71. To address SMEs' concerns, Mr WONG Ting-kwong suggested the Administration to change the name of the proposed law to "anti-monopoly law" to make clear that large companies would be the main target to be regulated by the proposed law. The suggestion would also maintain consistency with the Mainland's nomenclature.

72. SCED assured members that the Administration would listen carefully to all views expressed during the forthcoming consultation exercise.

VII Proposed amendments to the Trade Descriptions Ordinance to strengthen consumer protection

(LC Paper No. CB(1)76/07-08(02)

- Information paper on proposed amendments to the Trade Descriptions Ordinance and its Subsidiary Legislation to strengthen consumer protection provided by the Administration

Paper issued previously

LC Paper No. CB(1)1924/06-07(04)

- Information paper on review of consumer protection laws provided by the Administration

LC Paper No. CB(1)2268/06-07

- Minutes of meeting held on 25 June 2007)

Briefing by the Administration

73. At the invitation of the Chairman, the Deputy Secretary for Commerce and Economic Development (Commerce and Industry) (DS/CED) highlighted the proposed amendments to the Trade Descriptions Ordinance (Cap. 362) (TDO) (the Amendment Bill) to strengthen consumer protection and reported the outcome of the trade consultation conducted between August and September 2007. She advised that besides the Amendment Bill which would be introduced into LegCo in January 2008, the Administration planned to introduce five pieces of new subsidiary legislation under TDO and amend three existing ones.

Discussion

74. Mr Fred LI expressed support for the proposed amendments to TDO and its subsidiary legislation to strengthen consumer protection. He also noted the support of the precious stones and metals trade as the proposed amendment would effectively deter the sales of deceptive or fake Fei Cui, diamond, platinum and gold. Pointing out that the CC was conducting a comprehensive review of existing legislation to enhance protection for consumers' interests. Mr LI asked whether the review had covered providing more power to CC for undertaking its work.

75. DS/CED highlighted the effectiveness of CC's current mechanism in handling complaints, forestalling and mediating disputes between consumers and vendors/service providers, as well as assisting consumers to seek legal remedies through the Consumer Legal Action Fund. She further advised that the review being conducted by CC was a comprehensive one covering a wide range of issues and involving researches on overseas experiences on the development of the consumer protection regime. Should the review suggest the need to strengthen the role of CC, the Administration would consider the best way in taking forward the recommendation.

76. Mr WONG Ting-kwong expressed the support of the Democratic Alliance for the Betterment and Progress of Hong Kong to the legislative proposals. He remarked that as most members of the retail trade were honest traders, the Administration should ensure that the proposals should target at combating the unscrupulous practices of a small handful of retailers and would not affect operation of the trades in general.

77. DS/CED highlighted that the objective of the legislative proposals was to strengthen the Administration's regulatory tools to protect consumers and tourists against prevalent malpractices in the retail trade, such as misleading price indication and misrepresentation regarding product information etc, which had been the focus of complaints in recent years. DS/CED reiterated that the Administration had consulted 132 trade associations during the consultation conducted between August and September 2007. Most of them had expressed general support for the proposals.

78. While indicating support for the proposed legislative amendments to strengthen consumer protection, Mr Howard YOUNG was concerned whether consumers could continue to bargain on prices under the new price indication requirement because price bargaining was an activity enjoyed by many consumers, particularly tourists.

79. DS/CED explained that the proposal on price indication sought to prevent retailers from deceiving consumers by using a misleading unit to which the price of the goods referred. If the price of the product included a reference to the unit weight, then the retailer would be required to show the unit weight clearly and conspicuously. The proposal would not prohibit price bargaining.

80. Summing up, the Chairman said that members supported the legislative proposals in general.

VIII Any other business

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