

立法會
Legislative Council

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Panel on Economic Development

Minutes of meeting
held on Wednesday, 11 July 2012, at 8:30 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Paul TSE Wai-chun, JP (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 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 Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members absent : Dr Hon Philip WONG Yu-hong, GBS
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon Starry LEE Wai-king, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP

Public officers attending : Agenda Item II
Mr Gregory SO
Secretary for Commerce and Economic
Development

Mr Andrew WONG
Permanent Secretary for Commerce and Economic
Development
(Commerce, Industry and Tourism)

Mr Philip YUNG
Commissioner for Tourism

Agenda Item III

Mr WONG Kam-sing
Secretary for the Environment

Ms Anissa WONG Sean-yee
Permanent Secretary for the Environment

Miss Vivian LAU Lee-kwan
Deputy Secretary for the Environment

Clerk in attendance : Mr Derek LO
Chief Council Secretary (1)6

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Ms Michelle NIEN
Legislative Assistant (1)6

Action

I Information papers issued since last meeting

(LC Paper No. CB(1)1649/11-12(01) —Memorandum referring to the
Panel the views and concerns
raised by Yau Tsim Mong

- District Council members on development planning for tourist spots in Yau Tsim Mong District
- LC Paper No. CB(1)1744/11-12(01) —Administration's paper on tables and graphs showing the import and retail prices of major oil products from April 2010 to March 2012
- LC Paper No. CB(1)2077/11-12(01) —Administration's paper on tables and graphs showing the import and retail prices of major oil products from May 2010 to April 2012
- LC Paper No. CB(1)2301/11-12(01) —Administration's paper on tables and graphs showing the import and retail prices of major oil products from June 2010 to May 2012)

Members noted the above papers issued since the last regular meeting.

II Briefing by the Secretary for Commerce and Economic Development

(LC Paper No. CB(1)2326/11-12(01) —Administration's paper on Commerce and Economic Development Bureau: Policy related to Economic Development)

2. The Secretary for Commerce and Economic Development (SCED) briefed members on the policy areas related to economic development under the auspices of the Commerce and Economic Development Bureau. He then indicated his wish to leave the meeting before 9:00 am to attend as a keynote speaker the Hong Kong Summit - Regional Co-operation between Hong Kong and East Asia (the Summit) organized by the Chinese General Chamber of Commerce, which he had already agreed to attend before this meeting was scheduled.

3. The Chairman suggested that SCED take questions directly related to him first, and then the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCED(CIT)) and the Commissioner for Tourism (C for Tourism) answer other questions later. Ms Emily LAU expressed regret about SCED's early departure and hoped that all politically appointed officials and civil servants would give LegCo meetings precedence over other engagements in future.

The Competition Ordinance

4. Mr WONG Ting-kwong pointed out the commercial sector's concern about the Competition Ordinance (the Ordinance) just enacted, and enquired about the progress in establishing the Competition Commission (the Commission).

5. In response, SCED made the following points –

- (a) The Ordinance would be implemented in phases and relevant provisions to establish the Commission would have to come into operation by notice published in the gazette. The notice would be a subsidiary legislation subject to negative vetting by the Legislative Council (LegCo). The membership of the Commission would be announced after the enactment of the notice ;
- (b) The Administration attached great importance to publicity and public education on the Ordinance. As required by the Ordinance, the Commission would upon establishment draw up associated regulatory guidelines in consultation with relevant persons it considered appropriate, so as to enable the commercial sector to understand the Ordinance and to avoid contravening it inadvertently; and
- (c) To give greater certainty about the Ordinance's requirements, the Administration had on various occasions provided many examples to clarify the circumstances under which there would be contravention, and had explained how complaints could be lodged.

Guarding against deteriorating economic conditions

6. The Chairman highlighted the need for Hong Kong to maintain its competitiveness amidst likely deteriorating economic conditions with the European debt crisis looming, and urged SCED to step up efforts to help different sectors in Hong Kong in their development. He urged SCED to listen to the views of the banking, the financial, and the business and industrial sectors when mapping out the economic policy.

7. SCED pointed out that according to the findings of the Chinese Academy of Social Sciences on the competitiveness of Mainland cities, Hong Kong still ranked the first. He indicated agreement with the Chairman's views on the need for Hong Kong to enhance its competitiveness. SCED said that he would meet with trade associations more often with a view to working out a sound economic development policy in consultation with them. He well recognized the importance of co-operation with neighbouring trade partners. His attendance of the Summit was one such example in exploring the opportunities of regional

business co-operation. He said that Hong Kong had already applied for inclusion in the Free Trade Agreement between China and the Association of South East Asian Nations and had been actively developing bilateral trade with its neighbouring countries.

8. Mr WONG Ting-kwong indicated support for SCED's endeavours above, in particular his plan to meet more often with trade associations to consult their views when mapping out the Bureau's new policy initiatives since to ensure smooth and effective implementation of the policies, it was essential to ascertain the needs of the business sector.

9. SCED left the meeting at around 9:00 am.

The new cruise terminal at Kai Tak

10. Members noted the works progress of the new cruise terminal at Kai Tak and the Mainland's support of Hong Kong's tourism by allowing Mainland tour groups taking cruise from Hong Kong to travel to Japan or Korea after visiting Taiwan before returning to the Mainland (the Mainland support measure).

Developing Hong Kong as a home port for cruise tourism

11. Mr WONG Ting-kwong pointed out that Hong Kong would benefit more if it could be made a cruise home port instead of a port of call because, in the former case cruise passengers would stay longer and spend more in Hong Kong. C for Tourism said that an important goal of Hong Kong's tourism policy for the coming five years was to develop Hong Kong into a cruise home port in order to promote not only cruise tourism but also tourism as a whole for Hong Kong. To achieve this, the Administration would make the following efforts –

- (a) Closely monitor the works progress of the cruise terminal at Kai Tak to ensure that the terminal building and the first berth on time in mid-2013. Together with the existing berths in the Ocean Terminal, Hong Kong's attraction to cruise liners would be greatly enhanced;
- (b) Gear up publicity and promotional efforts for the terminal through building close partnership with Hong Kong's travel trade, the Hong Kong Tourism Board (HKTB) and cruise liners;
- (c) Clarify the implementation details of the Mainland support measure. A working group under the Advisory Committee on Cruise Industry would make use of the measure to devise more attractive itineraries in consultation with the travel trade; and
- (d) Ensure quality service of the new cruise terminal by avoiding teething problems during its commissioning. As a port of call,

Hong Kong could gain operational experience and in time establish its status in cruise tourism, thereby attracting cruise liners to use it as a home port.

12. C for Tourism further advised that HKTB would also strengthen strategic partnerships with cruise companies and launch a new promotion fund to support advertising and promotion, in order to encourage cruise liners to berth in Hong Kong and even make Hong Kong their home port. HKTB would develop new and more appealing land tours featuring Hong Kong's mega events in partnership with cruise operators and land tour operators, so as to help consolidate Hong Kong's home port status.

Entry visas and tours for cruise passengers

13. Mr WONG Ting-kwong highlighted relevant trades' suggestions on how to make land tours of cruise passengers more attractive, and urged that to further capitalize on the Mainland support measure, the Administration should negotiate with the Mainland Government for relaxation of visa requirements for multi-entry of foreign cruise passengers coming to Hong Kong to visit the Pearl River Delta (PRD), which had a great deal to offer in terms of food and sight seeing. Greater efforts should also be made to offer cruise passengers more diversified itineraries on days when there were no mega events.

14. C for Tourism responded that the Administration had already planned to make efforts in the above suggested directions. Under the Closer Economic Partnership Arrangement between Hong Kong and the Mainland, visa arrangements for foreign visitors in Hong Kong to further visit the Mainland had been simplified to enable them to visit Guangdong Province for a maximum of 144 hours (6 days) via entry ports in PRD using the 144-hour Convenient Visa. In response to operation experience and foreign visitors' aspirations, the Administration would strive to secure further relaxation of visa arrangements to add more colour and variety to cruise passengers' land tours. The Administration was also actively working with HKTB and the travel trade to identify interesting tourist attractions in the vicinity of the new cruise terminal.

Barrier-free access to the cruise terminal

15. Ms Emily LAU showed appreciation for the former Director of Architectural Services (D Arch S)'s readiness to provide more female toilets in the new cruise terminal. Ms LAU, however, highlighted the complaints from persons with disabilities (PwDs) about the failure of the terminal to ensure barrier-free access, and expressed concern about the progress in making Hong Kong a barrier-free city when even new infrastructures such as the terminal failed to achieve this.

16. C for Tourism responded that the new cruise terminal was already

adopting barrier-free access standards higher than existing ones. Concerns in this regard had already been discussed a few years before, when the former D Arch S briefed members on relevant arrangements at the Finance Committee meeting at which funding for the terminal building was sought. The Administration had recently met with representatives of the Equal Opportunities Commission to exchange views on the arrangements. The Architectural Services Department and the terminal contractor had already mapped out certain follow-up measures. The Administration would give briefings to the Rehabilitation Advisory Committee and representatives of PwDs in the following two days and exchange views with them on the latest barrier-free access arrangements for the terminal. At Ms Emily LAU's request, C for Tourism agreed to provide in due course a report on the outcomes of the above meetings covering –

- (a) New facilities, if any, that would be added to the terminal to ensure barrier-free access; and
- (b) Details of any requests raised which would not be taken forward.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(1)2520/11-12 on 3 September 2012.)

Theme parks

17. Ms Emily LAU opined that the Ocean Park, Hong Kong Disneyland (HKD) and Ngong Ping 360 (NP360) should be urged to compete with each other for improvement as well as to co-operate in providing joint promotional offers to visitors to Hong Kong to help make Hong Kong a better place to stay. C for Tourism responded that while promoting healthy competition among the above three important tourism infrastructures to promote tourism development, HKTB and the travel trade had also helped promote the three of them together to boost their patronage. As a result, joint promotional packages between HKD and NP360 would be offered.

18. Ms Emily LAU urged the Administration to follow up recent breakdown incidents in the Ocean Park and HKD to ensure they could operate more safely in future. C for Tourism responded that safe operation of Hong Kong's theme parks was a great concern of the Administration. The Electrical and Mechanical Services Department (EMSD) would request them to submit detailed reports and take follow-up measures whenever they had incidents. Since the report on the latest incident in the Ocean Park was not available yet, it was difficult to give specific details on it at this meeting. He further assured members that the Administration would keep up its monitoring efforts, and liaise with various tourist attractions and the travel trade to ensure reliable and safe operations of the theme parks.

Postal service

19. Mr WONG Ting-kwong expressed concern about the sustainability of Hongkong Post (HKP) as communications underwent fast technological development and enquired how the HKP Trading Fund had fared. PSCED(CIT) responded that the replacement of letter mail by e-mail had caused the continuous reduction of the volume of local mail handled by HKP in the past few years. In contrast, the volume of international mail had grown thanks to the development of e-commerce. The cost of handling international mail was rising, and to help make ends meet, HKP had to develop new services, in particular services targeting at internet traders and small-and-medium enterprises, such as branding and market promotion through direct mail, and order fulfilment by postal delivery or counter collection at post offices. Notwithstanding, due to the heavy cost involved in maintaining the post office network featuring 128 post offices, the Administration was closely monitoring the situation, and might review counter service as necessary to ensure sustainability.

III Briefing by the Secretary for the Environment

20. The Secretary for the Environment (SEN) briefed members on the policy initiatives of the Environment Bureau (ENB) relating to energy supply and safety, in particular the following –

- (a) Preparations for the annual tariff reviews with the two power companies in the coming year;
- (b) Interim Review of the Scheme of Control Agreements (SCAs) signed between the Government and the two companies;
- (c) The future regulatory regime of the electricity market; and
- (d) Supply of natural gas to Hong Kong through the West-East Natural Gas Pipeline.

(Post-meeting note: SEN's speaking note was issued to members vide LC Paper No. CB(1)2361/11-12 on 12 July 2012.)

21. Ms Emily LAU thanked SEN for exchanging views with the Democratic Party (DP) the day before, and stressed the need for SEN to listen to the views of different sectors during the policy making process for securing support from LegCo and consensus of the community.

Electricity tariff adjustment

22. Mr Fred LI stressed the need to examine the impact of escalating fuel

costs on electricity tariffs in consideration of the conflicts and differences between the Administration and CLP Power Hong Kong Limited (CLP) during the 2012 annual tariff reviews, and CLP's recent statement forewarning significant tariff increases in the years to come. He pointed out that the rate of the 2012 tariff increase had only been reduced by making full use of the two companies' Tariff Stabilization Fund balances, and by the companies' carrying a larger negative balance of their Fuel Clause Recovery Accounts (FCA). Consumers would ultimately need to bear the impact of fuel cost increase unless SEN could play a better gate-keeping role to suppress tariff increase by –

- (a) Ensuring the two power companies would exercise due diligence to negotiate the best bargain when purchasing fuels. This was important because, through FCA, the Fuel Clause Charge, being the difference between the standard costs of fuels as agreed between the Government and the two companies and the actual costs of fuels to the companies, would be captured and passed on to consumers by way of rebates or charges;
- (b) Containing the capital project expenditures in the next five-year development plans of the two power companies starting from 2013, considering that the expenditures were high amounting to \$39.9 billion in CLP's existing development plan although no power plant construction was required. This move was necessary because capital project expenditures would be included in the calculation of tariff adjustment and if not suppressed, would boost tariff levels; and
- (c) Enhancing the transparency of the negotiation of the two power companies' five-year development plans by involving LegCo Members in the process, so as to keep Members abreast of the relevant developments before it was too late.

23. SEN responded that Mr Fred LI's proposals above were well noted and in the following year, ENB would continue to actively perform its gate-keeping role under the existing mechanism to ensure a reasonable tariff level. ENB would strive to keep LegCo members better informed about negotiations of the two power companies' five-year development plans.

Power supply and air pollution

24. Ms Emily LAU pointed out CLP's strong stance regarding the tariff level and urged SEN to prepare for a tough fight with the two power companies in the 2013 annual tariff review. She stressed that apart from ensuring Hong Kong's power supply was affordable, SEN should also seek to ensure that it was clean, so as not to aggravate the already serious air pollution in Hong Kong, which had become one of the greatest concerns of international companies stationed in Hong Kong. SEN should achieve a consensus in the community on power supply in

the light of the above concern about air pollution, and public concern about the tariff level. The Chairman shared Ms LAU's view on international corporations' concern about Hong Kong's air pollution, and added that the Administration should play a proper monitoring role to ensure Hong Kong would have a good investment environment as well as clean air. To reduce air pollution from power generation, the two power companies had to use green fuels which cost more and led to tariff increase. He opined that to minimize the burden of fuel cost on the public while allowing the two power companies to reap reasonable return on their investment, there was a need to ensure that power companies could purchase fuels when prices were low.

25. SEN responded that he was aware of members' views on the need to ensure that Hong Kong's power supply could strike a balance among safety, reliability, affordability and environment-friendliness, in particular air quality which would affect Hong Kong's investment environment as well as people's health. He also believed that there was already a consensus that Hong Kong should aim to ensure its power supply was clean and affordable rather than just minimizing tariffs. Under the framework of the SCAs between the two power companies and the Government, the Administration would call upon them to understand and respond to the above consensus by consulting stakeholders early. The Administration would also ensure that the Interim Review would look at the widely supported global trend of power conservation in the hope of working out a tariff structure that could encourage conservation and environment protection.

Way forward for power supply

Opening up the electricity market

26. Mr Fred LI urged SEN to start examining the option of opening up the electricity market seriously. SEN said that the community was working towards achieving a consensus regarding how balance could be struck between tariff level and environmental protection. The contemplated options included opening up the electricity market or the power supply network, or interconnection between the electricity transmission networks of the two power companies.

27. Mr CHAN Kam-lam highlighted the need to overcome the problem of high electricity tariffs and the difficulty in negotiating with the two power companies during the annual tariff reviews, proposed that in recognition of confronting views whenever issues such as the segregation of the generation sector from the network sector, and the Interim Review were discussed, the Administration should initiate a public debate on the issues early instead of playing a passive role. In this way, public views could be taken into consideration when deciding on the way forward, and where appropriate, the identified option could be implemented when the two power companies' SCAs expired in 2018. He further pointed out that although major changes would need to be introduced to implement the approach of segregating the generation sector

from the network sector, the approach had been adopted in many places in the world in recognition of the great benefits it could bring as exemplified by the opening up of the telecommunications market.

28. SEN explained that the option of segregation of the generation sector from the network sector was the general direction forward around the world although Hong Kong had its own circumstances to consider. The Administration had planned to make use of the Interim Review as an opportunity to foment discussion in this regard involving all stakeholders in recognition that early discussion was critical to the introduction of necessary changes without affecting market stability. The changes concerned would also be introduced by phases in an orderly manner considering the need for relevant support measures and a transitional period.

29. Mr CHAN Kam-lam reiterated the need for the Administration to handle the power supply issue better, pointing out that whenever tariff increase was discussed, the public would blame the Administration for failing to keep the tariffs at a reasonable level. The Administration should consider making open specific data involved in its tariff talks with the two power companies, so as to enable the public and LegCo Members to better understand where the Administration stood, and to assist in exerting pressure on the two companies and in monitoring their cost control efforts.

Nuclear power

30. The Chairman considered it necessary to explore the development of nuclear power in the long run due to its cleanness but recognized the need to ensure its safety to address public concern about nuclear power in the wake of recent nuclear power plant accidents, including the Fukushima Daiichi nuclear disaster which had led to a comprehensive review and deferral of the Mainland's nuclear power development plan. In response to the Chairman on how Hong Kong could strike a balance between the safety and development of nuclear power, SEN advised that the Government had already conducted a study on energy mix, particularly on the reduced use of coal and increased use of natural gas and nuclear power. However, in recognition of the reactions to the Fukushima incident, the new Government would need to seriously review the use of nuclear power in the near future.

31. The Chairman recalled that according to the former SEN, a plan on the use of nuclear power had already been formulated, under which the two power companies would increase the ratio of nuclear power according to a timetable. He asked whether there was any change to the timetable. SEN responded that recent developments had given rise to the need to review the plan in the light of local and international views regarding nuclear power. ENB would report to LegCo in due course on any change to the plan resulting from the review.

Energy conservation

32. Ms Emily LAU said that great care should be exercised in the development of nuclear power in Hong Kong and that as DP had advocated, greater efforts should be made to promote energy conservation. She stressed the importance of explaining to Hong Kong people and involving them in making the relevant policy decisions. If not, policies imposed would meet with resistance.

33. SEN responded that he also supported energy conservation because this was the global trend, and that there would not be great difficulty for Hong Kong to cut its electricity consumption, say by 10%, if every member of the community joined hands in energy saving. Energy conservation measures would be examined in greater depth as an option to mitigate the impact of tariff increase. In fact, the format of electricity bills had already been changed recently to show the past electricity consumption of the household concerned and the average electricity consumption per capita of domestic customers, so as to facilitate comparison and encourage reduction of consumption.

Joint panel meetings as forum for discussions

34. Pointing out that the two Panels related to power supply, namely, this Panel and the Environmental Affairs Panel, had different concerns, Ms Emily LAU considered it necessary for the two Panels to hold joint meetings, or for all members of relevant Panels to be invited to attend the same meeting instead of different meetings held separately to discuss the issue of power supply. In her view, only by adopting this approach could all associated factors, including the medical impacts of air pollution associated with power generation, be examined in a holistic manner when power supply was discussed, so that both this issue and the way forward could be examined in the light of not only the tariff level but also the social cost. She further said that the above proposed meeting approach should be put on record for further examination in the new session, and that whichever Panel would take the lead in discussing the issue of power supply, the paper provided by the Administration for discussion should be comprehensive, covering all aspects of the issue. The Chairman shared Ms LAU's views and said that similar views had in fact been raised four years before. He indicated hope that in the new term, LegCo Members could agree on better arrangements to discuss the power supply issue.

Inter-bureau co-ordination in issues cutting across policy areas

35. Ms Emily LAU noted that SEN had to handle many issues which had implications on the environment but were not solely under his purview. For example, transport would cause air pollution which would in turn increase the demand for medical care. She said that of the two complaints which seemed not related to SEN's purview but she had passed to him for handling, one was the call from some green groups for efforts to reduce Hong Kong's consumption of

shark's fin and the other was the development and conservation of Hoi Ha Wan. Since the above two problems in fact cut across different policy programmes, she asked how the Administration could ensure inter-bureau co-operation to handle the problems effectively.

36. SEN responded that as announced by the new Chief Secretary for Administration, a few policy groups would be set up to facilitate inter-bureau co-ordination. One of them would deal with environmental protection, and would involve all relevant bureaux in developing policies which cut across them, so that consideration could be given to all relevant factors at the early stage of the policy-making process.

37. Ms Emily LAU enquired how progress in improving inter-bureau co-ordination would be reported to LegCo. SEN responded that as the above contemplated approach was a new initiative, the Administration had yet to discuss how progress reports would be made but the leading bureau would likely be responsible. Ms LAU urged the Administration to finalize the relevant arrangements for report to LegCo when the new legislative term commenced, and indicated hope that the relevant bureaux would stop operating separately in their own way.

38. Ms Emily LAU highlighted concerns about the odour nuisance caused by the Tseung Kwan O Landfill, and residents' call for proper handling of the nuisance and even closure of the landfill. Pointing out that no improvement had been seen in the past few years, she urged SEN to conduct a site visit there and to handle the problem expeditiously. SEN responded that he would actively respond to residents' concerns.

Conclusion

39. Summing up, the Chairman urged SEN to note and properly address members' concerns about electricity tariffs. In particular, the Administration should satisfactorily handle emissions reduction and the Interim Review, and provide relevant plans and the review report to the Panel for information. In recognition that the development of nuclear power and the associated safety considerations were also of great concern to the general public, the Administration should also play a satisfactory gate-keeping role in this regard. Problems relating to landfill and waste disposal were of concern to all people of Hong Kong and solutions should be identified as soon as practicable. The Panel had also expressed concerns about inter-bureau co-ordination, and communication between the Administration and LegCo Members. Every effort should therefore be made to optimize the work in these areas.

IV Any other business

40. Stating that this meeting was the last of this session, the Chairman expressed thanks to members for their contribution to the Panel, and to the Secretariat staff for their support to the Panel during the past year.

41. There being no other business, the meeting ended at 10:00 am.

Council Business Division 1
Legislative Council Secretariat
27 September 2012