

立法會
Legislative Council

LC Paper No. CB(1)1318/12-13
(These minutes have been seen
by the Administration)

Ref : CB1/PL/EDEV/1

Panel on Economic Development

Minutes of meeting
held on Monday, 25 February 2013, at 8:45 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon CHUNG Kwok-pan (Deputy Chairman)
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau
Hon Paul TSE Wai-chun, JP
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon CHAN Han-pan
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Elizabeth QUAT, JP
Hon TANG Ka-piu

Member absent: Hon Albert CHAN Wai-yip

Members attending: Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Dr Hon LAM Tai-fai, SBS, JP
Hon Gary FAN Kwok-wai
Hon Alice MAK Mei-kuen, JP

Hon Tony TSE Wai-chuen

**Public officers
attending** :

Agenda Item IV

Mr WONG Kam-sing
Secretary for the Environment

Miss Vivian LAU
Deputy Secretary for the Environment

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

Agenda Item V

Mr Philip YUNG, JP
Commissioner for Tourism

Mrs Miranda YIM
Assistant Commissioner for Tourism

Agenda Item VI

Mr Philip YUNG, JP
Commissioner for Tourism

Mr Andy LAM
Assistant Commissioner for Tourism (4)

Mr Adolph LEUNG
Principal Economist (2)

Agenda Item VII

Mr WONG Kam-sing
Secretary for the Environment

Ms Christine LOH
Under Secretary for the Environment

Ms Michelle AU
Political Assistant to Secretary for the Environment

Miss Vivian LAU
Deputy Secretary for the Environment

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

Mr Donald NG
Principal Assistant Secretary for the Environment
(Energy)

**Attendance by
invitation**

: Agenda item IV

Hong Kong and China Gas Company Ltd

Mr Alfred W K CHAN
Managing Director

Mr Peter W Y WONG
Executive Director & Chief Operating Officer –
Utilities

Mr John H M HO
Chief Financial Officer and Company Secretary

Agenda item V

Hong Kong Tourism Board

The Hon James TIEN, GBS, JP
Chairman

Mr Anthony LAU
Executive Director

Miss Cynthia LEUNG
General Manager
Corporate Affairs

Mr Paul LEUNG
Senior Manager
Strategic Planning & Research

Agenda item VI

Hong Kong Disneyland

Mr Andrew KAM
Managing Director

Mr B C LO
Vice President, Public Affairs

Agenda item VII

The Hongkong Electric Co., Ltd.

Mr T C YEE
General Manager (Corporate Development)

Ms Mimi YEUNG
General Manager (Public Affairs)

CLP Power Hong Kong Limited

Mr S H CHAN
Director

Mr T K CHIANG
Planning & Development Director

Castle Peak Power Company Limited

Ms Rebecca LUK
Director

World Green Organization

Dr William YU
Chief Executive Officer

Friends of the Earth (HK)

Ms Frances YEUNG Hoi-shan
Senior Environmental Affairs Officer

Kwai Chung South Resident Association

Mr CHENG Kwok-kee
Vice Chairperson

Federation of Hong Kong Industries

Mr Jimmy KWOK Chun-wah
Deputy Chairman

Hong Kong General Chamber of Commerce

Mr Watson CHAN
Senior Director

Greenpeace

Mr Prentice KOO
Senior Campaign

Individual

Ms Christine FONG
Sai Kung District Councilor

Professional Power

Mr Winston LEE
Secondary Convener

Dashun Policy Research Centre

Dr Raymond HO Chung-tai
Chairman

Hong Kong Energy Studies Centre, Hong Kong
Baptist University

Professor Larry C H CHOW
Director

Individual

Mr CHEUNG Sau-yin

Youth Committee of the Liberal Party

Mr Dominic LEE
Chairman

West Kowloon Environmental Protection Association

Mr Harris YEUNG
Chairman

Hong Kong Professionals & Senior Executives Association

Mr Lesly LAM Lik-shan
Executive Committee Member

The Association of Hong Kong Professionals

Dr Eugene CHAN Kin-keung
Chairman

Individual

Mr LEE Chi-wing
Shatin District Councilor

Hong Kong Institution of Engineers – Electrical Division

Mr Edward LO Wai-chau
Representative

Democratic Alliance for the Betterment and Progress of Hong Kong

Mr CHAN Kwong-shik
Deputy Spokesperson of Commercial & Industrial Affairs

The 30SGroup – Environment & Energy Working Group

Mr Simon LEE
Member

Civic Party

Mr Alvin YEUNG
Economy & Public Finance Branch
Chairman

Social Affairs Committee, Hong Kong Federation
of Trade Unions

Mr MOK Kin-wing
Committee Member

Democratic Party

Mr Andrew CHIU
Convener of Consumer Right Policy Group

Clerk in attendance : Mr Derek LO
Chief Council Secretary (1)5

Staff in attendance : Mr Noel SUNG
Senior Council Secretary (1)5

Ms Michelle NIEN
Legislative Assistant (1)5

Action

I Confirmation of minutes of meeting

(LC Paper No. CB(1)540/12-13 —Minutes of meeting held on
11 December 2012)

The minutes of the meeting held on 11 December 2012 were confirmed.

II Information paper issued since last meeting

(LC Paper No. CB(1)517/12-13(01) —Administration's paper on tables
and graphs showing the import
and retail prices of major oil
products from January 2011 to
December 2012)

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)565/12-13(01) —List of outstanding items for discussion

LC Paper No. CB(1)565/12-13(02) —List of follow-up actions)

3. Members agreed to discuss the item "PWP Item No. 114AP-Providing sufficient water depth for Kwai Tsing Container Basin and its approach channel" at the next meeting scheduled for 25 March 2013.

(Post-meeting Note: At the request of the Administration and with the concurrence of the Chairman, the item "Ocean Park's Tai Shue Wan Development Project" was added to the agenda of the meeting on 25 March 2013.)

4. The Chairman said that he had received a request from Mr TANG Ka-piu proposing that the Panel discussed the issue of undesirable trade practices of telecommunication service providers. Members agreed that the item proposed by Mr TANG should be put on the List of Outstanding Discussion Items for the Panel.

5. Mr Michael TIEN proposed that the Panel discussed the provision of adequate retail facilities for visitors, especially for visitors from the Mainland. Members agreed to put the item "Development of retail facilities for visitors" on the List of Outstanding Discussion Items for the Panel.

IV Basic Tariff Adjustment of the Hong Kong and China Gas Company Ltd

(LC Paper No. CB(1)576/12-13(01) —Administration's paper on Basic Tariff Adjustment of the Hong Kong and China Gas Company Ltd)

Presentation by The Hong Kong and China Gas Company Ltd

(LC Paper No. CB(1)622/12-13(01) tabled at the meeting and subsequently issued via e-mail on 26 February 2013)

6. With the aid of PowerPoint, Mr Alfred W K CHAN, Managing Director of Hong Kong and China Gas Company Ltd ("Towngas") and Mr Peter W Y WONG, Executive Director of Towngas, briefed members on the company's plan to raise basic tariff with effect from 1 April 2013. In gist, the average basic tariff would be increased from 21.85 cents per megajoule (MJ) by one cent (or 4.6%) to 22.85 cents per MJ.

Tariff concession

7. Dr Fernando CHEUNG expressed concern that despite making profits, reaching \$6.1 billion and \$4.12 billion in 2011 and in the first half of 2012 respectively, Towngas still planned an increase in gas tariff, which would adversely affect the standard of living of the general public. Dr CHEUNG enquired about the Government's policy in dealing with such a situation when a public utility company increased its charges even though its profits were on the increase. Dr CHEUNG also enquired whether Towngas would consider extending the tariff concession arrangement to those low income families which did not benefit from the Comprehensive Social Security Assistance (CSSA) Scheme. Mr TANG Ka-piu and Mr WU Chi-wai shared Dr CHEUNG's concern. Mr WU Chi-wai said that Towngas should provide tariff concessions to the elderly living in private housing and people on the waiting lists for public housing and CSSA.

8. The Secretary for the Environment (SEN) remarked that based on the existing mechanism, Towngas was required to inform the Government in advance of its plan to increase its tariff. In assessing whether the increase was reasonable, the Government would take into account the competition from other energy sectors, the concessions for the low income groups, and the company's performance in areas of environment protection and energy saving. Mr Alfred W K CHAN of Towngas supplemented that Towngas had provided tariff concession to about 90 000 households, including persons receiving assistance from the CSSA Scheme, the elderly and persons with disabilities, who together constituted about 5% of the Towngas' customers. Towngas would consider granting concession to the low income households not receiving assistance from the CSSA Scheme which were referred by charitable and non-government organizations. Mr CHAN said that Towngas would consider Mr WU's suggestion based on the principle that the concessionary arrangement would not be abused.

9. Noting that Towngas had made a profit of about \$4.1 billion in the first half of 2012, Mr SIN Chung-kai enquired about the ratio of profits made from overseas and local business, the period of the natural gas supply contract for the company, and the terms, if any, in the contract for an increase in the price of natural gas.

10. Mr Alfred W K CHAN of Towngas stated that the business of the company covered energy supply, telecommunication service, property development, etc. More than half of the profits made by the company were derived from business in the Mainland. Starting from 2013, to enhance information transparency, the company would also disclose the income derived from its gas business in Hong Kong. Mr CHAN added that the natural gas supply contract, which was effective in 2006, was for a period of 25 years. As the existing price for natural gas was already the ceiling price allowed in the contract, the price of natural gas would not increase for the next 18 years.

11. Given that Towngas was a Hong Kong company and had made a huge profit from its business in the Mainland, Mr WONG Ting-kwong asked whether Towngas would consider using part of its profits from the Mainland to subsidize the tariff for Hong Kong customers.

12. Mr Alfred W K CHAN of Towngas remarked that Towngas was still making a significant investment in expanding its business in the Mainland and overseas, and it would only be fair to the customers in Hong Kong to separate the accounts for Towngas' business in Hong Kong and in other places.

Reasons for tariff increase

13. Noting that Towngas had made a profit of about \$4.1 billion in the first half of 2012 and that the price for the supply of natural gas had already reached the ceiling price, Mr Michael TIEN enquired about the reasons for the planned increase in tariff.

14. Mr Alfred W K CHAN of Towngas remarked that the tariff consisted of two components, i.e. the basic tariff and the fuel cost adjustment. Apart from natural gas, naphtha constituted about 40% of the fuel mix for generation of town gas and the price of naphtha had increased in recent years. In addition, the operation costs of the company, e.g. provision and maintenance of pipelines, staff salaries and rentals for the customer centres etc., were also on the increase.

15. Given that naphtha constituted about 40% of the fuel mix for generation of town gas and the price of naphtha had increased by nearly 50% in the past six years, Mr Michael TIEN and the Chairman requested that the Administration and Towngas should provide details of the justifications for an increase of 4.6% in the basic tariff of Towngas, or a 3.6% increase in the 2012 effective tariff.

(Post-meeting Note: The information provided by the Administration and Towngas was issued to members vide LC Paper CB(1)682/12-13 on 8 March 2013.)

16. Noting that the salaries for Towngas staff had increased by about 18% between 2010 and 2013, Mr WONG Ting-kwong asked whether the rate of increase was mainly due to the salary increase of staff at management level or the lower ranking workers.

17. Mr Alfred WK CHAN of Towngas remarked that the rate of salary increase for the lower ranking staff was usually higher than that for the management staff in Towngas. At the request of Mr WONG Ting-kwong, Towngas undertook to provide details of the percentage increase in salaries for Towngas staff at workers level and at management level since 2010, given that the overall salary increase for staff between 2010 and 2013 was 18%.

(Post-meeting Note: The information provided by the Administration and Towngas was issued to members vide LC Paper CB(1)682/12-13 on 8 March 2013.)

Use of landfill gas

18. Mr James TIEN enquired about the extent and the cost-effectiveness of using landfill gas for generation of town gas.

19. Mr Alfred W K CHAN of Towngas remarked that Towngas had made use of landfill gas from landfills for generation of town gas since 1999, which constituted about 2% of the overall fuel mix for generation of town gas. Towngas was discussing with the Government regarding the use of landfill gas from more landfills for generation of town gas. Mr CHAN said that landfill gas was used mainly for environment friendly purpose and should not be assessed based on its cost-effectiveness. Towngas had undertaken to avoid transferring its investment costs in using renewable energy to its customers.

20. Mr WU Chi-wai enquired whether the Government and Towngas would consider making use of the methane arising from food waste for generation of town gas.

21. SEN stated that the Government and Towngas were considering increasing the use of the methane arising from organic waste for generation of town gas, and given the proximity of the Towngas network, the development of such a facility in the northern district of the New Territories was considered more feasible. The Government would further discuss the matter with Towngas.

22. Mr YIU Si-wing enquired whether consideration would be given to increasing the use of landfill gas from landfills for generation of town gas, for the

sake of environment protection and optimizing the functions of landfills. Mr YIU also asked whether a target would be set for increasing the use of landfill gas for generation of town gas within a specified time-frame.

23. Mr Alfred W K CHAN of Towngas said that currently about 2% of town gas was generated from methane from two landfills. If landfill gas from two more landfills could be used for the generation purpose, the percentage could be increased to about 8%. SEN added that Towngas's performance in environment protection had been of very high standard, and the company would continue to improve its work in environment protection. Mr Alfred W K CHAN of Towngas said that the use of landfill gas for generation of town gas was purely based on environment protection consideration, and would not be taken into account in setting the tariff level as investments in generating landfill gas were relatively high.

24. The Chairman asked whether the Government imposed a charge on Towngas for using the landfill gas from the landfills for generation of town gas.

25. SEN remarked that since Towngas had to make significant investment in the facilities for collecting landfill gas from landfills and the arrangement was for environment protection purpose, the Government did not impose any charge on Towngas for the arrangement. Mr Alfred W K CHAN of Towngas clarified that the investments in collecting landfill gas from landfills were not taken into account in setting the tariff and customers would not have to bear the cost arising from the construction of the related facilities.

26. At the request of Mr TANG Ka-piu, SEN undertook to provide information on a comparison of the tariffs for using town gas and electricity in a domestic consumer's daily activities, e.g. comparison of the cost of using a town gas water boiler and an electric boiler for taking a shower etc.

(Post-meeting Note: The information provided by the Administration and Towngas was issued to members vide LC Paper CB(1)682/12-13 on 8 March 2013.)

27. Mr YIU Si-wing enquired whether, apart from recovery of costs, protection of the environment was also a factor in setting the tariff level of Towngas.

28. SEN replied that the current tariff setting mechanism was based on the Information and Consultation Agreement, and environment protection was one of the factors being taken into account in setting the town gas tariff.

V Hong Kong Tourism Board Work Plan for 2013-2014

(LC Paper No. CB(1)565/12-13(03) —Administration's paper on Hong Kong Tourism Board Work Plan for 2013-2014

LC Paper No. CB(1)565/12-13(04) —Paper on the work plan of Hong Kong Tourism Board prepared by the Legislative Council Secretariat (background brief))

Presentation by The Hong Kong Tourism Board

(LC Paper No. CB(1)622/12-13(02) tabled at the meeting and subsequently issued via e-mail on 26 February 2013)

29. With the aid of PowerPoint and by highlighting the salient points in the paper, Mr James TIEN and Mr Anthony LAU, the Chairman and the Executive Director of the Hong Kong Tourism Board (HKTB) respectively briefed members on HKTB's work plan for 2013-2014.

Support facilities and services for tourists

30. Mr TANG Ka-piu pointed out that many residents in the outlying islands or in Tai O had complained that public transport was inadequate during weekends and public holidays when a large number of visitors visited the outlying islands and Tai O, resulting in a long waiting time for public transport. Mr TANG enquired what measures the HKTB would take to promote the improvement of the facilities for visitors.

31. Mr James TIEN of HKTB remarked that the HKTB was responsible only for the promotion of tourism and would reflect to the Government the requirements of visitors. The Commissioner for Tourism (C for Tourism) stated that for holidays and special occasions, the Transport Department would liaise with the transport service providers concerned to make special arrangements to meet the need of the visitors and local commuters. The Tourism Commission would liaise with the relevant Government bureaux and departments to ensure adequate transport service for visitors and the local commuters.

32. In relation to Mr TANG Ka-piu and the Chairman's enquiry, C for Tourism and the HKTB undertook to provide information on the number of visitors from the Pearl River Delta area in 2012, and the percentage out of the total number of visitors from the Mainland.

(Post-meeting Note: The information provided by the Administration and HKTB was issued to members vide LC Paper CB(1)676/12-13 on 7 March 2013.)

33. Mr WONG Kwok-hing enquired what measures would be taken to prevent the recurrence of the incident relating to the 3A Holidays Company Limited (3A Holidays).

34. C for Tourism remarked that the Government and the Travel Industry Council of Hong Kong (TIC) were very concerned about the incident relating to the 3A Holidays, and after the incident, the membership of the travel agent had been suspended. The Travel Agents Registry had exercised its statutory power to invite the representative of 3A Holidays to assist in the investigation of the incident. After some discussions in 2010, the TIC implemented ten measures to tighten the regulation of travel agents receiving visitors from the Mainland. After the incident of the 3A Holidays, the Government had requested the TIC to review the measures with a view to enhancing the regulation of the relevant travel agents. C for Tourism said that the proposed independent Travel Industry Authority (TIA) was at an advanced stage of planning, and that the Administration would brief the Panel on the latest development of the plan in mid-2013.

35. Mr Gary FAN disagreed with the HKTB's arrangement to use \$50 million in 2013-2014 for promotion activities in the Mainland, as more than 70% of the 50 million visitors visiting Hong Kong in 2012 came from the Mainland. Mr FAN opined that the Government should expedite its review on the capability of Hong Kong in handling an increasing number of visitors. He pointed out that the daily average number of visitors of about 100,000 far exceeded the capacity of the hotel rooms which was about 30,000 to 40,000 visitors. Mr FAN pointed out that the large number of Mainland visitors had given rise to problems such as the scramble for milk powder and a sharp increase in shop rentals. Mr FAN was of the view that the issue of multiple-entry permits for Mainland visitors should be discontinued.

36. Mr James TIEN of HKTB disagreed that multiple-entry permits for Mainland visitors should cease to be issued. Mr TIEN pointed out that the increase in visitor arrivals had contributed greatly to the sustained development of Hong Kong's economy, and had provided a large number of job opportunities, especially for the low-ranking workers in the retail and food business. The issue on provision of adequate retail facilities for visitors should be considered in more details and in a wider perspective. Mr TIEN said that despite the promotion resources put into the European and US markets, the sluggish

economies in these regions had adversely affected the number of visitors from these markets.

Developing tourist attractions and capacity to receive tourists

37. Mr CHAN Han-pan remarked that many overseas countries were trying their best to attract visitors from the Mainland. He opined that it would be imprudent to stop issuing multiple-entry permits to Mainland visitors. Mr CHAN was of the view that instead of attempting to reduce the number of Mainland visitors, the Government should consider ways to enhance the capacity of the tourist spots and increase the number of tourist attractions so that Hong Kong could receive more visitors and at the same time the need of local people could be met.

38. C for Tourism remarked that the Government and the HKTB had endeavoured to enhance the capacity of the existing tourist spots and increase the number of tourist attractions in order to meet the needs of overseas visitors and local people. For instance, the expansion of the Hong Kong Disneyland (HKD) and the Ocean Park in recent years had helped to enable the two popular tourist attractions to receive more visitors. Mr James TIEN of the HKTB added that HKTB had made proposals to the Government regarding enhancement of the ancillary facilities for certain tourist spots.

39. Mr YIU Si-wing enquired whether the Government and the HKTB would consider putting in more resources to develop the tourist attractions with great potential, e.g. the outlying islands and Sai Kung, so that visitors would not only concentrate in established tourist spots such as the HKD and Ocean Park. Mr YIU enquired when the Government's report on the assessment of Hong Kong's capabilities in handling an increasing number of visitors would be available.

40. C for Tourism remarked that the Government was assessing the overall capacity of Hong Kong to receive an increasing number of visitors. The areas taken into account include the handling capacity of the boundary control points, receiving capacity of tourist attractions and the public transport system, supply of hotel rooms, etc. with a view to striking a balance between the economic development brought about by a thriving tourist industry and its impact on the daily life of local residents. He supplemented that the Government placed much importance on the development of new tourist attractions, such as green and cultural tours in the New Territories and the outlying islands.

41. Mr Ronny TONG was concerned that the rate of increase of overnight visitors was much lower than the overall rate of increase in the number of visitors. Mr TONG enquired whether this phenomenon was a result of the shortage of

hotel rooms and whether the supply of three- and four-star hotel rooms was adequate to meet the demand.

42. C for Tourism remarked that the Government attached great importance to the development of hotels to meet the demand of the increasing number of visitors. He pointed out that the existing 211 hotels provided about 67,000 rooms. The number of hotel rooms would be increased by 16,000 to about 83,000 in 2017. Recently there were quite a number of applications for redevelopment of buildings into hotels which would help meet the demand for hotel rooms. C for Tourism said that about two-third of the rooms were provided by three- and four-star hotels.

43. Given that the cruise terminal at Kai Tak would soon commence operation, Mr WONG Ting-kwong enquired about the progress in discussions with the cruise companies and neighbouring ports regarding the use of Hong Kong as the home port for cruise trips, and the development of Hong Kong as the hub for multi-destination cruise travel.

44. C for Tourism remarked that the cruise terminal in Kai Tak, which would commence operation in June 2013, would help the diversification of Hong Kong's tourism industry. The Government and the HKTb had put in a lot of efforts to develop Hong Kong as a home port for cruise travel and as a hub for multi-destination travel. The HKTb had collaborated with the cruise companies to set up a promotion fund for promoting Hong Kong as the hub for cruise travel. The Government and the HKTb would collaborate with the neighbouring ports to develop attractive and multi-facet cruise travel programmes for tourists.

Mega Events Fund (MEF) sponsorship

45. Mr Paul TSE remarked that like other places in the world, Hong Kong should welcome the increase in tourist arrivals. The present issue of insufficient facilities, especially in retail facilities, was a result of the lack of foresight on the part of the Government. Mr TSE opined that the HKTb should work independently in promoting Hong Kong as a tourist centre. Mr TSE enquired about the role of the Government in the controversy surrounding the sale of tickets for the visit of the Manchester United football team which was sponsored by the MEF.

46. C for Tourism remarked that the MEF had sponsored \$8 million for the visit of the Manchester United football team, in order to promote Hong Kong as a venue for hosting major international events and to attract more tourists to visit Hong Kong. The sponsorship of the MEF constituted less than 25% of the overall budget for the event. The sponsorship was given on the condition that 4,000 admission tickets for the football match would be reserved for HKTb's

overseas promotion to attract overseas visitors. The overall ticketing arrangements were made by the organizer. After the event, the organizer had to submit a report to the MEF Assessment Committee, and if the event could not meet the performance indicators, the MEF Assessment Committee could consider reducing the amount of sponsorship. Mr Anthony LAU of HKTB supplemented that the 4,000 tickets would be distributed to travel agents, who had to make an undertaking that the tickets would be used for travel packages attracting overseas visitors to visit Hong Kong and watch the football match.

Promoting Hong Kong as a tourist destination

47. Noting that HKTB would spend about \$30 million on promotion of tours relating to conventions and exhibitions, the Deputy Chairman enquired about the nature of the promotion initiatives vis-à-vis those undertaken by the Trade Development Council.

48. C for Tourism responded that the HKTB had a comprehensive plan to attract overseas companies and organizations to hold conventions and exhibitions in Hong Kong so that the participants would take the opportunity to tour around Hong Kong. These participants usually spent more in Hong Kong than the average visitors. The HKTB collaborated with the Trade Development Council in attracting renowned and quality conventions and exhibitions to be held in Hong Kong, with a view to bringing the utmost benefits to Hong Kong.

49. Mr Anthony LAU of HKTB said that in order to attract the high-spending visitors, the HKTB had spent 95% of its marketing budget in non-Southern China regions and the international markets. The HKTB had also allocated resources in new markets like Russia and stepped up MICE promotion to attract more high-spending visitors.

50. Dr LAM Tai-fai was concerned that while the number of visitors from the Mainland had increased considerably in recent years, the number of visitors from Europe, the US and other emerging markets had dropped. Dr LAM enquired what efforts had been made by HKTB to attract more visitors from overseas countries. Given that Mr James TIEN would retire from the chairmanship of the HKTB very soon, Dr LAM enquired what steps would be taken to ensure the continuity of the efforts made by Mr TIEN.

51. Mr James TIEN of HKTB responded that the HKTB spent about \$50 million respectively for long-haul markets, short-haul markets and the Mainland in promoting Hong Kong as a tourist destination. However, owing to the weak economies in Europe and the US, there was a sluggish increase in visitors from these markets. The increase in visitors in short-haul travels, i.e. visitors from other Asian countries, was also minimal. The major influx of visitors in recent

years mainly came from the Mainland, in particular, Southern China. As in other businesses, the return of investment might not always be proportionate to the extent of efforts made in promotion of the product. Mr TIEN stressed that the achievement of the HKTB was the outcome of the concerted efforts of the Government, members and staff of HKTB and the change of the chairman would not affect the continued good performance of the HKTB.

52. The Chairman enquired about the reasons for the adjustment of the promotion strategy of HKTB in 2013-2014.

53. Mr Anthony LAU of HKTB remarked that HKTB had to adjust its promotion strategy every year in order to meet the situation of different places. The major target of the promotion work in 2013-2014 would focus on areas other than Southern China. HKTB would continue to use 70% of its promotion resources on overseas markets, in particular the new markets such as Russia and India.

54. The Chairman thanked Mr James TIEN for his work as the Chairman of the HKTB in the past several years.

VI Update on Hong Kong Disneyland

(LC Paper No. CB(1)565/12-13(05) —Administration's paper on Update on Hong Kong Disneyland

LC Paper No. CB(1)565/12-13(06) —Paper on Hong Kong Disneyland prepared by the Legislative Council Secretariat (background brief))

55. Mr Andrew KAM, the Managing Director of HKD, briefed members on the operation of HKD in 2011-2012, by highlighting the salient points in the paper.

Operating and financial performance

56. Dr Elizabeth QUAT pointed out that HKD made a profit similar to that of Ocean Park despite HKD's receiving a large income from its hotels. Dr QUAT asked whether the relatively low profit made by HKD was a result of high operating expenses, and if so, whether HKD had plans to control its operating expenses. Dr QUAT further enquired about the Government's stance about the prospect that its investment in HKD could not be recovered in the near future.

57. Mr Andrew KAM of HKD remarked that the amount of HKD's earnings before interest, taxes and depreciation and amortization in 2011-2012 amounted to \$876 million, but a substantial amount had to be subtracted from it for depreciation and amortization since the development of the HKD had involved an investment of more than \$20 billion. C for Tourism remarked that for the first time HKD had recorded a profit in 2011-2012 and the operation environment of HKD had been improving all the time. The investment in HKD should be viewed from a wider perspective as HKD had generated enormous economic benefits to Hong Kong since its inception 2005.

58. The Deputy Chairman enquired about the current financial arrangements for the HKD, including the payment of management fees, royalties and interest for the loans attributable to Walt Disney Company (WD).

59. Mr Andrew KAM of HKD remarked that in the past WD had waived the management fees for the HKD and allowed HKD to defer the payment of royalties. HKD would need to pay the royalties according to an agreed performance-based formula with WD. The revolving loan provided by shareholders of HKD was for contingency purpose for the development of HKD and the interest charged was relatively favourable.

60. Mr Paul TSE enquired about the progress of the plan to link up HKD by ferries with the Skypier at the Hong Kong International Airport. Mr TSE further enquired about the current situation in the Park regarding the cultural conflicts between visitors from the Mainland and local people.

61. Mr Andrew KAM of HKD remarked that a large number of visitors of the HKD came from the western part of the Pearl River Delta and that if a ferry service between the Park and the Skypier was provided, visitors to HKD would save considerable travelling time. Discussion was still being made with the relevant authorities regarding the proposal. Mr KAM said that HKD staff members were well trained to serve visitors from different places, including those from the Mainland, and instances of cultural conflict among visitors were rarely encountered at present.

62. In response to Mr WU Chi-wai's concern about the nuisance caused by HKD's firework display to nearby residents, Mr Andrew KAM of HKD remarked that HKD had been monitoring the air quality in connection with the firework display and found that the results had been satisfactory.

Admin 63. At the request of Mr WU Chi-wai and the Chairman, the Administration and HKD undertook to provide information on the formula for calculation and the amount of management fee payable to the WD since the opening of the HKD.

64. Mr YIU Si-wing expressed concern that the Ocean Park had to stop admission twice due to over-crowdedness during the Chinese New Year holidays. In view of the advent of the public holidays starting 1 May, Mr YIU asked whether any precautionary measures would be taken to guide the visitors in case the HKD and Ocean Park had to temporarily suspend admission because of an excessive number of visitors.

65. C for Tourism remarked that before any long public holidays and festive occasions, the Tourism Commission would liaise with operators of major tourist attractions to draw up measures to deal with the anticipated large number of visitors. During the past Lunar New Year holidays, the Ocean Park dealt with an excessive number of visitors in an orderly manner by implementing various contingency measures, e.g. making public announcements at the MTR Admiralty station to advise visitors about its temporary closure due to over-crowdedness. Similar contingency measures would be taken in all other tourist attractions to guide the visitors where appropriate.

Expansion plan

66. Mr WONG Ting-kwong enquired whether the next phase of the expansion of HKD would include hotel development and whether there was land at HKD for further expansion.

67. In response, C for Tourism said that the Government and HKD were considering the next phase of expansion of HKD, including hotel development and that land was available at the existing site of HKD for its further development. The Government planned to brief the Panel on the further expansion plan later in 2013. Mr Andrew KAM of HKD supplemented that HKD had been considering a number of proposals for new attractions under the expansion plan. HKD and the Government would carefully consider the options before drawing up the final expansion plan.

68. Mr Michael TIEN enquired whether the Government and HKD had assessed the impact of the Disneyland in Shanghai on HKD and whether land was indeed available for the continuous expansion of HKD to enable it to become a truly first class theme park. Mr YIU Si-wing echoed Mr TIEN's concern.

69. C for Tourism reiterated that the Government and HKD had already started the plan for the further expansion of the HKD in order to maintain its competitiveness and attractiveness. In addition, HKD had also enhanced its promotion work in the Mainland, particularly Southern China, and in the Asian region with a view to attracting more visitors to the Park.

Staffing

70. Dr Fernando CHEUNG expressed concern that HKD employed only about 60 employees with disabilities, making up about 1% of the total staff strength. Dr CHEUNG enquired whether HKD had any plan to increase the number of staff with disabilities. Mr WU Chi-wai shared Dr CHEUNG's concern and asked whether HKD had laid down a ratio for employment of persons with disabilities. Dr CHEUNG was also concerned that HKD staff were not paid for their lunch hours.

71. Mr Andrew KAM of HKD responded that currently HKD employed 76 staff with disabilities. Under the apprentice scheme introduced in 2007, 20 disabled persons were recruited each year for training so that they might take up employment in HKD. The quota for the scheme would be increased to 30 in 2013. Persons with disabilities might also be recruited through the normal recruitment exercises. Based on HKD's assessment, about 3,000 of some 4,000 posts in HKD were suitable for disabled persons, and HKD aimed to increase the ratio of staff with disabilities to 3.5%, which was a relatively high ratio among enterprises in Hong Kong. Mr KAM said that the arrangement regarding payment during lunch hours to HKD staff was in compliance with the local employment legislation.

72. Given that there were staff vacancies in the HKD, Mr Michael TIEN asked whether consideration would be given to providing shuttle bus services, either by a bus company or by HKD itself, between Tung Chung and HKD so as to tap the manpower resources in Tung Chung. Mr WU Chi-wai echoed Mr TIEN's concern.

73. Mr Andrew KAM of HKD responded that HKD had liaised with the relevant bus company for provision of the shuttle bus service and the bus company was still considering the proposal based on commercial principles.

Admin 74. At the request of the Chairman, the Administration and HKD would provide information as to whether HKD would consider arranging and/or providing shuttle bus service between the Park and Tung Chung in order to tap the manpower resources in Tung Chung area.

Conclusion

75. The Chairman said that in order to further enhance its appeal to the visitors, HKD should continuously expand to provide more attractions. Transport arrangements, in particular, the transport services linking the tourist attractions with the future express railway line, was of paramount importance to uphold the attendance of the theme park.

76. C for Tourism responded that HKD had a plan to build more attractions and hotels at the existing site. The Panel would be briefed on the details of the plan in due course.

**VII Scheme of Control Agreements with the two power companies —
Interim Review in 2013**

(LC Paper No. CB(1)583/12-13(01) —Submission from CLP Power
Hong Kong Ltd

LC Paper No. CB(1)626/12-13(01) —Submission from Federation of
(tabled and subsequently issued via Hong Kong Industries
email on 26 February 2013)

LC Paper No. CB(1)626/12-13(02) —Submission from West
(tabled and subsequently issued via Kowloon Environmental
email on 26 February 2013) Protection Association

LC Paper No. CB(1)626/12-13(03) —Submission from Hong Kong
(tabled and subsequently issued via Professionals & Senior
email on 26 February 2013) Executives Association

LC Paper No. CB(1)626/12-13(04) —Submission from The
(tabled and subsequently issued via Association of Hong Kong
email on 26 February 2013) Professionals

LC Paper No. CB(1)626/12-13(05) —Submission from Democratic
(tabled and subsequently issued via Alliance for the Betterment &
email on 26 February 2013) Progress of HK

LC Paper No. CB(1)626/12-13(06) —Submission from The 30S
(tabled and subsequently issued via Group - Environment & Energy
email on 26 February 2013) Working Group

LC Paper No. CB(1)626/12-13(07) —Submission from Civic Party)
(tabled and subsequently issued via
email on 26 February 2013)

Submissions from organizations/individuals not attending the meeting

- (LC Paper No. CB(1)539/12-13(03) —Submission from HK Society for the Study of Nuclear Radiation
- LC Paper No. CB(1)565/12-13(08) —Submission from Mr YEUNG Wai-sing, Eastern District Councilor
- LC Paper No. CB(1)565/12-13(09) —Submission from Dr C W TSO, Adjunct Professor, School of Energy and Environment, City University of Hong Kong
- LC Paper No. CB(1)565/12-13(10) —Submission from Mr Eugene FONG Yick-jin
- LC Paper No. CB(1)571/12-13(01) —Submission from Safety Electrical Consulting Limited
- LC Paper No. CB(1)571/12-13(02) —Submission from Mr HO Sau-mo
- LC Paper No. CB(1)583/12-13(04) —Submission from a deputation (國基工程有限公司)
- LC Paper No. CB(1)597/12-13(02) —Submission from the Hong Kong Shatin Industry & Commerce Association Ltd.
- LC Paper No. CB(1)597/12-13(03) —Submission from Consumer Council
- LC Paper No. CB(1)626/12-13(08) —Submission from Hong Kong Federation of Restaurants & Related Trades
(*tabled and subsequently issued via email on 26 February 2013*)
- LC Paper No. CB(1)626/12-13(09) —Submission from Hong Kong Electrical Contractors' Association Limited
(*tabled and subsequently issued via email on 26 February 2013*)

LC Paper No. CB(1)626/12-13(10) —Submission from New Territories Association of Societies
(*tabled and subsequently issued via email on 26 February 2013*)

LC Paper No. CB(1)655/12-13(01) —Further submission from the Hong Kong Shatin Industry & Commerce Association Ltd.)
(*subsequently issued via email on 1 March 2013*)

Other relevant papers issued previously

(LC Paper No. CB(1)83/12-13(01) —Submission on the Scheme of Control Agreements 2013 Mid-term Review and the Annual Electricity Tariff Reviews from Friends of the Earth (HK) dated 19 October 2012

LC Paper No. CB(1)83/12-13(02) —Submission on the Scheme of Control Agreements 2013 Mid-term Review and the Annual Electricity Tariff Reviews from Greenpeace dated 20 October 2012

LC Paper No. CB(1)169/12-13(01) —Submission on the Scheme of Control Agreements 2013 Mid-term Review from a deputation (反核之眾(聯盟)) dated 13 November 2012

LC Paper No. CB(1)201/12-13(01) —Administration's response to the submission on the Scheme of Control Agreements 2013 Mid-term Review from a deputation (反核之眾(聯盟)) dated 13 November 2012 as set out in LC Paper No. CB(1)169/12-13(01)

- LC Paper No. CB(1)189/12-13(03) —Administration's paper on the Scheme of Control Agreements with the two power companies – interim review in 2013
- LC Paper No. CB(1)189/12-13(04) —Paper on Scheme of Control Agreements with the power companies prepared by the Legislative Council Secretariat (background brief)
- LC Paper No. CB(1)400/12-13(01) —Submission on 2013 Tariff Reviews with the two power companies from Greenpeace
- LC Paper No. CB(1)482/12-13(01) —Administration and the two power companies' response to the submission from Greenpeace on 2013 Tariff Reviews with the two power companies as set out in LC Paper No. CB(1)400/12-13(01)
- LC Paper No. CB(1)445/12-13(02) —Submission on the Scheme of Control Agreements 2013 Mid-term Review from Friends of the Earth (HK) dated 16 January 2013))

Welcoming remarks by the Chairman

77. The Chairman welcomed deputations/individuals, the Administration and representatives of the two power companies to the meeting. He said that the purpose of the session was for the Panel to receive the views of the public on the 2013 interim review of the Scheme of Control Agreements (SCAs) with the two power companies. The Secretariat had circulated the written submissions received so far to members for perusal. Each deputation/individual would be given three minutes to present their views. He reminded the deputations/individuals that when addressing the Panel during the meeting, they were not covered by the protection and immunity under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) and their written submissions were also not covered by the said Ordinance.

Presentation by deputations*World Green Organization (LC Paper No. CB(1)539/12-13(01))*

78. Dr William YU, Chief Executive Officer of World Green Organization (WGO), said that the Government should impose more stringent limits on energy saving targets for the two power companies in the review of the SCAs, without incurring additional financial burden on the customers. The level of return for the two power companies should be linked to the productivity of the companies, with a view to reducing their operating costs. The two power companies should enhance transparency of their operations. The Government should consider comparing the cost-effectiveness of renewable energy produced in Hong Kong and that produced in the Pearl River Delta area. The reserve capacity of the two power companies, which was in the region of 20% to 30%, was on the high side in comparison with that of overseas power companies. The Government should consider the WGO's proposal to set up a "natural gas price stabilization fund" and inject \$3 billion into the fund every year to help stabilize the tariff level. Given the expiry of SCAs in 2018 and the need for making a decision before 2016 as to whether the electricity supply market should be opened up, WGO proposed that the Government should now work out different scenarios of the best fuel mix, the emission control level, and the reasonable level of tariff, and should assess the impact of the tariff increase on the inflation rate and its chain effect on the relevant trades and industries. Before the expiry of the SCAs in 2018, the Government should invite experts, scholars and stakeholders concerned to discuss the policy on electricity supply in future years. WGO expressed support for both the sustained economic development of Hong Kong and environment protection.

Friends of the Earth (HK) (LC Paper No. CB(1)597/12-13(01))

79. Ms Frances YEUNG, Senior Environmental Affairs Officer of Friends of the Earth (FoE) said that the interim review of the SCAs should focus on energy saving, in particular in the use of natural gas, which in turn would reduce the pressure on tariff increase. The long term electricity supply policy should focus on the fuel mix. The existing terms in the SCAs for energy saving should be refined in order to achieve concrete results in energy saving as they did not have any binding effect at present. FoE proposed that the target under the SCAs for energy saving should be increased from about 0.03% to 0.04% of the overall electricity supply capacity of the two power companies to at least 1%. The SCAs should provide more incentives to encourage the two power companies to save energy. Savings from such initiatives should be used for reducing the tariff. Sanctions should be imposed on the power companies if they could not attain the energy saving target, and these might include the reduction in the level of return. The power companies should be required to assist the low income households to

achieve energy saving.

Kwai Chung South Resident Association

80. Mr CHENG Kwok-kee, Vice Chairperson of Kwai Chung South Resident Association, said that the two power companies had monopolized the electricity supply market and made huge profits each year. Mr CHENG opined that the power companies should shoulder their social responsibility and refrain from making the maximum permitted return of 9.99% under the SCAs. In view of the anticipated increase in the expenditure for natural gas, and in the absence of the rent and rates rebate in future years, the Government should aim to reduce the permitted level of return under the SCAs to below 9.99%. In the long term, the Government should introduce energy saving measures, such as increasing the tariff rate for consumers using a large amount of electricity, e.g. the airport, the railway company and large shopping malls. In view of the high cost of natural gas and the pollution problem caused by using coal for generation of electricity, the power companies should increase the use of nuclear power in a safe manner, which would help bring down the tariff and improve the environment.

*Federation of Hong Kong Industries (FHKI) (LC Paper No. CB(1)626/12-13(01))
(tabled and subsequently issued via email on 26 February 2013)*

81. Mr Jimmy KWOK Chun-wah, Deputy Chairman of FHKI, stated that the stable and safe supply of electricity was of paramount importance to Hong Kong. The Government should review the maximum permitted return rate of 9.99% in the review of the SCAs in order to ensure that electricity tariff was at a reasonable level. A balance should be struck between ensuring a reasonable level of tariff and an appropriate level of emission. The pace for using natural gas for generating electricity should be gradual so as to alleviate the pressure on tariff increase. The emission targets set by the Government for 2020 were too ambitious, and should follow the standards set by the Central Peoples' Government. The increased use of nuclear energy for generating electricity was a feasible option as it would help stabilize the tariff level. The tariff level for non-peak periods, e.g. Saturdays, should be adjusted downwards so that enterprises would adjust their operating hours and the maximum capacity of the power companies could be reduced, which in turn would result in lower tariff. The Government and the two power companies should not apply the progressive tariff structure across the board. The Government should open up the electricity supply market so that consumers would have freedom in choosing the electricity supplier.

Hong Kong General Chamber of Commerce (LC Paper No. CB(1)565/12-13(07))

82. Mr Watson CHAN, Senior Director of Hong Kong General Chamber of

Commerce (HKGCC), said that HKGCC supported a clear energy policy, and adequate control on the emission of the power companies. While ensuring a stable supply of electricity, the tariff should be affordable by the general public. A comprehensive energy policy should take into account the economic, environmental and social needs of the community, providing choices on the use of energy and achieving the aim of saving energy. Based on "the user pays" principle, the tariff structure should reflect the needs of different sectors, the need for saving energy and the affordability of the community. Customers who contributed to energy saving should be rewarded with the most favourable rate of tariff. Public health should be the top priority in setting out the terms of the SCAs, while the development of commerce and industry should also be taken into account. The Government should map out a long term environmental protection strategy in relation to electricity generation. The reduction in the use of coal for electricity generation was a move in the right direction. The Government should publicize the impact on tariff of different scenarios of fuel mix for generating electricity, so that the community could provide views on the fuel mix. The Government should encourage and assist members of the public and enterprises to save energy. The tariff structure should be set with a view to encouraging energy efficiency, helping to manage the demand for electricity at the peak periods, and catering for the needs of large organizations such as hospitals, universities and public transport providers. The tariff levels should be set after wide public consultation, and the enterprises should be given time to adapt to any new tariff structures and levels.

Greenpeace (LC Paper No. CB(1)539/12-13(02))

83. Mr Prentice KOO, Senior Campaign Officer of Greenpeace, said that SCAs had not placed sufficient responsibilities on the two power companies which transferred all the costs for the stable supply of electricity, environmental protection, reduction in emission, etc. to their customers. The SCAs had not clearly spelt out the responsibilities of the power companies, who simply acted like intermediaries pocketing the huge profits of electricity generation. The power companies should shoulder their social responsibilities such as assisting their customers to save energy, and the Government should ensure, by way of the SCA review, that the power companies performed their social responsibilities. The power companies should set the energy saving target at 1% of their total sales of electricity. The Government should aim to review the terms of the SCAs in order to ensure the terms were fair and would promote environment protection.

Ms Christine FONG Kwok-shan, Sai Kung District Councilor

84. Ms Christine FONG, Sai Kung District Councilor, expressed concern that there was a negative balance in the fuel charge account of the power companies. Ms FONG pointed out that in the Pearl River Delta area, the electricity supply

market was separated from the electricity transmission network, and Hong Kong should follow suit. The tariff structure should be set in a manner where customers using less electricity would pay a lower rate of tariff. The power companies should assist customers, in particular those in the new districts and/or involved in developing new enterprises, in saving energy. The permitted rate of return of 9.99% was extremely lucrative in view of the low interest rate situation, and the power companies should contribute to the well-being of the community through the tariff arrangement. The stability of electricity supply was questionable, as seen in the new towns and some remote areas, and this should be a subject for review.

Professional Power

85. Mr Winston LEE, Secondary Convener of Professional Power, said that during the review of the SCAs, the Government should first review the fuel mix as the power companies could transfer the increase in fuel costs to the customers. The fuel mix should take into account factors such as safety, environment protection and social justice. The SCAs should empower the Government to monitor the investments made by the power companies which were used for calculation of the permitted rate of return. The Government should carefully monitor the investments made by the power companies on renewable energy so as to protect the interest of the community.

Dashun Policy Research Centre (LC Paper No. CB(1)583/12-13(02))

86. Dr Raymond HO, Chairman of Dashun Policy Research Centre, said that as the standard of living improved, the demand for a stable and safe supply of electricity had increased. The permitted rate of return had decreased from 13.5% to 9.99% in the existing SCAs and the two power companies had improved their facilities and the level of emission from electricity generation. The Government should draw up a long term strategy and target in reviewing the existing SCAs. The international fuel market was extremely volatile and the Government should as soon as possible consult the public and relevant parties on the fuel mix for generation of electricity. Once the fuel mix was set, the Government could liaise with the authorities in the Mainland to construct the infrastructure for supply of electricity. Hong Kong residents had to make a choice between a better air quality and a lower electricity tariff, and all concerned parties had to work together to make the right choice.

Hong Kong Energy Studies Centre, Hong Kong Baptist University (LC Paper No. CB(1)583/12-13(03))

87. Professor Larry C H CHOW, Director of Hong Kong Energy Studies Centre, Hong Kong Baptist University, said that in drawing up an energy policy,

the Government had to ensure a stable supply of electricity, an affordable tariff for the community, and an appropriate fuel mix to meet the environment protection requirements. Electricity supply in Hong Kong was stable and the tariff was lower than many major cities. To improve the efficiency for electricity generation, more initiatives should be made to encourage energy saving. An appropriate tariff structure would help encourage energy saving, and all relevant parties had to work together to maximize the efficiency of electricity generation.

Mr CHEUNG Sau-yin

88. Mr CHEUNG Sau-yin expressed concern that the power companies were in effect guaranteed profits under the SCA arrangement. The regressive tariff structure did not encourage energy saving. Residents on Hong Kong Island had to pay a higher tariff than those in Kowloon. The Government and the power companies should step up measures in saving energy.

Youth Committee of the Liberal Party

89. Mr Dominic LEE, Chairman of the Youth Committee of the Liberal Party, said that the increase in tariff had added pressure on the livelihood of the public. Mr LEE said that it was unfair to put the blame on the small and medium enterprises for the increase in electricity tariff as the public did not have to subsidize the enterprises in the payment of tariff. Many organizations which consumed a large amount of electricity were providing public services, such as the Government, the Hospital Authority, the Mass Transit Railway Corporation and schools. A progressive tariff structure, if adopted, would add to the operating costs of these organizations which in turn would increase the price of public services. The SCA review should focus on the permitted rate of return and the fuel mix.

West Kowloon Environmental Protection Association (LC Paper No. CB(1)626/12-13(02)) (tabled and subsequently issued via email on 26 February 2013)

90. Mr Harris YEUNG, Chairman of West Kowloon Environmental Protection Association said that given the increasing consumption of electricity, the tariff structure should be so designed as to encourage energy saving. Customers should be given incentives to consume less electricity or use electricity during non-peak periods. A lower tariff for customers who consumed a large amount of electricity would only encourage indiscriminate use of electricity. Arrangement should be made to categorize the customers who consumed a great amount of electricity. For instance, hospitals, public transport companies, the retail and food sectors could be charged at a favourable rate with a view to

lowering the charges of the hospitals and transport fares, etc. The Government should provide subsidy to the use of electrical buses in order to foster the development of Hong Kong, in particular the development in Kai Tak area so that residents in the area could benefit from lower bus fares. The Government should also provide subsidies to the public on electricity tariff so as to reduce their pressure from inflation. The use of natural gas for generation of electricity would help to improve the air quality.

Hong Kong Professionals & Senior Executives Association (LC Paper No. CB(1)626/12-13(03)) (tabled and subsequently issued via email on 26 February 2013)

91. Mr Lesly LAM Lik-shan, Executive Committee Member of Hong Kong Professionals & Senior Executives Association, said that the stable supply of electricity was of paramount importance to Hong Kong. The interim review of the SCAs should aim to ensure a stable supply of electricity in an environmental friendly way and the tariff was affordable by the customers. Compared with the situation in major cities like Singapore, the household spending of about 1.7% on electricity was reasonable. If the regressive tariff structure could be applied to non-domestic customers such as hospitals, schools and public transport companies, it would encourage energy saving and benefit the users of such services. Whether the regressive tariff structure should be extended to private enterprises should be subject to further consideration. The Government should draw up its policy on the fuel mix for generation of electricity as soon as possible. The Government should provide subsidy to the underprivileged on electricity tariff, and encourage energy saving and construction of green buildings.

The Association of Hong Kong Professionals (LC Paper No. CB(1)626/12-13(04)) (tabled and subsequently issued via email on 26 February 2013)

92. Dr Eugene CHAN Kin-keung, Chairman of the Association of Hong Kong Professionals, said that a stable supply of electricity was of paramount importance to support the daily living of Hong Kong residents and for the sustained development of Hong Kong. During the review of the SCAs, the Government should aim at maintaining a stable supply of electricity, narrowing difference in the tariff rates of the two power companies, reviewing the tariff structure for the sustainable development of Hong Kong, encouraging energy saving and protecting the environment. The high consumption of electricity of an enterprise might be a result of business expansion bringing job opportunities. Enterprises would attempt to save energy in order to save operating expenses. The Government should conduct a comprehensive review of the electricity supply arrangements with a view to meeting the long term need for the development of Hong Kong. The interim review should aim to draw up an energy policy compatible with the sustainable development of Hong Kong, and a strategy to

encourage energy saving, in particular among the large organizations. The Government should provide an opportunity for public discussion on the regulation of the electricity supply market, including the fuel mix and its impact on the environment and the tariff.

Mr LEE Chi-wing, Shatin District Councilor

93. Mr LEE Chi-wing, Shatin District Councilor, opined that the permitted rate of return of 9.99% for the power companies was too high, and should be reduced to about 6% or 7%. The Government should consider making use of the tariff structure to deal with the problem of light pollution, in particular the companies using large display panels which consumed a lot of electricity. The Government should require the power companies to meet the emission standards in order to maintain good air quality and to step up their efforts in environment protection, such as planting a specified number of trees each year.

Hong Kong Institution of Engineers – Electrical Division

94. Mr Edward LO Wai-chau, representing Hong Kong Institution of Engineers – Electrical Division, stated that the SCA arrangement was appropriate for balancing the interest of different parties. The Government should conduct a public consultation on the review of the SCAs as soon as possible. Any revision of the SCAs should not affect the safe and stable supply of electricity in Hong Kong which was extremely essential for the sustainable development and stability of Hong Kong. The SCAs should aim to strike a balance between a safe and reliable supply of electricity, and a reasonable tariff and protection of the environment. The SCAs should explicitly spell out the target for using renewable energy. Smart metering for calculation of electricity consumption should be used in Hong Kong in order to encourage energy conservation. The Government should formulate a comprehensive energy policy and incorporate it in the SCAs where appropriate.

Democratic Alliance for the Betterment & Progress of HK (LC Paper No. CB(1)626/12-13(05)) (tabled and subsequently issued via email on 26 February 2013)

95. Mr CHAN Kwong-shik, Deputy Spokesman of Commercial & Industrial Affairs, Democratic Alliance for the Betterment & Progress of Hong Kong, stated that during the review of the SCAs, the Government should aim to reduce the pressure on any increase in tariff in the next five years so as to relieve the burden of Hong Kong residents. In addition to the regressive tariff structure and review of the fuel mix, the Government and the power companies should review the incentives scheme for encouragement of energy saving. Given that the consumption of electricity had been on the increase, the Government should aim

to reduce the electricity consumption rate, say, by 1% each year. The power companies should be given incentives and sanctions in meeting the energy saving targets. The power companies should assist their customers in energy saving, such as providing subsidies for replacement of old electrical appliances. Part of the power companies' income from property business should be injected into the Tariff Stabilization Fund. A requirement should be included in the SCAs where any application for increase in tariff had to be endorsed by the Executive Council. The review of the SCAs should cover a review of the permitted rate of return, and re-assessment of the value of the properties and assets of the power companies. All information relating to the review of the SCAs should be released for public scrutiny. The Government should conduct a study on the feasibility of segregating the electricity generation and transmission markets.

The 30SGroup – Environment & Energy Working Group (LC Paper No. CB(1)626/12-13(06)) (tabled and subsequently issued via email on 26 February 2013)

96. Mr Simon LEE, Member of The 30SGroup – Environment & Energy Working Group, said that The 30SGroup was concerned about the disparity in the depreciation periods of the assets of the two power companies. Back in 2003 interim review, when the CLP Power Hong Kong Ltd and Castle Peak Power Company Ltd (collectively referred to as CLP) was allowed to extend the depreciation periods for certain CLP assets, a reduction of electricity tariff of about \$650 million was achieved. If the depreciation periods of CLP's assets could be extended to be on par with that of the Hong Kong Electric Company Ltd (HKE), the pressure on tariff increase would be alleviated. An accountability mechanism should be built into the SCAs whereby a power company found to be responsible for breakdown in electricity supply by an independent committee (formed by representatives of the Government and the power companies and independent experts) should bear the repair cost instead of transfer it to the customers. The performance indicators and the incentive terms in the SCAs should be reviewed in order to enhance the performance of the power companies in areas such as emission control, environment protection and customer service. The Government should consider giving a direct subsidy to the power companies on using green energy so as to relieve the pressure of tariff increase for domestic customers.

Civic Party (LC Paper No. CB(1)626/12-13(07)) (tabled and subsequently issued via email on 26 February 2013)

97. Mr Alvin YEUNG, Chairman of the Economy & Public Affairs Branch of the Civic Party, pointed out that the power companies would transfer the costs for meeting the emission standards to the customers and yet would receive incentives when they met the standards. No sanction was imposed on the

companies if they could not meet the standards. The mechanism should be reviewed during the review of the SCAs. The Government should consider whether a standard should be set for compliance by the power companies in saving energy and using renewable energy. The permitted rate of return should be based on share capital or the gross asset value of the power companies, and there should be a range for the permitted rate of return.

Social Affairs Committee, Hong Kong Federation of Trade Unions

98. Mr MOK Kin-wing, Member of the Social Affairs Committee, Hong Kong Federation of Trade Unions, opined that the permitted rate of return of 9.99% was on the high side and should be reduced, especially amid a low interest rate environment. The reserve capacity of the power companies should also be reduced in order to reduce the tariff. A progressive tariff structure should be adopted so as to encourage the large organizations to reduce their consumption of electricity whereas the tariff for customers who used less electricity should be fixed at a low level. Similar to the arrangement of the town gas company, the two power companies should provide tariff concessions to low income households. The Government should also provide subsidies on electricity tariff to the needy families.

Democratic Party

99. Mr Andrew CHIU of Democratic Party said that the salary increase of employees fell behind the increase in charges of public utilities, especially when CLP predicted that electricity tariff would increase by about 40% in the next few years. More than half of the respondents in a survey conducted by the Democratic Party recently said that the community needed an electricity tariff subsidy most. The Government should open up the electricity market and segregate the electricity generation and transmission market. An Energy Management Board should be set up for formulation of energy policy. The permitted rate of return of 9.99% was extremely high which should be reduced as the cost for raising loans was extremely low. Objective and quantifiable standards should be set for the power companies to comply with the standard for energy saving and emission control. The progressive tariff structure used by CLP should be reviewed in order to save energy.

Response by the Administration and the power companies

100. In response, SEN said that the Government welcomed the views of different parties expressed at the meeting regarding the review of the SCAs. The Government would consider these views as well as those received previously from the public and various parties, including the Legislative Council, green groups and experts in carrying out the mid-term review of the SCAs. SEN noted

that many deputations had expressed the view that energy saving should be encouraged.

101. Mr S H CHAN, Director of CLP, said that the Company was willing to hear the views of all stakeholders on the review of the SCA and provide the relevant background information for reference by the stakeholders. CLP would carefully consider proposals which could ensure the stable electricity supply, environmental protection and a reasonable tariff. The Company would work closely with the Government on the Interim Review of the SCA in accordance with the mechanism set by the Agreement, and undertook to contribute to the long term development of Hong Kong.

102. Mr T C YEE, General Manager (Corporate Development) of HKE, said that the Company welcomed the views of the deputations on the interim review of the SCA, in particular the views on improving the environment and services. HKE would discuss with the Government and communicate with other stakeholders regarding refinements of the SCA, if any, in line with the Government's energy policy.

Discussion

103. Given the high price of natural gas and the high cost of investment in renewable energy, Mr Christopher CHEUNG enquired how the Government could strike a balance between the need for good air quality and a reasonable electricity tariff.

104. SEN said that all parties considered that a good environment with good air quality was of paramount importance to Hong Kong residents, and supported the use of clean fuel. The Government would strive to strike a balance between environment protection and a reasonable electricity tariff level during the interim review of the SCAs.

105. Mr TANG Ka-piu opined that a long term fixed target should be set for energy saving, as even the electricity consumption and tariff of the Government had increased by about 1.8% and 9% respectively since 2007-2008 and the tariff paid by the Government had increased by about 9%.

106. SEN remarked that all parties concerned including the Government should shoulder their responsibility in energy saving. The Government would take note of Mr TANG's suggestion of setting a target for energy saving.

107. Mr Ronny TONG said that when reviewing the SCAs, the Government should at the same time review its policy on regulating the electricity supply market. Mr TONG enquired whether the Government had drawn up preliminary

proposals and a time-table for opening up the electricity supply market.

108. SEN said that there were a number of reviews related to the electricity market in the pipeline. The interim review of the current SCAs would be conducted in 2013, a review of the fuel mix for power generation and an assessment of the power companies' 2014-18 development plans would be held in the coming year, and a review on the regulatory framework for the electricity market after the expiry of the current SCAs would be conducted before 2016. The Government would carefully listen to and consider different stakeholders' views on the issues, and would conduct public consultations as and when appropriate.

109. The Administration was requested to provide information on the progress in the development of the strategy for opening up the electricity supply market in 2018, including the plans for interconnection of the electricity supply networks of CLP and HKE, and the segregation of the electricity generation and transmission markets.

(Post-meeting note: The information provided by the Administration was issued to members vide LC Paper NO. CB(1)772/12-13 on 27 March 2013.)

110. Dr Elizabeth QUAT expressed concern that as the permitted rate of return was based on the asset value of the power companies, the companies would continue to expand their infrastructure in order to earn a higher return. Since all increase in fuel charge would be transferred to the customers, there was no incentive for the companies to save energy. Dr QUAT was also concerned that the tariff would shoot up considerably next year due to the increase in fuel prices. Dr QUAT opined that both incentives and sanctions should be incorporated in the SCAs to encourage the power companies to control emission and save energy, and allow the customers to share the benefits from energy saving. In the long term, the arrangement for calculating the permitted rate of return should be reviewed.

111. SEN said that the Government adopted an open stance in the review of the SCAs and would carefully consider the views from all parties concerned.

112. The Chairman said that the Government should carefully work out the fuel mix for generation of electricity, taking into account the impact of using different fuels on the tariff.

113. SEN said that the Government would consult the public on the appropriate fuel mix in the latter half of 2013.

VIII Any other business

114. There being no other business, the meeting was adjourned at 12:48 pm.

Council Business Division 1
Legislative Council Secretariat
21 June 2013