

立法會
Legislative Council

LC Paper No. CB(1)324/08-09
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by the Administration)

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Panel on Economic Development

Minutes of meeting
held on Friday, 24 October 2008, at 10:30 am
in the Chamber of the Legislative Council Building

- Members present** : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Starry LEE Wai-king (Deputy Chairman)
Hon Albert HO Chun-yan
Hon Fred LI Wah-ming, JP
Hon CHAN Kam-lam, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Tanya
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
- Members attending** : Hon Miriam LAU Kin-ye, GBS, JP
Hon LEE Wing-tat
Hon WONG Kwok-hing, MH
- Members absent** : Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Albert CHAN Wai-yip
Hon IP Wai-ming, MH

**Public officers
attending**

: Agenda Item I

Ms Eva CHENG, JP
Secretary for Transport and Housing

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

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Mr Norman LO, AE, JP
Director-General of Civil Aviation

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

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

Agenda Item II

Mrs Rita LAU NG Wai-lan, JP
Secretary for Commerce and Economic Development

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

Mr Gregory SO, JP
Under Secretary for Commerce and Economic
Development

Miss AU King-chi, JP
Commissioner for Tourism

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

Mr Christopher WONG, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)²

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

Agenda Item III

Mrs Rita LAU NG Wai-lan, JP
Secretary for Commerce and Economic Development

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

Mr MAK Chai-kwong, JP
Permanent Secretary for Development (Works)

Miss AU King-chi, JP
Commissioner for Tourism

Miss Patricia SO
Assistant Commissioner for Tourism 4

Mr P L KWAN, JP
Project Manager (Kowloon)
Civil Engineering and Development Department

Mrs Marigold LAU, JP
Deputy Director of Architectural Services

Agenda Item IV & V

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

Ms Anissa WONG Sean-yee, JP
Permanent Secretary for the Environment

Mr Roy TANG Yun-kwong, JP
Deputy Secretary for the Environment

Miss Linda CHOY Siu-min
Political Assistant to Secretary for the Environment

**Attendance by
invitation** : Agenda Item V

Consumer Council

Ms Connie LAU
Chief Executive

Dr Victor HUNG
Chief Research & Trade Practices Officer

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

Staff in attendance : Mrs Constance LI
Assistant Secretary General 1

Ms Debbie YAU
Senior Council Secretary (1)1

Ms Angel SHEK
Council Secretary (1)2

Ms Michelle NIEN
Legislative Assistant (1)9

Agenda Item V

Ms Elyssa WONG
Deputy Head (Research and Library)

Miss Lettice AU YEUNG
Research Officer 5

Action

- I Briefing by the Secretary for Transport and Housing on relevant policy initiatives featuring in the Chief Executive's Policy Address 2008-2009**
(LC Paper No. CB(1)33/08-09(01) - Policy Initiatives of the Transport Branch of the Transport and Housing Bureau)

Discussion

Logistics and port development

Mr WONG Kwok-hing expressed concern about the progress of the detailed feasibility study on the Lantau Logistics Park (LLP). He requested the Administration to speed up the study and implementation of the project, so as to

create more employment opportunities in the construction and other relevant sectors.

2. The Deputy Secretary for Transport and Housing (Transport)5 (DS/TH(T)5) responded that the feasibility study on LLP was well underway. Due to the need to fulfill requisite statutory requirements in connection with the environmental impact and zoning of the site, studies were being undertaken to assess the need for reclamation, and the impact of LLP on air and water qualities as well as other environmental impact during the construction stage and after commencement of operation. While these studies were near completion, DS/TH(T)5 pointed out that, under normal circumstances, it would take at least 14 months to complete the statutory procedures under the Environmental Impact Assessment Ordinance (Cap 499) (EIAO) and to obtain formal approval from the Town Planning Board (TPB).

3. In view of the slackened growth of Hong Kong's container throughput in recent years and that there were currently sufficient berths to cater for needs in the near future, Mr LEE Wing-tat questioned the need for building a new container terminal (Container Terminal 10) as early as in 2015, as recommended under the studies in relation to port cargo forecasts completed in 2008. He recalled that the Administration had switched to the currently proposed site at Southwest Tsing Yi when the original plan to build the new terminal at the landing location of Hong Kong-Zhuhai-Macao Bridge (HZMB) in Northwest Lantau was found not feasible. He shared the concern expressed by residents of Tsing Yi and Tsuen Wan that a new terminal at Tsing Yi would seriously affect the traffic flow in the area, particularly at times of inclement weather. As such, he sought the Administration's stance whether there was a genuine need to drive forward a new terminal at the proposed location.

4. The Secretary for Transport and Housing (STH) pointed out that 2015 was only the earliest possible time envisaged for the commissioning of a new container terminal and the proposal would still be subject to assessments under EIAO and other feasibility studies. She explained that the site option for the new container terminal in Northwest Lantau was not taken forward because, after an ecological impact study, adverse impacts on the marine ecology and the habitat of the Chinese white dolphins in the area had been identified. Taking into account the utilization of existing berths had already reached 90% of their estimated full capacity and the cargo throughput which still recorded a modest growth by 4.7% from January to September 2008, the Administration took the view that new berthing facilities would still be required in the future. As such, the Administration considered it prudent to plan ahead and identify a suitable site for the new terminal at this stage.

5. Noting that the Administration was, in collaboration with the Hong Kong Productivity Council (HKPC), developing on a trial basis an On-board Trucker Information System (OBTIS) which utilized global positioning system (GPS) technology, Mrs Regina IP pointed out that GPS had already come into play for some time in the private sector in Shenzhen, yielding successful results. She relayed concerns from the logistics sector about the high costs of OBTIS and expressed doubts on the benefits that could be brought about by the system to the

industry if the cost was high.

6. DS/TH(T)5 said that the Administration was aware of the use of GPS in the private logistics sector. She clarified that OBTIS was a different system with enhanced features based on but not limited to GPS technology. It aimed to provide a common platform that provided backend support to truckers and facilitated effective collaboration and communication between logistics players and truckers, including inter alia real time location of trucks, fleet management, job dispatch, entry of container information and pre-arrival queuing. Under the system, an industry standard logistics data communications interface with OBTIS was devised after which HKPC would select pilot commercial partners to further develop a low cost, tailor-made OBTIS, with a view to translating industry requirements to vendor specifications and promoting it to the logistics industry and vendors. The Administration would closely monitor the progress in the development of the system by HKPC. At the request of Mrs IP, the Administration undertook to provide further information on OBTIS for members' reference after the meeting.

Admin

(Post-meeting note: The information provided by the Administration was circulated on 3 November 2008 vide LC Paper No. CB(1)151/08-09)(02)

7. Ms Starry LEE noted that one of the Administration's initiatives to enhance competitiveness of the Hong Kong Port was to explore ways to reduce the cost differential between Hong Kong and the neighbouring ports, and facilitate dialogue among relevant parties with the aim to enhancing the transparency of the terminal handling charges (THC) and its determining mechanism. She sought details on the concrete measures to be involved.

8. DS/TH(T)5 said that THC were largely charges collected by shipping lines, on top of freight rate, to recover from the shippers the cost of paying container terminals or mid stream operators for the loading and unloading of containers and other related costs borne by the shipping lines. The charges were recommended by international liner conferences or "agreements" formed amongst shipping lines servicing major trading routes. In the past years, the Administration had been maintaining regular dialogue with the Hong Kong Shippers' Council (HKSC), the liner conferences and container terminal operators on THC issues, with a view to establishing a more transparent system in determining and adjusting THC through open discussions. DS/TH(T)5 said that at present, the cost differential between Hong Kong and the neighbouring ports was high, for example, the gap in terminal handling charges between Hong Kong and Shenzhen was as much as US\$100, and such cost differential had remained a critical challenge to maintaining the competitiveness of the Hong Kong Port. She drew members' attention to the recent announcement by the European Union (EU) that exemptions of THC set by the main liner conferences and rate discussion agreements from the EU Competition Law were removed on 18 October 2008. DS/TH(T)5 explained that this might have knock-on effects on the prevailing mechanism of THC in other regions, such as whether the liner conferences could continue to levy THC or charge different THC rates for different routes within the same region. The

Administration and HKSC were closely monitoring the latest development of events and their impact on THC. DS/TH(T)5 added that, meanwhile, there was a drastic reduction in the freight rate at the Hong Kong Port, as a result of global slow down in cargo growth. This would have the effect of reducing the cost differential between Hong Kong and neighbouring ports in the Mainland. Given that Hong Kong had the competitive edge with its efficient cargo handling services, the negative impact of such a cost differential might be reduced.

Airport and aviation services

9. Mr CHAN Kam-lam 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 cooperation between the two airports, and to expand inter-modal connections to strengthen the links between HKIA and the Pearl River Delta (PRD) region. He asked about the targets for the future development of the two airports.

10. STH highlighted the strengths of the two airports. SA had a wide domestic network covering some 76 Mainland cities, while HKIA had 40, but had a more extensive international network. STH explained that establishing a convenient rail link between these two airports would enable them to leverage on each other's strengths and achieve a win-win situation. While the preliminary feasibility study on the direct rail link was underway on schedule to be completed in 2008, STH remarked that whether the initiative would be taken forward involved complicated issues, including its financial implications and economic benefits, which warranted thorough consideration.

11. Mr CHAN Kam-lam agreed that the implementation of a direct rail link between the two airports would depend on the outcome of the current feasibility study. Nonetheless, the authorities concerned should set clear targets for the future development of the two airports, so as to avoid unhealthy competition particularly in air cargo services. He considered that differentiation of the two airports' service scope would have an important bearing on the development of the local logistics industry. If HKIA would continue to target the international network while SA served primarily the Mainland routes, this would add value to the strengths of Hong Kong's logistics industry. He was worried that if there was no clear division of roles between the two airports, the position of Hong Kong as a logistics centre in the region would be eroded in face of the keen competition posed by the Mainland.

12. Whilst sharing Mr CHAN Kam-lam's concerns, STH pointed out that it was not practicable for the Hong Kong and Shenzhen authorities to mandate the kinds of commercial activities that could be engaged in by the two airports. She stressed that Hong Kong could strive to maintain HKIA's position as a regional aviation hub and its competitiveness because of lower airport charges and higher efficiency of services, and seek growth in its air cargo volume where possible.

13. Mr Paul TSE noted the Administration's initiatives to improve Hong Kong's

connectivity with the Mainland, such as the establishment of a direct rail link between HKIA and SA. He opined that while these initiatives would bring about great convenience to the travelling public and tourists, they might pose downside risks to the growth of tourism. In his view, enhanced connectivity between HKIA and the Mainland cities via direct links and transit passenger ferry services might divert visitors en route to the Mainland from accessing to local tourist attractions and utilizing supporting facilities such as hotel services in Hong Kong. In this connection, Mr TSE enquired whether the Administration had carried out any assessment with the tourism sector of the economic impact of the transport connectivity initiatives on local tourism.

14. STH advised that, in taking forward the various transport connectivity initiatives, the Administration would place emphasis on their long term economic benefits in fostering and enhancing Hong Kong's position as a regional aviation and shipping hub so as to attract more tourists and business travellers to visit Hong Kong for leisure, meetings and conventions. She considered that, with improved connectivity of Hong Kong and enhanced convenience in travelling, tourists and business travellers would also pay more visits to Hong Kong.

15. Mr Paul TSE did not subscribe to the Administration's view. He considered it necessary to strike a balance between the development of transport connectivity projects and their economic impact on the tourism industry. STH responded that the Tourism Commission (TC) was also engaged in the planning of the connectivity initiatives, including the commissioning of new boundary control points.

16. Noting that the Airport Authority (AA) had commissioned an Airport Master Plan (AMP) 2030 Study to review, inter alia, the feasibility of building a third runway at HKIA, the Chairman asked whether the Administration had any interim measures for the existing two runways to achieve the target of 68 aircraft movements per hour by 2015. He added that, while the aviation industry anticipated a slackened growth in aircraft movements in the coming few years, a rise in the longer term was still envisaged.

17. STH highlighted the on-going initiatives to support the continued growth and development of the aviation industry through multi-pronged measures. In addition to the replacement of the air traffic control system of the Civil Aviation Department (CAD) and the development of a new CAD headquarters on the Airport Island to enhance operational efficiency, studies on the mid-field expansion at the area between the two existing runways were being conducted. The Administration had also been liaising with the civil aviation authorities on the Mainland and in Macau to improve the use of airspace and the coordination of air traffic management in the PRD region. As such, the Administration considered that the target of 68 aircraft movements per hour was achievable by 2015. STH pointed out that whilst there might be room for increasing the target, a higher target of over 100 aircraft movements per hour would only be achieved with the provision of a third runway.

Developing infrastructure and employment opportunities

18. Mr Albert HO was concerned about the long lead time for implementing the various infrastructural projects which, in his view, should be expedited in order to boost the job market for local workers and professionals in the construction sector. Referring to the constraints and implications posed by the World Trade Organization Agreement, Mr HO enquired about the Administration's measures to minimize the use of component prefabrication for construction projects so as to provide more employment opportunities for the local construction workforce. He also urged the Administration to shorten the planning lead time of those infrastructural projects in the pipeline.

19. STH advised that, where circumstances allowed, the Administration had striven to fast track implementation of infrastructural projects at their various stages of design and construction. However, it was impossible to shorten the duration for requisite statutory procedures which had to be completed under specified timeframe, such as the requirement of a 60-day period for lodging objections after the gazettal of railway proposals under the Railway Ordinance (Cap. 519). She highlighted that a number of major infrastructural projects would be taken forward shortly in the near future, with a target of rolling out two projects each year. Apart from the reconstruction and improvement of Tuen Mun Road which would start in late 2008, the West Island Line was expected to commence works in 2009, and the HZMB and Shatin-Central Link in 2010. As for air transport, the Administration would continue to work with the Airport Authority in the review of airport facilities in the AMP 2030 Study, covering such initiatives as mid-field expansion between the two existing runways to provide back-up land for operational needs and parking of aircraft, as well as the feasibility of building a third runway.

20. On job opportunities brought about by new infrastructure projects, STH pointed out that it was the prevailing policy of AA and the Mass Transit Railway Corporation Limited to give priorities to employing local workers and professionals. The need to import a large number of non-local workers was not anticipated at this stage. The Administration would give due consideration to creating more employment opportunities in undertaking public works, and the need to use component prefabrication would be assessed, having regard to the project design and efficiency of works.

II Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives featuring in the Chief Executive's Policy Address 2008-2009

(LC Paper No. CB(1)33/08-09(02) - Policy Agenda of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau

(LC Paper No. CB(1)123/08-09) - Speaking note of the Secretary for Commerce and Economic
(tabled at the meeting and

subsequently issued via e-mail on 24 October 2008) Development (Chinese version only))

Briefing by the Secretary for Commerce and Economic Development

21. At the invitation of the Chairman, the Secretary for Commerce and Economic Development (SCED) briefed members on the initiatives in the 2008-2009 Policy Agenda relating to the portfolio of the Commerce, Industry and Tourism Branch under the Commerce and Economic Development Bureau (CEDB). She pointed out that, in face of the financial tsunami and economic downturn, the Administration would direct its efforts on various fronts to bolster up the economy, and highlighted the major initiatives as stated in her speaking note.

Discussion

New cruise terminal

22. Mrs Regina IP agreed that there was a need to provide a new cruise terminal, in order to place Hong Kong in a better position to cope with the fast growing cruise market and compete with neighbouring places, such as Singapore. She believed that the initiative would also boost the job market in the construction sector. While agreeing to the need to take forward the project, Mrs IP considered that it was also necessary to ensure sufficient manpower supply for the project and develop cruise tours to attract cruise passengers. She pointed out that cruise tours to North America and Europe, such as the Caribbean Sea, Alaska and the Baltic, were popular, and Hong Kong should work towards building itself into a regional cruise hub in Asia Pacific region. Mrs IP cautioned that the cruise market, which appealed mainly to high consumption passengers, experienced periodic fluctuations depending on the season and the economic situation. In this connection, she enquired how the Administration would ensure optimum utilization of the new terminal facilities during the low season.

23. The Commissioner for Tourism (C for Tourism) advised that the Administration had made reference to overseas experiences in developing the requisite hardware and software for the new terminal. On the manpower supply, some preliminary and short-term training programmes would be staged in 2009, targeting at frontline workers in the tourism sector to hone their skills of promoting cruise itineraries and delivering cruising services to passengers. The Administration would engage the training institutions and local universities to enrich these courses and roll out more in-depth and longer-term courses for the cruise industry. C for Tourism further advised that international cruise lines had been stepping up their operations in Asia Pacific region, with a view to tapping the cruise market in the Mainland which was perceived to have the greatest potential of growth in the region. She also learned that the China National Tourism Administration (CNTA) was making efforts to develop new tourism products, including cruise tourism, in a move to stimulate different kinds of economic activities and domestic consumption. Leveraging on the impetus of these external developments, the Administration was pursuing opportunities to cooperate with

neighbouring ports to jointly develop cruise itineraries of different length covering places of sightseeing potential and port-of-calls.

Tourism-related agencies

24. Referring to the grave concerns about the internal control and cost effectiveness of Hong Kong Tourism Board (HKTB), and the credibility of the Travel Industry Council of Hong Kong (TIC) in regulating the travel agents, Mr CHAN Kam-lam enquired whether the Administration would conduct a comprehensive review to reform the regulatory regime of the travel agents and enhance coordination among HKTB, TIC and the Tourism Commission (TC), so as to ensure proper and cost-effective implementation of the various tourism projects.

25. SCED advised that TIC, HKTB, and TC had their distinct roles in tourism development though there was still room for improvement in the coordination and collaboration of their work.

26. C for Tourism said that the Administration would maintain close and effective communication among relevant Government bureaux/departments, the tourist industry and other relevant bodies to take forward tourism initiatives. She highlighted that since the establishment of TC in 1999 for formulating and coordinating implementation of tourism-related policies and projects, and the setting up of HKTB in 2001 replacing the Hong Kong Tourists Association to market and promote Hong Kong as a destination worldwide, the Administration had all along strived to reinforce coordination and collaboration among parties concerned. She apprised members that measures were in place to strengthen HKTB's internal control, and regulation of the travel agents industry had been stepped up through an increase in the number of independent members in the Board of Directors of TIC, expansion of role of these members in regulating travel agents and transparency of TIC supervision. She added that, through the concerted efforts of the Administration, TIC, HKTB and CC, there was significant advancement in promoting honest tourism, the work of which was highly commended by CNTA.

27. Mr Paul TSE referred to paragraph 46 of the 2008-2009 Policy Address concerning the initiative to strengthen collaboration among agencies responsible for promoting Hong Kong overseas, including the Hong Kong Economic and Trade Offices, Trade Development Council (TDC), Invest Hong Kong and HKTB in developing strategies for city branding and publicity. He asked if the Administration would take this opportunity to review the responsibilities of HKTB with a view to gradually transferring HKTB's responsibilities to other agencies. He expressed similar concern raised by Mr CHAN Kam-lam about the credibility and impartiality of TIC in undertaking a self-regulatory role of the travel industry, and enquired whether the Administration had any specific plans to enhance TIC's transparency, apart from reorganizing the composition of its Board.

28. SCED outlined the unique and different roles assumed by the various agencies mentioned by Mr Paul TSE. She said that it would require very careful

consideration, with reference to past and overseas experiences, as to whether the duties of these agencies could be further integrated and rationalized. She assured members that the Administration would closely monitor these agencies to ensure effective use of public resources.

Tourism District Enhancement Programme

29. Ms Starry LEE expressed appreciation of the Administration's initiative to explore new source markets and develop novel tourist products. Nevertheless, she considered that there was room for utilizing Hong Kong's wealth of natural landscapes and old district bazaars for promoting tourism. She enquired about the Administration's plan in this regard.

Admin

30. C for Tourism responded that TC had been working in conjunction with HKTB and the travel industry to develop new tourism products to showcase our local features and living culture. For example, on the basis of its visitor survey findings, HKTB had been exploring the development of tram tours which would feature places of local heritage interest. In parallel, TC had been implementing a series of district improvement projects through the Tourism District Enhancement Programme (TDEP). Examples could be found in Aberdeen, Lei Yue Mun and Tsim Sha Tsui. There were also development projects on Lantau Island and other districts. At members' request, the Administration agreed to provide details of TDEP in the 18 districts of Hong Kong and the tourism development on Lantau Island for members' reference.

(post-meeting note: The information provided by the Administration was circulated on 12 November 2008 vide LC Paper Nos. CB(1)198/08-09(01) & (02))

31. Mr Fred LI urged the Administration to speed up the LYM Waterfront Enhancement Project. C for Tourism advised that consultation with various stakeholders was largely completed. Arrangements would be made to gazette the project works in early 2009. Pending on completion of the requisite statutory procedures, TC would seek funding approval from Legislative Council.

32. Mr LEE Wing-tat criticized that the Administration had not made much progress in fostering street performance, despite repeated requests from members. He said that street performances in overseas places, such as Japan, were very common and popular. While the development of the West Kowloon Cultural District (WKCD) might provide a possible platform for street arts performance, Phase I facilities of WKCD project would not be completed until 2014-2015. As such, he urged the Administration to expedite measures to nurture street performances without having to wait for WKCD to come into operation.

33. C for Tourism said that in recent years, the Administration had established a platform to facilitate communication between arts performing groups and travel industry to enhance promotion of cultural tourism in Hong Kong. She added that, from the tourism policy perspectives, she supported measures to nurture street

performances to bring more cultural activities to enliven the community and enrich the diversity of Hong Kong's tourism products. The performers might be required to perform in designated places, having regard to the need to ensure public safety and public order. TC would continue discussion with the Leisure and Cultural Services Department (LCSD) and the Home Affairs Bureau on how to facilitate the staging of street performances in the long run.

34. Mr CHAN Kam-lam asked whether the Government had any plans for the development of geological parks and leisure fishing industry. C for Tourism responded that TC had been providing inputs to the Agriculture, Fisheries and Conservation Department and the Environment Bureau in developing geological parks. Given the remarkably rich and diversified geological resources in Hong Kong, the development of a world class geological park would be conducive to the promotion of green tourism in Hong Kong.

Hong Kong Disneyland

35. Miss Tanya CHAN expressed concern about the future development of Hong Kong Disneyland (HKD) and the progress of the expansion plan for the theme park. She was worried that the recent financial tsunami might deter The Walt Disney Company from making further investments in the project, and the Government might have to inject more funds to take forward the expansion plan of HKD.

36. Mr LEE Wing-tat and Mr Fred LI also enquired about HKD's latest development. Mr LEE asked whether the expansion project of HKD had in fact been shelved.

37. SCED advised that the discussion with The Walt Disney Company was still going on. The Walt Disney Company had shown much determination and sincerity in discussing the expansion plan and had drafted layout plans for the proposal. The Administration would scrutinize the proposed plan, taking account of the suitability of proposed new attractions for the local public and tourists, and the park's experiences and services, before considering the financial arrangements. She said that it was too early to speculate the outcome of discussion. In the meantime, HKD would continue to operate under the prevailing agreement terms. SCED added that she would meet the management of The Walt Disney Company in November 2008 to be briefed further on the expansion proposal. The Administration would update the Panel when there were further details of the proposals.

(Post meeting note: The item on "Progress update on Hong Kong Disneyland" was included in the agenda of the Panel meeting on 16 December 2008.)

38. Ms Emily LAU said that it seemed to her that The Walt Disney Company was willing to bear all the costs for the proposed expansion, but SCED's earlier remarks suggested that the Administration had reservation about the proposal. She

was keen to ensure that the expansion plan would be taken forward in a commercially viable and sustainable manner.

39. SCED clarified that while the Administration generally recognized the merits of expanding HKD, the Administration would need to examine the proposal carefully, for example, whether the financial arrangement for the proposed expansion would affect Government's shareholding in the HKD project.

Wine trading and distribution

40. Mr Paul CHAN said that Michelin had chosen Hong Kong as a destination for gastronomic delights in Asia. As the Government had recently signed a Memorandum of Understanding (MOU) on co-operation on wine with France and Bordeaux respectively, he asked for details of the agreements and the Administration's assessment of the economic impacts of such agreements on Hong Kong.

41. The Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PS/CED(CIT)) explained that the MOU covered cooperation in wine-related tourism and trade, investment promotion, education and warehousing. Hong Kong would also collaborate efforts with France in combating counterfeit wine products. According to the MOU with Bordeaux, the two sides would work together to organize a wine and dine festival in Hong Kong in the autumn of 2009. She informed members that there were also discussions on similar cooperation with other wine-producing countries such as Australia, Italy, Chile and New Zealand, and the Government would sign an MOU with Spain in November 2008. PS/CED(CIT) pointed out that, given the growing demand for wine across Asia, particularly that of the Mainland, Hong Kong was well placed with its ideal geographical location and business-friendly environment to become the regional hub for wine trading and distribution. The Administration would capitalize on the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) to enhance customs facilitation for wine products at the border. On the economic impact, she informed members that, pursuant to the abolition of wine duty in end February 2008, wine imports into Hong Kong had grown by about 150% in quantity and 90% in value when compared to the same period last year.

42. In response to the enquiry from Mr Andrew LEUNG, SCED said that there was a suggestion to use the Haw Par Mansion (HPM) as a venue for wine-related tourism and business. In accordance with the heritage conservation policy, the Administration would need to gauge public views on the use of HPM for such purpose. It was also necessary to ascertain market response through an expression of interest exercise.

Convention and exhibition

43. Mr Andrew LEUNG noted that the Government and TDC were examining the feasibility of a Phase 3 expansion of the Hong Kong Convention and Exhibition

Centre (HKCEC) and would embark on detailed studies and public consultation as soon as possible. He sought information on the Administration's relevant policy and site options.

44. SCED said that there was a need to pursue further expansion of HKCEC to address the pressing problem of the under supply of MICE venues. A site in proximity to TDC in Wanchai was identified so that the new facilities and the existing infrastructures of HKCEC could complement each other and bring about synergy effect. TDC would work out the details for the project for public consultation in due course.

Individual Visits Scheme

45. Mr Fred LI expressed concern about the reduction in the number of tour groups from the Mainland during the last National Day Golden Week, despite an increase in the number of Mainland visitors under the Individual Visits Scheme (IVS). He noted that the spending level of individual visitors was lower than that of group tourists.

46. SCED said that the number of individual visitors from the Mainland would continue to increase with the extension of IVS to cover more Mainland cities. C for Tourism advised that the number of tour groups had not sustained a trend of reduction amidst an overall increase in Mainland visitors in the recent period, and had in fact increased during the National Day Golden Week. She was also pleased to inform members that there was an increasing number of Mainland tourists joining honest and quality tours, an encouraging phenomenon which reflected more diversity and choices in the markets.

III Update on the development of a new cruise terminal at Kai Tak

(LC Paper No. CB(1)33/08-09(03) - Information paper provided by the Administration enclosing the Legislative Council Brief on Update on the development of a new cruise terminal at Kai Tak (File Ref: TC5/2091/04(06) Pt. 6) issued by Commerce and Economic Development Bureau

LC Paper No. CB(1)33/08-09(04) - Paper on the development of new cruise terminal facilities in Hong Kong prepared by the Legislative Council Secretariat (Updated background brief)

Briefing by the Administration

47. SCED briefed members of the Government's plan to design and build the

new cruise terminal at Kai Tak for leasing to a cruise terminal operator (the Government Design, Build and Lease (DBL) approach). She said that in view of the unpredictable escalation of construction cost and market uncertainties, the DBL approach would allow greater certainty in commencing operation of the first berth in mid 2013. She highlighted that in addition to creating over 3 000 employment opportunities for the local construction industry, the proposed project, upon commissioning, would also generate about 8 900 additional jobs in related industries such as tourism, retail, hotel and catering industries by 2023. Moreover, it was estimated that the economic benefits brought by the cruise industry could be up to \$2.6 billion per annum by 2023. SCED further said that to take forward the development of the new cruise terminal project, the Administration proposed to extend a supernumerary Administrative Officer Staff Grade C (AOSGC) (D2) post until end 2014 to coordinate and oversee the implementation of the project.

Discussion

Hong Kong's edge as a regional cruise hub

48. Mr Ronny TONG considered that apart from developing the hardware of cruise terminal, software aspects of the project such as planning for new cruise itineraries should also be taken forward. He said that as most cruise passengers had already joined cruise trips in Caribbean Sea and Alaska, the cruise industry should be encouraged to develop new tours covering cities in the Mainland and East Asia. He considered that attractive cruise itineraries were conducive to the successful development of the cruise industry in Hong Kong.

49. SCED stressed that to sustain Hong Kong's development as a regional cruise hub, the Administration paid attention to the development of both the hardware and software in this connection. The channel widths and depths of the Victoria Harbour could accommodate most current and planned cruise vessels, noting that the international trend was to build more mega cruise vessels with displacement tonnes over 50 000. The berthing capacities of the new cruise terminal at Kai Tak could also cope with the growing demand in the next 20 to 30 years. As regards the software development, SCED advised that the Administration was engaging major cruise operators in developing itineraries that would feature Hong Kong. It would also endeavour to make Hong Kong an appealing travel and leisure destination for cruise passengers by dedicating more resources to developing new tourism projects and hotels.

50. Ms Starry LEE said that small business operators in the old districts of South Kowloon near Kai Tak hoped that the commissioning of a cruise terminal at Kai Tak would bring more business opportunities to them. She asked whether the construction of access roads between these districts and the Kai Tak Development could tie in with the commissioning of the first berth in mid 2013, to facilitate cruise passengers to visit these areas after disembarkation. She was concerned, however, that a lot of area within the Kai Tak Development would still be undergoing construction by 2013.

51. The Permanent Secretary for Development (Works) (PS(W)) advised that the Kai Tak Development had entered the implementation stage. The Project Office had grouped the works into 8 packages for implementation. The construction of the new cruise terminal would form part of the first package. When the first berth for cruise vessels was commissioned by mid 2013, associated access roads should be ready to bring the cruise passengers to their desired destinations. As each cruise vessel would usually bring about 2 000 to 3 000 passengers who had diversified interests, some of them might visit the old districts in South Kowloon to experience the local characteristics and cultures of Hong Kong.

52. Miss Tanya CHAN said that as cruise passengers were high-spending visitors, special cultural events should be organized to increase Hong Kong's appeal to them. SCED agreed that cultural programmes such as operas and concerts could be held in the evenings for the appreciation of cruise passengers. In fact, TC had been working together with LCSD, arts performing groups and the travel trade bringing cultural programmes of different genres to visitors to enrich their experience in Hong Kong. SCED believed that with the Government's decision to develop the West Kowloon Cultural District, the initiative would provide alternative arts venues for the community and usher in a more vibrant performing arts scene for local residents and tourists alike.

Changes under the DBL approach

53. Mr Fred LI noted that according to the consultant engaged by TC/HKTB, the estimated development cost of the cruise terminal facilities was about \$2.4 billion (at second quarter/2006 price level), including site formation works and construction of berthing and supporting facilities, while the capital cost of the new cruise terminal under the DBL approach was estimated to be about \$7.2 billion (at September 2008 price). Mr LI expressed grave concern about the significant upsurge in the estimated cost of the cruise terminal, as the estimated economic benefits brought by the cruise industry would only be up to \$2.6 billion per annum by 2023. Mr LI sought further information on the estimated cost and economic benefits.

54. In response, PS(W) and the Project Manager (Kowloon), Civil Engineering and Development Department explained that the estimated costs of the cruise terminal project under the two different scenarios should not be compared directly. The Administration would provide further information on the construction cost of the new cruise terminal and the economic benefits brought by the cruise industry.

Admin

(Post-meeting note: The information provided by the Administration was circulated on 3 November 2008 vide LC Paper No. CB(1)151/08-09(01) and on 14 November 2008 vide LC Paper No. CB(1)212/08-09(01). According to the Administration, estimated cost of the cruise terminal project of \$2.4 billion was based on 2006 price level on the basis of private development mode. This figure of \$2.4 billion only served as a reference under the land tender approach as private developers would adjust their

estimates according to their own development plans. The latest estimate of HK\$7.2 billion quoted in the LegCo Brief (File Ref: TC 5/2091/04(06) Pt. 6) was based on the development mode under which the Government would finance the cruise terminal construction.)

55. Noting that under the DBL approach, the Administration proposed to scale back the commercial gross floor area (GFA) from a maximum of 50 000 m² to about 10 600 m², Mr CHAN Kam-lam commented that commercial/retail facilities at the terminal building were important supporting facilities catering specially for cruise passengers. The proposal to scale back such facilities might reduce the appeal of the cruise terminal. He requested the Administration to explain the rationale for such proposal.

56. SCED said that besides accommodating customs, immigration and health quarantine facilities, the cruise terminal building would also house commercial/retail facilities that were ancillary to cruise industry operation, including meeting the needs of travel agents, cruise line operators and cruise passengers. The remaining 39 400 m² of commercial GFA would be redistributed to other sites reserved for commercial development in the Kai Tak Development, including the adjacent Tourism Node and runway waterfront hotels. This would allow flexibility for the private sector to design and develop commercial facilities in response to market demand.

57. In response to Miss Tanya CHAN's concern, SCED said that the design of the roof top Landscaped Deck, which was 22 000 m² under the land tender option, would have to be adjusted accordingly to ensure that it was proportional to the building form. Miss CHAN considered that the Landscaped Deck was public open space, and there should be a limit in the reduction in such area. SCED assured members that some tens of hectares in the Kai Tak Development had been earmarked as open space including a huge park which would be built for the enjoyment of the public.

58. Mr Paul TSE noted that under the fast-track DBL approach, the first berth to be commissioned in mid 2013 would be in temporary operation similar to the current operation of those at the Container Terminals and China Merchants Wharf at Kennedy Town. He considered it an undesirable arrangement if cruise vessels had to berth mid-stream until 2015 when the entire cruise terminal was commissioned. He was also concerned about the interim arrangements in accommodating mega cruise vessels between now and 2013.

59. SCED assured members that the first berth to be commissioned by mid 2013 would allow direct berthing of cruise vessels. She said that as soon as the site formation and the quay deck were ready, the first berth could be operated with temporary facilities to receive cruise vessels. The works for the full-fledged cruise terminal building would continue and complete in 2015. The industry in general was prepared to accept such interim arrangements although these might not be entirely satisfactory. SCED further advised that during the period up to 2013, interim berthing arrangements would be made for mega cruise vessels calling Hong

Kong, including berths at the Kwai Chung Container Terminal.

Staffing proposal

60. Mr CHAN Kam-lam expressed support for the proposed extension of the supernumerary directorate post to implement the cruise terminal project. Mrs Regina IP supported the staffing proposal and stressed that the incumbent should work closely with cruise operators in developing new cruise markets and exploring alternative cruise itineraries. Ms Starry LEE added that the incumbent should also attend to matters relating to the development in the vicinity of the cruise terminal.

61. The Chairman concluded that the Panel was supportive of the staffing proposal.

62. The Chairman proposed that the discussion of the next two agenda items be combined as they were closely related. Ms Emily LAU suggested extending the meeting time to 1:00 pm. Members agreed.

IV Briefing by the Secretary for the Environment on relevant policy initiatives featuring in the Chief Executive's Policy Address 2008-2009
(LC Paper No. CB(1)33/08-09(05) - 2008-09 Policy Address and Policy Agenda - Policy Initiatives of the Environment Bureau)

V Auto-fuel prices
(LC Paper No. CB(1)85/08-09(03) - Submission on Auto-fuel prices from Consumer Council (English version only)

LC Paper No. CB(1)85/08-09(04) - Submission on Auto-fuel prices from Chevron Hong Kong Limited (Restricted to Members only) (English version only)

LC Paper No. CB(1)103/08-09(01) - Submission on Auto-fuel prices from ExxonMobil Hong Kong Limited

LC Paper No. CB(1)103/08-09(02) - Submission on Auto-fuel prices from SINOPEC (Hong Kong) Petrol Filling Station Company Limited (Chinese version only)

LC Paper No. CB(1)103/08-09(03) - Submission on Auto-fuel prices from Shell Hong Kong Limited (Restricted to Members only)

(English version only)

- LC Paper No. CB(1)85/08-09(01) - Administration's paper on Auto-fuel Prices
- LC Paper No. CB(1)85/08-09(02) - Paper on auto-fuel prices prepared by the Legislative Council Secretariat (Updated background brief)
- LC Paper No. IN02/08-09
(tabled at the meeting and subsequently issued via e-mail on 24 October 2008) - Paper on Auto-fuel prices in selected places prepared by the Legislative Council Secretariat (Information note))

Discussion

Auto-fuel prices

63. Ms Miriam LAU noted that the Administration's paper pointed out that it was not appropriate to simply compare the difference between the international crude oil price and local retail prices, but the comparison between the import prices of auto-fuels and local retail prices was an appropriate indicator. Notwithstanding this, Ms LAU was very concerned about the big gap between the international crude oil price (which had dropped about 50%) and the local retail prices (which had been adjusted downward for 10% only) during the same period. She referred to the recent statement of Mr Gordon BROWN, Prime Minister of the United Kingdom (UK), that the oil companies had not reflected the reduction in international oil prices in their pump prices, and that consumers in UK should have reasonable expectation that the oil retailers would cut the pump price in tandem with the drop in international oil prices. Ms LAU considered that the same concept of consumers' reasonable expectation should be adopted in Hong Kong.

64. The Secretary for the Environment (SEN) pointed out that all auto-fuels sold in Hong Kong were refined oil products which were different from crude oil (usually referred as Brent crude oil) products and hence the prices between them should not be compared directly. Changes in local retail prices of auto-fuels should be monitored by comparing them with the monthly import prices. As auto-fuels in Hong Kong were mainly imported from oil refineries in Singapore and its neighborhood, the Administration had used Singapore free-on-board prices for unleaded petrol and motor vehicle diesel (Singapore FOB prices) as a benchmark in tracking the trend movements of international oil prices. SEN noted that changes in local retail prices of auto-fuels for the past few months were broadly in line with the average import prices and the trend movements of Singapore FOB prices. He nevertheless drew members' attention that due to the import and two to six weeks stock-piling pattern of oil companies, there was an approximately four-week time lag for the adjustment of the auto-fuel import prices to be reflected in local retail prices. In other words, the aforesaid comparison was made between the average

import prices of the previous month and the local retail prices in the current month.

65. Ms Miriam LAU considered that a formula should be worked out to monitor whether the extent of changes in pump prices had been reasonably made according to the oil import prices. SEN responded that it was the Administration's intention to enhance the transparency in auto-fuel prices. As mentioned in the Chief Executive's 2008-2009 Policy Address, the Administration had asked the oil companies to promptly adjust prices in tandem with international oil price movements, and be more transparent in price setting which should be objective and clear to facilitate public monitoring. Moreover, starting from 22 October 2008, the Environment Bureau (ENB) had published on its website, on a weekly basis, the local import prices and retail prices of auto-fuels in comparison with the trend movements of Singapore FOB prices, so that the public could assess whether the oil companies had made reasonable adjustment in the retail prices. SEN assured members that if it was noticed that the oil companies were slow in reducing retail prices of auto-fuels as compared with the reduction in the import prices of the previous month, the Administration would surely follow up with the oil companies accordingly.

66. Mr Ronny TONG considered that the Administration had failed to monitor the adjustment of auto-fuel prices made by the oil companies effectively. He noted that despite the introduction of new oil companies to the market in recent years, the prices of auto-fuels sold by different oil companies were still set at similar levels. To address the problem, he suggested that other than Singapore region, the Administration should explore other supply sources to ensure that the local market could enjoy a more competitive import price.

67. SEN stressed that the Government could not mandate the sources for the oil companies to import refined oil products for sale in Hong Kong. It was purely the commercial decision of the oil companies. In fact, only about 59% of refined oil products sold in Hong Kong were imported from the Singapore region. The remaining products were provided by suppliers in South Korea, the Mainland, etc. Acknowledging that increased competition would benefit consumers, SEN said that the Government had taken a series of measures in the past few years to facilitate new operators to enter the auto-fuel market. The new tendering arrangements, such as re-tendering all existing petrol filling station (PFS) sites upon expiry of their leases, and offering PFS sites in batches to facilitate new entrants in acquiring a critical mass of PFS to achieve economy of scale, had successfully enabled two new operators to enter the market and a more even distribution of PFSs among the operators. Subsequently, the share of the three biggest operators in terms of the number of PFSs had dropped from over 93% to 76%. SEN further said that although the oil companies were selling auto-fuels at similar price levels, they offered varied discounts, with some up to 18%. To enable consumers to have a better grasp of the market situation and make a smart choice in consumption, CC would publish weekly the local retail prices of auto-fuel and various cash/non-cash discounts.

68. At the invitation of the Chairman, Ms Connie LAU, Chief Executive of CC

advised that CC had rolled out a series of initiatives to provide the public with information on the prices of various products at different outlets. As transportation cost had a direct bearing on people's livelihood, the scope of CC's initiatives would be expanded to include auto-fuels. Apart from pump prices of gasoline and diesel, CC was going to provide information on promotional packages offered by oil companies to enable consumers to make informed choices and to enhance price transparency in the marketplace. Ms LAU further said that with the information updated at weekly intervals, consumers would be in a better position to plan refuelling to get the biggest bargain or to choose their preferred promotion package from amongst those offered. CC was discussing with the oil companies to seek their support on the initiative and if feasible, CC would launch it before the end of 2008.

69. While appreciating the effort of CC in publishing the pump prices set by individual oil companies, Mr Vincent FANG was worried that the oil companies might take the opportunity to collude among themselves and engage in price fixing. Ms Connie LAU advised that CC was aware of the concern that providing simple price information of oil products via the same platform might have the effect of facilitating tactical cooperation amongst oil companies in the retail auto-fuel market. CC would weigh the possible effects of price transparency on competition in the marketplace when designing the presentation of information on oil prices and promotion packages.

70. Mr Ronny TONG opined that consideration could be given to allowing operators running dedicated transportation services to set up oil supply companies in the form of co-operatives. SEN advised that this would be a commercial decision for the sectors/operators concerned. He added that such co-operatives, if set up, would also need to operate PFSs.

71. Ms Starry LEE asked whether the Administration agreed that the local fuel prices were "quick going up, slow coming down". If that was the case, the Government should consider further measures, such as tightening the monitoring of fuel prices through the PFS tendering process, to protect consumers' interest. She asked whether the Administration would consider adding a provision in the PFS leasing contracts requiring the oil companies to provide more information for public scrutiny. Mr CHAN Kam-lam pointed out that the international crude oil prices had dropped about 40% in recent months but the local retail prices were adjusted downward by 10% only. He said that this would inevitably give the public an impression that the fuel prices were "quick going up, slow coming down".

72. SEN reiterated that from the information published by ENB weekly, members of the public could assess whether the auto-fuel prices were "quick going up, slow coming down". As regards information to facilitate monitoring the adjustment of retail prices of auto-fuels, SEN recalled that in December 2004, the Panel had held a closed door meeting with individual oil companies and examined information relating to the companies' operating costs. He considered that if the companies did not provide information relating to retail prices of auto-fuels in an

open and transparent manner, and if the fuel prices were indeed "quick going up, slow coming down", the Government would consider taking further measures. However, the suggestion of tightening the monitoring of fuel prices through a land lease condition might not be feasible for currently leased PFSs.

73. Ms Emily LAU did not subscribe to the Administration's explanation. She said that she received voluminous letters from the public complaining that local auto-fuel prices were "quick going up, slow coming down", and that the Administration had not addressed such concerns. SEN stressed that all along, the Administration had addressed public concern and played a proactive role in monitoring the local retail prices of auto-fuels. Through the continuous effort of ENB in liaising with the oil companies, the public could now be kept abreast of the market trends of the auto-fuel prices. Moreover, based on the information to be published weekly by CC, consumers would be able to obtain the biggest discount in refuelling. SEN assured members that the Government would continue to play its gate-keeping role in monitoring the retail prices of auto-fuels.

74. The Chairman sought information from the Administration on the levels of auto-fuel stock imported and sold by individual oil companies each month. He said that the figures, together with information on import prices, would enable members to ascertain whether auto-fuel prices were really "quick going up, slow coming down". The Deputy Secretary for the Environment advised that individual oil companies had been providing information to the Customs and Excise Department for customs clearance on the oil products they imported. The Administration could not publish the level of stock and prices of the oil products imported by each oil company for public monitoring because the data was not collected for such purpose.

Electricity matters

75. Miss Tanya CHAN said that the public had urged that the two power companies should increase interconnection so as to reap the benefits of reserve capacity sharing and reduce the need for new generation facilities. However, after entering the new Scheme of Control Agreements (SCAs) with the two power companies, the Government seemed to be less keen in pursuing the matter. She enquired whether it was still the Government's intention to encourage increased interconnection between the two power companies.

76. In response, the Secretary for the Environment (SEN) said that increased interconnection between the two power companies involved complex issues relating to technical interface, delineation of supply areas, and separation of power generation and transmission services. He advised that the Administration was now studying the matter and would discuss the details with the two power companies in due course. In reply to Miss CHAN's further enquiry, SEN advised that introducing new supply sources would require drawing up the regulatory framework regarding the provision of grid access for new suppliers. Under the new SCAs, the Administration would notify the two power companies of any proposed changes to the electricity regulatory framework in 2016 the earliest.

Low carbon economy

77. Noting that the Administration planned to reserve \$150 million under the Environment and Conservation Fund (ECF) to subsidize building owners in carrying out energy-cum-carbon audits, Mr CHAN Kam-lam enquired about the economic benefits to be brought by the initiative. He was also concerned about the emission allowance for power plants under the low carbon economy policy.

78. SEN highlighted that the low carbon economy policy was conducive to economic development and would help improve people's livelihood. He elaborated that the general public could pay less tariffs if they reduce energy consumption through energy conservation by, inter alia, using more energy-efficient electrical installations. Experience showed that a saving of 1% to 1.5% of the building energy consumption could be achieved by implementing simple measures identified in an energy audit to reduce emission and conserve energy. For a typical office building that had complied with the Building Energy Codes, experience showed that electricity tariffs could be lowered by 10% to 15%. On initiatives under the low carbon economy policy, SEN advised that the Administration would implement a district cooling system (DCS) to meet the demand for air-conditioning for public and private non-domestic development at the Kai Tak Development. The implementation of DCS, which was 35% and 20% more energy-efficient than air-cooled and water-cooled air-conditioning systems respectively, would achieve an annual saving in electricity consumption by 85 million kWh and a reduction of 59 500 tonnes of carbon emission.

VI Any other business

79. There being no other business, the meeting ended at 1:00 pm.