立法會
Legislative Council

LC Paper No. CB(1)1368/10-11
(These minutes have been seen by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Tuesday, 14 December 2010, at 4:30 pm
in Conference Room A of the Legislative Council Building

Members present :

Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members attending :

Hon WONG Kwok-hing, MH
Hon KAM Nai-wai, MH

Public officers attending : Agenda item IV

Mr Edward YAU, JP
Secretary for the Environment

Miss Vivian LAU, JP
Deputy Secretary for the Environment

Ms Vyora YAU
Principle Assistant Secretary for the Environment (Financial Monitoring)

Agenda item V

Mr Philip YUNG, JP
Commissioner for Tourism

Mr Vincent FUNG
Assistant Commissioner for Tourism 2

Mr Stephen LING
Senior Engineer
Special Duties (Works) Division
Civil Engineering Office
Civil Engineering and Development Department

Agenda item VI

Ms Jenny CHAN Wai-man
Acting Deputy Secretary for Transport and Housing (Transport)

Mr Francis LIU Hon-por, JP
Deputy Director of Marine

Mr Ivan TUNG Hon-ming
Assistant Director / Shipping
Marine Department

Mr CHUNG Siu-man
Assistant Director / Port Control
Marine Department

Attendance by invitation	**:**	Agenda item IV The Hongkong Electric Co., Ltd. Mr K S TSO Group Managing Director Mr C T WAN Director of Engineering (Planning & Development) Mr Neil D MCGEE Group Finance Director Mr K M WONG Group Manager, Finance & Accounting CLP Power Mr Richard LANCASTER Managing Director Mr S H CHAN Corporate Development Director Ms Daisy CHAN Public Affairs Director
Clerk in attendance	**:**	Ms Debbie YAU Chief Council Secretary (1)6
Staff in attendance	**:**	Ms Diana WONG Senior Council Secretary (1)8 Ms Michelle NIEN Legislative Assistant (1)9

Action

I Confirmation of minutes of last meeting

(LC Paper No. CB(1)720/10-11 - Minutes of meeting held on 25 October 2010)

The minutes of the meeting held on 25 October 2010 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)632/10-11(01) - Tables and graphs showing the import and retail prices of major oil products from November 2008 to October 2010 furnished by the Census and Statistics Department)

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

III Items for discussion at the next meeting

(LC Paper No. CB(1)700/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)700/10-11(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next meeting to be held on 24 January 2011, at 9:00 am:

(a) Leasing arrangements for the new cruise terminal at Kai Tak;

(b) Update on Hong Kong Disneyland;

(c) Hong Kong Tourism Board Work Plan for 2011-2012; and

(d) Arrangement for re-allocation of berths in public cargo working areas (PCWA).

4. With regard to item 3(d), the Administration suggested to invite PCWA operators to give their views at the meeting. In light that there were four agenda items for the next meeting, the meeting would be advanced to 9:00 am.

IV Annual tariff reviews with the two power companies

Meeting with the two power companies and the Administration

LC Paper No. CB(1)700/10-11(05) - Paper on annual tariff reviews with the two power companies prepared by the Legislative Council Secretariat (Updated background brief))

Presentation by The Hongkong Electric Company Ltd.

(LC Paper No. CB(1)700/10-11(03) tabled at the meeting and subsequently issued via e-mail on 15 December 2010)

5. At the invitation of the Chairman, Mr K S TSO, Group Managing Director of The Hongkong Electric Company Limited (HEC) said that HEC had increased the proportion of natural gas from 15% before 2009 to 30% in 2010. Moreover, HEC had completed the additional works for emission abatement in the power stations, reducing the emission of pollutants as a result. In view that the prices of coal and natural gas were expected to rise in 2011, HEC would increase the Fuel Clause Charge (FCC), which was on an accountable basis, while at the same time lower the Basic Tariff so as to minimize the impact on customers. As such, the average Net Tariff for the coming year would increase by 3.4 cents/kWh or 2.8%. HEC had reduced its Net Tariff by 5.9% for 2009 and frozen it for 2010. This would be the first tariff increase since the implementation of the new Scheme of Control Agreement (SCA) in 2009.

6. With the aid of power-point, Mr C T WAN, Director of Engineering (Planning & Development) of HEC highlighted HEC's tariff adjustment in 2011 as follows:

Tariff Components (Cents/kWh)	Current 2010	Effective 1 January 2011	Adjustment
Basic Tariff	94.5	93.1	-1.4
Fuel Clause Charge	25.4	30.2	+4.8
Average Net Tariff	119.9	123.3	+3.4 (+2.8%)

7. Mr C T WAN of HEC said that the market prices of coal and liquefied natural gas (LNG) had increased by 31% and 13% respectively since the end

of 2009. As the market oil price was expected to increase by approximately 10% in 2011 and that LNG prices were linked to oil prices, he projected that the average cost of LNG in 2011 would have single-digit increase while that of coal would have a double-digit increase. As such, HEC had to increase its FCC to offset the fuel cost increase. Regarding the effect of the tariff increase on customers, for 70% domestic customers (whose monthly consumption was less than 500 units), the monthly tariff increase would be less than $14. For 70% non-domestic customers (whose monthly consumption was less than 1 700 units), the monthly tariff increase would be less than $59. Nevertheless, HEC would continue to provide assistance to the needy through its concessionary tariff scheme which offered 60% discount for the first 200 units of electricity consumed each month to customers who were eligible for comprehensive social security assistance, including the elderly of 60 or above, households with recipients of disability allowance, single-parent families and the unemployed.

8. Mr C T WAN of HEC further said that when compared with other major cities, HEC's tariff for domestic customers remained on the lower side of the range, and that household expenditure on electricity accounted for about 2% on average of the total household expenditure of HEC's domestic customers. HEC's commercial tariff also compared competitively with that in other major economies. Highlighting that some of the overseas electricity tariff recorded double-digit increase vis-à-vis HEC's 2.8% increase, Mr WAN said that HEC would continue to provide world class services, expecting to achieve or surpass all quality service standards in 2010.

9. On emissions control, Mr C T WAN of HEC said that HEC had completed the emission abatement works in order to achieve the 2010 emissions reduction target as set out in accordance to the consensus reached between the Hong Kong Special Administrative Region Government and the Guangdong Provincial Government in 2002. The emissions of sulphur dioxide, nitrogen oxides and respirable suspended particulates in 2009 were reduced by 45%, 32% and 62% respectively when compared to 2005. Mr WAN said that further emissions reduction for 2010 would be expected. He stressed that HEC would continue to commit to providing safe, reliable and efficient electricity supply and quality services to its customers while minimizing environmental impact.

Presentation by CLP Power
(LC Paper No. CB(1)700/10-11(04) tabled at the meeting and subsequently issued via e-mail on 15 December 2010)

10. Mr Richard LANCASTER, Managing Director of CLP Power Hong

Kong Limited (CLP) said that since Hong Kong needed to import 100% of its energy from overseas, CLP was exposed to the international fuel market. Taking into account that 70% of CLP's electricity was produced from coal and natural gas, and in 2010 international prices for coal and natural gas had increased by 30% and 20% respectively, CLP needed to increase FCC to compensate the cost of fuel procurement. Mr LANCASTER projected that by the end of 2010, the Fuel Clause Account would be in deficit by several hundred million dollars. As such, there was a need to increase FCC by 2.6 cents/kWh while the Basic Tariff would be frozen at the 2010 level, resulting an 2.8% increase in the Average Net Tariff.

11. With the aid of power-point, Mr S H CHAN, Corporate Development Director of CLP highlighted CLP's tariff adjustment for 2011 as follows:

Tariff Components (Cents/kWh)	Current 2010	Effective 1 January 2011	Adjustment
Basic Tariff	80.0	80.0	Unchanged
Fuel Clause Charge	11.5	14.1	+2.6
Average Net Tariff	91.5	94.1	+2.6 (+2.8%)

Mr CHAN explained that CLP's current Basic Tariff was maintained at the same level as in mid-1990s and CLP had offered over $4 billion in rebates to customers over the past decade. Referring to the five-year Development Plan submitted under the new SCA, Mr CHAN highlighted that CLP supported the Government's initiative in promoting the use of clean energy for power generation. Among the four generating units at the Castle Peak B power station, three were fitted with emission control facilities, which were already in operation, while the fourth one was about to be completed. In addition, front-end activities for infrastructure to bring new gas supplies to Hong Kong were in progress, and the transmission and distribution facilities projects were underway to maintain supply reliability and to support Hong Kong's infrastructure development, such as the Kai Tak Cruise Terminal Substation and the Castle Peak Cable Tunnel for the transmission cables supplying Airport and Tuen Mun area.

12. Mr S H CHAN of CLP said that FCC reduction in 2010 and the rising fuel costs were widening the Fuel Clause Account deficit. However, the stringent cost control asserted by CLP kept the Basic Tariff unchanged. About 70% of residential customers would experience a monthly tariff increase of less than $10 and about 70% of non-residential customers would

experience a monthly tariff increase of less than $36. Nevertheless, the tariff after adjustment remained highly competitive amongst other major cities (e.g. Tokyo, New York, London, Sydney and Singapore). He stressed that CLP would work hard to ensure the customers enjoy a stable and competitive tariff through prudent financial management and cost control.

Discussion

Tariff adjustment for 2011

13. Noting that after the adjustment, the average Net Tariff would increase by 2.8% for both CLP and HEC, Mr WONG Kwok-hing expressed concern that the increase would further push up inflation and worsen the financial situation faced by low-income groups, and urged the power companies to offset the rising fuel cost from the reserve thereby obviating tariff increase.

14. Mr K S TSO of HEC said that HEC had done its best to minimize the tariff increase by reducing the Basic Tariff to offset the increase in FCC. Mr Richard LANCASTER of CLP advised that CLP had tried to minimize the impact of the fuel cost by reducing FCC by 0.3 cents/kWh for 2010. However, in view that the Fuel Clause Account would be in deficit by more than $300 million, the 2.8% increase was the bare minimum that CLP would need to reduce the deficit to a reasonable level.

15. Sharing similar concern as Mr WONG Kwok-hing, Ms Starry LEE voiced out that Members and the public felt helpless against the tariff increase. She enquired whether the Administration could request the two power companies not to raise tariff for 2011.

16. The Secretary for the Environment (SEN) replied that the Government had done its best as a gatekeeper to review tariff adjustment with CLP and HEC which had originally proposed much higher tariff increase. He added that the tariff increase had been suppressed to the lowest possible level with HEC reducing the Basic Tariff and CLP keeping it unchanged. As regards whether the reserve in the Tariff Stabilization Fund (TSF) could be drawn to offset the increase of FCC, SEN advised that FCC was a separate accountable item under SCA.

17. Commending HEC's effort in reducing the Basic Tariff by 1.4 cents/kWh, Mr CHAN Kam-lam enquired how HEC achieved such result. Mr C T WAN of HEC responded that after the implementation of the new SCA in 2009, the permitted rate of return had been lowered and HEC's Basic

Tariff had since been reduced by 20.4%. HEC had also adopted prudent capital investment management and cost control as well as increasing its productivity in order to keep its Basic Tariff at the present level. Mr WAN further pointed out that HEC had relied entirely on fossil fuels and its Fuel Clause Account had been in deficit in light of the rising fuel price. Nevertheless, HEC would strive to mitigate the impact of fuel price increase and minimize tariff increase.

18. Mr Ronny TONG considered the proposed tariff unacceptable and questioned whether CLP and HEC had colluded to increase the tariff by the same percentage. He queried why CLP could not lower the Basic Tariff in line with HEC and the big difference in percentage increase in FCC between the two power companies (18.9% for HEC and 22.6% for CLP).

19. Mr Richard LANCASTER of CLP responded that CLP was not able to reduce its Basic Tariff because it had been investing in capital projects, such as the emission control project at the Castle Peak Power Station, the transmission and distribution facilities for two new railway lines, Kai Tak Cruise Terminal Substation and the Castle Peak Cable Tunnel for the transmission cables supplying the Airport and Tuen Mun area. He projected that TSF, which amounted to $1.4 billion as at June 2010, would be rapidly depleted to a few hundred million dollars by end 2011, which was considered a very small amount.

20. SEN did not agree with Mr Ronny TONG that the power companies had colluded on the percentage of tariff increase. Given that the capital expenditure and Fuel Clause Accounts were different between CLP and HEC, the Administration conducted the annual tariff review independently with each power company.

21. In response to Mr IP Wai-ming's enquiry on whether the Administration had considered the impact on inflation caused by the tariff adjustment, the Deputy Secretary for the Environment replied that the proposed 2.8% increase would raise the Composite Consumer Price Index by around 0.05 percentage point, and the non-staff operating cost of businesses by 0.07%.

22. Noting that the public had been facing inflationary pressure, Ms Emily LAU also questioned whether the Administration had carefully scrutinized the plans submitted by the power companies and whether the public could indeed afford the tariff increase. SEN assured members that the Administration had spared no effort in negotiating with the power companies for a reasonable tariff adjustment by removing unnecessary capital

expenditure which in the past had been reduced by more than $10 billion.

23. In response to the enquiry of Mr WONG Kwok-hing and Ms Emily LAU on whether the power companies would shoulder more corporate responsibilities towards the community and provide tariff concession for the low-income groups, Mr Richard LANCASTER of CLP advised that the current tariff level was the best it could offer and the increase in FCC solely reflected the rising fuel price in the international market.

Profits of CLP and HEC

24. Mr WONG Kwok-hing noted that both CLP and HEC only mentioned the rising fuel costs without disclosing their profits. Mr WONG and Ms Starry Lee enquired about the profits of CLP and HEC, and questioned whether the companies could use their reserves to offset the increase in fuel cost.

25. SEN advised that the profits of CLP and HEC from 2008 to the first half of 2010 were public information. Mr K S TSO of HEC further explained that the Basic Tariff was already reduced by 1.4 cents/kWh to offset the increase of FCC, and there would be no increase in profit as a result of the adjustment. Mr Richard LANCASTER of CLP responded that the fuel cost increase had no impact on the CLP's profit as the cost of fuel was directly passed onto the customers.

26. Noting that for the past 10 years, HEC profits ranged from $4 billion to more than $6 billion, and CLP profits surpassed $10 billion at times, Mr Albert CHAN remarked that the Administration had allowed the power companies to expand their assets and increase their investment expenditure, thus increasing the amount of return. SEN advised that while the Administration had agreed with the two power companies on the reduction of the permitted rate of return and conducted in-depth scrutiny of the capital expenditure of the two power companies, revamp of fuel mix by reducing Hong Kong's reliance on fossil fuels would be an important consideration affecting future tariff level.

27. Mr Fred LI pointed out that the 2.8% increase in tariff exceeded the inflation rate of 2.5% estimated by the Government economists. He cited that HEC's profit for sales of electricity in Hong Kong for the first half of 2010 was $1,745 million which was broadly similar to the same period in 2009. For CLP, the figure was $3,092 million, which was an increase of 5% when compared to the first half of 2009 and its TSF had a surplus of over $1 billion. Given the huge profit earned by CLP and HEC, Mr LI urged the

two power companies to further decrease the Basic Tariff, bearing in mind that CLP had already increased the Basic Tariff by 2.6% for 2010.

28. In response, Mr K S TSO of HEC said that the 1.4 cents reduction in Basic Tariff amounted to approximately 30% of the increase of FCC. Mr Richard LANCASTER of CLP reiterated that CLP had to invest in new power infrastructure and emphasized that TSF, by end 2011, would be reduced to a few hundred million dollars which represented only four to five days' revenues and could not be used to support any further reduction of Basic Tariff from its current level. Mr LANCASTER stressed that the Basic Tariff level was needed to sustain the future capital expenditure of CLP while the fuel clause adjustment purely reflected the increase in cost of fuel which CLP would need to procure in overseas markets.

29. Mr Fred LI and Ms Miriam LAU enquired whether the power companies would still achieve the maximum rate of return permitted under the current SCAs, i.e. 9.99% on the average net fixed assets, after increasing the tariff by 2.8%; and if it was, whether the power companies would consider reducing the return in order to lower the tariff level in view of the rising inflation; if not, the actual return of the respective power companies. Mr Richard LANCASTER of CLP affirmed that CLP would be making the maximum return of 9.99% on their net fixed assets in 2011 if TSF remained positive by the end of 2011. Mr LANCASTER highlighted the independent operation of the Fuel Clause Account and advised that since CLP purchased about $7 billion of fuel each year, adjustment should therefore be made to the Fuel Clause Account regularly to prevent the deficit from ballooning. Mr K S TSO of HEC also affirmed that HEC was making a maximum return of 9.99%. Ms LAU urged both CLP and HEC to consider earning less than the maximum rate of return.

Difference in tariff between CLP and HEC

30. Declaring that she was a Member of the Hong Kong Island Geographical Constituency, Miss Tanya CHAN expressed concern that HEC charged a higher tariff when compared to CLP. In particular, HEC charged 40% and 60% more for its domestic customers and non-domestic customers respectively. She therefore urged the Administration to consider increasing interconnection between the two power companies or separating the management of power generation and distribution. Sharing similar concerns, Mr CHAN Kam-lam considered the tariff gap between CLP and HEC rather wide, and enquired whether the Administration would implement measures to further reduce the tariff and narrow the difference between the two power companies.

31. SEN highlighted the changes of the Basic Tariff and the average Net Tariff from 2008 to 2011 for the two power companies as follows:

Tariff Components (Cents/kWh)	2008	Effective 1 January 2011	Change
HEC			
Basic Tariff	116.9	93.1	-20%
Average Net Tariff	127.4	123.3	-3%
CLP			
Basic Tariff	88.1	80.0	-9%
Average Net Tariff	91.1	94.1	+3%

32. SEN explained that under the new SCAs and the annual tariff adjustments thereafter, the tariff differential between HEC and CLP had been gradually reduced. He further advised that the Government had performed its role as a gatekeeper by critically reviewing the need of the proposed capital projects in the Five-year Development Plan and during Tariff Reviews as well as the proper usage of TSF. Should there be a revamp of fuel mix thus reducing the reliance on fossil fuel, the financial pressure faced by the power companies from the import of fuel could be lessened. As regards increasing interconnection between the electricity grids of the two power companies, SEN replied that the matter would be considered in 2018 upon the expiry of the current SCAs.

33. In reply to the enquiries of Miss Tanya Chan and Mr Albert CHAN on the development of the Integrated Waste Management Facilities generating energy from waste, SEN said that the Administration would consider such option and study the transmission of electricity generated from such facilities to the electricity grids of the power companies so as to reduce power generated and thus pollutants emitted by the power stations.

Concessionary tariff

34. Mr IP Wai-ming asked whether tariff could be frozen for customers who used less than 200 units of electricity each month as well as the under-privileged including the elderly. He urged both CLP and HEC to freeze the tariff for those on Comprehensive Social Security Assistance (CSSA).

35. Mr S H CHAN of CLP replied that as the under-privileged groups of customers such as single elderly eligible for CSSA were enjoying a 50% discount in tariff, the adjustment for 2011 would translate into a monthly increase between $1 to $3. Mr C T WAN of HEC said that concessionary tariff was offered to the under-privileged including the elderly, disabled, single-parent families and unemployed on CSSA. He said that HEC had already charged lower tariff for the customers who consumed low amount of electricity. The impact of the tariff increase, he considered, would be negligible for them.

Introduction of new operator

36. Mr Albert CHAN suggested the Administration introduce competition in the power sector by opening up the power market to new operators and allowing them to import energy from the Mainland. Such arrangement, he claimed, could potentially lower the tariff by 30% for residents in the North District.

37. SEN advised that under the framework of the current SCAs, there was no plan to introduce market change before 2018 and the situation would be reviewed in 2016. The Chairman enquired the feasibility of considering the arrangement during the interim review of the current SCAs. Mr Albert CHAN also requested the Administration to provide information on whether the introduction of a new power supplier before 2018 would be considered in breach of the current SCAs.

Admin

Fuel procurement and use of nuclear energy

38. Highlighting that the prices of natural gas was linked to oil prices and the average fuel cost was expected to have a double-digit increase in 2011, Ir Dr Raymond HO enquired whether the Administration had ensured the power companies had indeed procured coal competitively.

39. Mr C T WAN of HEC responded that coal and natural gas constituted 70% and 30% of its fuel mix respectively. He advised that the price of natural gas had increased significantly since 2008 compared to 2002 when HEC first procured liquified natural gas for the use of its gas-fired generation unit in 2006. As regards coal, it was procured through competitive bidding from suppliers whose mines were located closer to Hong Kong. Mr Richard LANCASTER of CLP replied that with regard to CLP's fuel mix, 30% was nuclear energy from Daya Bay nuclear power plants procured at a stable price, 30% was natural gas which was purchased under a long-term contract and its price was linked to those of coal and oil, and the rest was ultra-low sulphur

coal which was procured mainly from Indonesia through a competitive bidding process. Noting their responses, Ir Dr Raymond HO considered that the power companies could be more proactive in fuel procurement.

40. Based on the new fuel mix for 2020 proposed by the Government in the Public Consultation on Hong Kong's Climate Change Strategy and Action Agenda, the Chairman noted that nuclear energy, gas, coal and renewable energy would constitute approximately 50%, 40%, <10% and 3% - 4% of the fuel mix respectively. He queried whether there would be any change in the Basic Tariff after implementing the proposed fuel mix, whether the proposal was economically viable after taking into account the cost of importing nuclear energy to Hong Kong and whether the supply of nuclear-generated electricity to Hong Kong would be stable and sufficient.

41. Mr K S TSO of HEC indicated an interest in employing nuclear energy as a feedstock but said that more studies would be needed to assess the impact on tariffs. Mr Richard LANCASTER of CLP responded that nuclear energy was relatively stable and competitive in cost and at present, a quarter of the city's power came from the Daya Bay nuclear plant. To meet half of the city's power needs with nuclear energy as proposed by the Government, at least two more 1 000 megawatt generating units and a plant similar to Daya Bay would have to be built.

Conclusion

42. Summing up, the Chairman reiterated members' concern about the tariff increase in view of rising inflation, and their urge to reduce the tariff to reduce the impact on the community. As regards the import of nuclear energy, the Chairman requested the two power companies to provide more information to the Panel when ready.

V Aberdeen Tourism Project

(LC Paper No. CB(1)700/10-11(06) - Administration's paper on Aberdeen Tourism Project

LC Paper No. CB(1)700/10-11(07) - Paper on the Aberdeen Tourism Project prepared by the Legislative Council Secretariat (Updated background brief)

LC Paper No. CB(1)823/10-11(01) - *(tabled at the meeting and subsequently issued via e-mail on 15 December 2010)*	Administration's paper on Aberdeen Tourism Project (power-point presentation materials))

Briefing by the Administration

43. At the invitation of the Chairman, the Commissioner for Tourism (C for Tourism) briefed members on the funding proposal of the improvement works along the promenade of both sides of the Aberdeen Harbour as well as Ap Lei Chau Main Street and adjacent streets (the improvement works). He said that the Southern District Council (SDC) expressed support for the design and works schedule of the improvement works, and urged the Administration to expedite the implementation of the proposed works. With the aid of power-point presentation, the Senior Engineer, Special Duties (Works) Division, Civil Engineering Office, Civil Engineering and Development Department, took members through the design of the improvement works. The details were set out in the Administration's paper (LC Paper No. CB(1)823/10-11(01)). Members noted that the Administration planned to seek funding approval from the Public Works Subcommittee and Finance Committee in January and February 2011 respectively and commence construction works as soon as possible.

Discussion

44. The Chairman reminded members to disclose the nature of any direct or indirect pecuniary interest they had in the proposal before speaking on it, in accordance with Rule 83A of the Rule of Procedure.

Project design and works schedule

45. Mr Ronny TONG expressed disappointment at the design of the proposed works which he considered out-dated. Ms Emily LAU expressed dissatisfaction at the design of the works and considered it unattractive as there was a lack of historical sites or monuments. Mr Paul TSE commented that the proposed works had no special characteristics at all. Ir Dr Raymond HO considered the design of the proposed works mundane and requested the Administration to add artistic and creative elements, such as sculptures and fountains, to the design. Mr IP Wai-ming also urged the Administration to enhance the attractiveness of the Aberdeen waterfront.

46. C for Tourism said that the purpose of the improvement works was to highlight Aberdeen's unique characteristics as a traditional fishing harbour, so

as to enhance the tourism appeal of the Aberdeen area. For example, the existing viewing deck at the Aberdeen Promenade would be re-constructed by installing sails with transparent effect, so as to establish a landmark for the promenade and create the ambience of a fishing harbour for the enjoyment of local residents and tourists. Bronze display would also be erected along the Aberdeen Promenade to create an artistic atmosphere. C for Tourism added that the Civil Engineering and Development Department had earlier engaged a consultant to work on the design of the proposed works. The Tourism Commission had also met with SDC, district personalities and other stakeholders a number of times to gauge their opinion on the design. Stakeholders had a high degree of participation in the design process and the existing design had the support of SDC. Taking note of members' concerns about the project design, C for Tourism undertook to include more innovative elements and further improve the detailed design at a later stage in consultation with SDC. Ir Dr Raymond HO cautioned that the Administration should take the lead in project design while making reference to the views of SDC.

47. Mr CHAN Kam-lam expressed support for the improvement works as it could enhance the tourism appeal of Aberdeen. He urged the Administration to upgrade the design of the Pai Lau to be built at the entrance of the Ap Lei Chau Wind Tower Park. He asked the Administration to beautify the Pai Lau incorporating Chinese architectural characteristics to enhance its photo-taking appeal. Mr KAM Nai-wai and Mr IP Wai-ming shared similar concerns about the design of the Pai Lau. Mr KAM also suggested that apart from renovating the two pedestrian footbridges across Aberdeen Praya Road, the greening thereat should also be enhanced. C for Tourism undertook to work closely with SDC to seek possible improvement to the design during the detailed design stage.

48. Mr Ronny TONG urged the Administration to provide exhibition facilities in the area under the project to showcase Aberdeen's characteristics as a fishing village. The Assistant Commissioner for Tourism (AC for Tourism) said that at present, there was an exhibition introducing Aberdeen's fishing harbour features in the Wind Tower Park. Under the proposed improvement works, two more visitor information kiosks would be built on the Aberdeen Promenade as well as Ap Lei Chau Waterfront Promenade to provide information on the history of Aberdeen as a fishing harbour.

49. Mr KAM Nai-wai requested the Administration to provide sufficient shades and shelters for passengers waiting to take sampan rides. Ms Emily LAU asked about the boat ride arrangements. C for Tourism responded that the proposed works included the improvement of cruise landing shelters along Kwun Hoi Path to facilitate tourists boarding and alighting

sampans/boats.

50. Mr CHAN Kam-lam, Mr KAM Nai-wai and Mr Ronny TONG, expressed concern about the serious lack of parking facilities in the area, and requested the Administration to consider providing more parking spaces especially for tour buses. C for Tourism responded that the parking facilities for tour buses had already been enhanced under the project. Furthermore, upon the commissioning of South Island Line (East) (SIL(E)), works of which would commence in 2011, visitors should be able to travel to the area with greater convenience. AC for Tourism supplemented that at present, there were drop-off and parking spaces for tour buses at Kwun Hoi Path and near the Ap Lei Chau Municipal Services Building. Recently, works had been completed to enlarge the coach parking bay near the entrance of Ap Lei Chau Wind Tower Park. In addition, there were parking facilities for private cars near the Aberdeen Promenade and Ap Lei Chau Promenade.

51. Ms Emily LAU reminded the Administration to provide sufficient cubicle facilities at the female lavatories in accordance with Gender Mainstreaming Checklist. C for Tourism agreed to cater for users' needs during the detailed design of the project.

52. Mr IP Wai-ming noted that part of the proposed works, i.e. those listed in paragraphs 7(j) and 7(k) of CB(1) 700/10-11(06), would depend on the progress of the construction works for SIL(E). He questioned whether such works could commence without waiting for the completion of SIL(E). C for Tourism responded that the planned Lei Tung Station of SIL(E) would have an entrance/exit at Wah Ting Street in Ap Lei Chau and construction of SIL(E) was scheduled to start in 2011. To avoid the two proposed works items be damaged during the construction of Lei Tung Station, it would be necessary to co-ordinate with MTR Corporation Limited on the construction timetable and the possibility of commencing the proposed improvement works first was limited.

Long-term development of the Aberdeen area

53. Noting that the scope of the Aberdeen Tourism Project (ATP) had been reduced from the initial conceptual design proposed in 2005, Mr CHAN Kam-lam urged the Administration to consider developing Aberdeen and Lamma Island into a popular tourist attraction, featuring the unique characteristics of a traditional fishing harbour.

54. Given the initial conceptual plan for ATP comprised the traditional fishing harbour, Fisherman's Wharf at Tai Shue Wan and the leisure and dining node near Sham Wan as the linkage as well as software development

of sampan tours etc., Mr KAM Nai-wai enquired about the timetable in taking forward these other components, in particular the Fisherman's Wharf, in the Project. Considering that the provision of a Fisherman's Wharf in Aberdeen would enhance Hong Kong's tourism appeal in particular to visitors from long-haul markets, Mr Paul TSE questioned the Administration's way forward after the Panel had passed the motion at the meeting on 27 April 2009 urging the Government to re-consider its decision of not taking forward the ATP at its original scale.

55. In response, C for Tourism said that the Government had all along been committed to promoting tourism development in the Southern District. The proposed improvement works as well as the redevelopment plan of Ocean Park were part of the efforts to strengthen the tourism appeal of the area, in particular Aberdeen. Besides carrying out the improvement works, the Administration had also been exploring some long-term development options, such as developing a dining cum entertainment zone featuring seafood cuisine at the existing open space under the Ap Lei Chau Bridge which was now being used as works area for the Harbour Area Treatment Scheme or reserved as works areas for the construction of SIL(E), and developing the Aberdeen Wholesale Fish Market (AWFM) into a tourist attraction. Some of these facilities would bear certain similarities to the Fisherman's Wharf. The Administration would continue to review the feasibility of these long-term development options, which would promote tourism development of the Aberdeen area in an overall and coherent manner.

Development of the Aberdeen Wholesale Fish Market into a tourist attraction

56. Mr Ronny TONG requested the Government to provide funding for AWFM to improve its hygienic environment in order to attract more visitors. Ms Emily LAU expressed grave concern that the development of AWFM was still a long way from implementation.

57. C for Tourism responded that the AWFM proposal involved many stakeholders and a variety of complicated technical issues. The Administration had liaised with some representatives of the food and beverage sector to gauge their initial views on operating seafood restaurants in AWFM. It would continue to follow up with the Fish Marketing Organization and relevant departments in the context of land lease, traffic arrangements, finance, planning and re-provisioning of affected facilities etc. In the coming few months, the Administration would commence an in-depth study to assess the commercial viability, technical feasibility and cost-effectiveness of the proposal as well as its attractiveness to operators of

Admin restaurants and tourist facilities. C for Tourism undertook to report the progress to the Panel when ready.

Aberdeen Typhoon Shelter

58. Mr IP Wai-ming opined that the beautification of the Aberdeen Promenade should co-ordinate with the planning and berthing arrangement of the Aberdeen Typhoon Shelter, and urged the Administration to include the Aberdeen Typhoon Shelter in the long-term development of the district. He also highlighted the dilapidated condition of the green structures behind the Jumbo Floating Restaurant. C for Tourism noted Mr IP's concern and agreed to reflect members' suggestions on the Aberdeen Typhoon Shelter to the relevant Government departments. As regards the Jumbo Floating Restaurant, C for Tourism would follow up the matter with the management of the restaurant.

59. In reply to Mr Paul TSE, AC for Tourism said that the "Class III" stationary vessels, after re-classified as "Class II" stationary vessels, would continue to station in Aberdeen Typhoon Shelter.

Conclusion

60. Summing up, the Chairman said that the Panel generally supported the Administration to seek funding approval from the Public Works Subcommittee and the Finance Committee for the proposed improvement works. He requested the Administration to take note of the concerns expressed by Panel members at the meeting, including the project design, parking spaces and provision of sufficient toilet facilities as well as the long-term development of Aberdeen such as developing AWFM into a

Admin tourist attraction. He urged the Administration to report to Panel on the progress of the development plan in due course.

VI Proposed revision of fees and charges under the purview of the Marine Department

(LC Paper No. CB(1)700/10-11(08) - Administration's paper on proposed revision of fees and charges under the purview of the Marine Department

LC Paper No. CB(1)700/10-11(09) - Paper on proposed revision of fees and charges under the purview of the Marine

Department prepared by the Legislative Council Secretariat (Background brief))

Briefing by the Administration

61. At the invitation of the Chairman, the Acting Deputy Secretary for Transport and Housing (Transport) (ADSTH) briefed members on the Administration's proposal to reduce fees and charges of 24 marine-related services provided by the Marine Department and to delete six obsolete fee items relating to the oral examinations for obtaining seafarers' licences. The details of the proposed revision were set out in the Administration's paper (LC Paper No. CB(1)700/10-11(08)). Subject to members' views, the Administration planned to table two sets of amendment regulations at the Legislative Council in January 2011 to implement the proposals, namely the Shipping and Port Control (Amendment) Regulation and the Merchant Shipping (Seafarers) (Fees) (Amendment) Regulation.

Discussion

62. While expressing support for the proposal, Ms Emily LAU enquired about the justifications behind the proposal. ADSTH replied that the Marine Department (MD) regularly reviewed its day-to-day management and procedures with a view to reducing the cost of their services through implementing efficiency initiatives and streamlining procedures. Besides, as the tonnage of ocean-going vessels calling Hong Kong and thus the revenue collected from them had been increasing, there was room for MD to reduce the port facilities and light dues which were charged based on their tonnage. In response to the Chairman, ADSTH said that it was an established practice of the Government to conduct the review on an annual basis, and reduction of fees and charges would only be made based on the "user-pays" principle.

63. In reply to Ms Emily LAU's query on the procedures that were streamlined, the Deputy Director of Marine (DDM) explained that vessels plying within the river trade limits could register for multiple entry and clearance permits, thus reducing MD's administrative cost. Furthermore, with the increase in tonnage of ocean-going vessels calling Hong Kong whilst MD's administrative cost being the same for a larger ship paying higher dues, there was thus room for fee reduction.

64. In response to the enquiry of the Chairman whether there was an increase in seafarers who took the examinations for Certificates of

Competency (CoC), DDM replied that the CoC examination fees were grouped under the fee group "Hong Kong Shipping Register and Related Services". As the total gross tonnage registered under the Hong Kong Shipping Register had increased by more than 10% in the first nine months of 2010 with a projected increase of about 20% by the end of 2010, the increase in revenue would help reduce the examination fees for seafarers.

65. Ms Emily LAU noted that there would be a reduction of about $46.4 million in revenue per annum after the implementation of the proposal. She enquired whether the reduction in fees and charges would indeed attract more vessels calling Hong Kong. DDM replied that the fee reduction would enhance Hong Kong's competitiveness as an international maritime centre in light of other competitors in the region such as Nansha, Dachan, Shekou, Chiwan and Yantian.

66. In conclusion, the Chairman said that Panel members supported the proposed revision of fees and charges.

VII Any other business

67. There being no other business, the meeting ended at 7:00 pm.

Council Business Division 1
Legislative Council Secretariat
24 February 2011